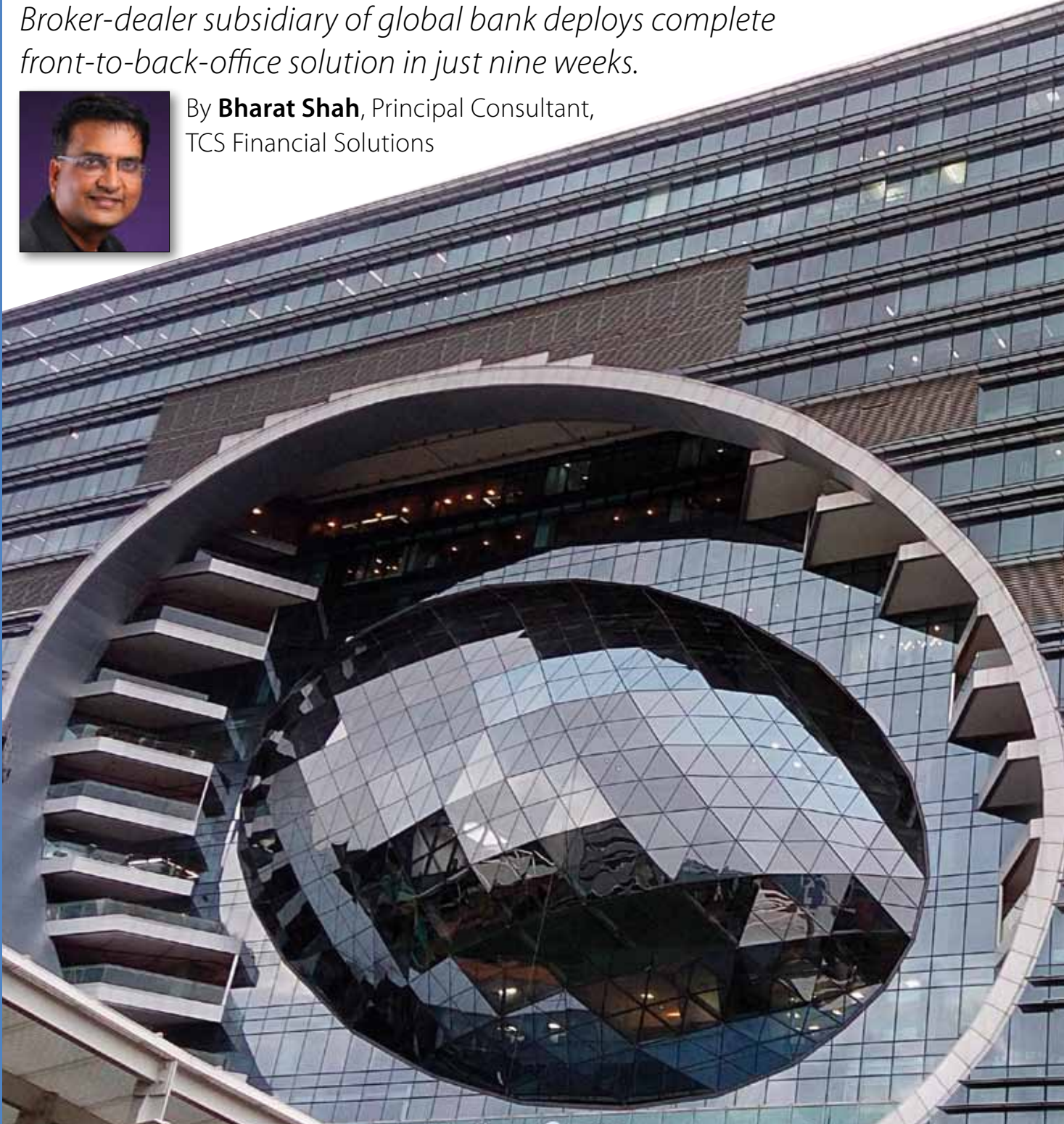


INVESTEC INDIA

Broker-dealer subsidiary of global bank deploys complete front-to-back-office solution in just nine weeks.



By **Bharat Shah**, Principal Consultant,
TCS Financial Solutions





INVESTEC, a South African bank co-listed on the Johannesburg Stock Exchange and the London Stock Exchange, is an international specialist bank that provides asset management services, wealth and investment services, and other diverse offerings for institutional and individual investors.

In 2010 Investec opened a Mumbai office to conduct research on Indian companies and to advise clients on private placements. Through its extensive India-wide network, Investec manages global investments in Indian growth companies in sectors including ecommerce and clean energy.

At the start of 2015, Investec's new objective was to launch an institutional stock brokerage to enable foreign investors to participate more fully in the Indian capital markets. Investec already has broker-dealer operations in other markets, allowing customers to invest in public companies. The goal was to replicate these capabilities into India, delivering a full-service offering to foreign investors with trading services including direct market access (DMA), manually-worked orders and algorithmic trading.

However, Investec's existing securities trading and settlement systems were not compatible with the specific characteristics of India's capital markets. Some of the regulations and market practices are quite different in India — for example, marketplace participants have not yet widely adopted the FIX protocol for exchanging security trading information.

AT A GLANCE

Company

Investec Capital Services India Pvt Ltd

Headquarters

Johannesburg and London

Business Challenge

To connect Investec's global client base to the Indian market through a complete broker-dealer offering.

Solution

Integrated TCS BaNCS solution for clearing and settlement, order management and risk management.





“TCS has demonstrated its ability to respond to any changes in the compliance and regulatory regimes, without delay.”

Mr. Sridhar Vaidyanathan,
COO of Investec Capital Services India Pvt. Ltd.,
a subsidiary of Investec Bank PLC.

Given the unique marketplace, Investec needed to deploy a broker-dealer solution to cater to the complex trading, risk, clearing and settlement capabilities of the Indian markets within a very short timeframe. “The outsourcing of trading as well as clearing and settlement is not very prevalent in India, and the cash equities markets do not yet support third-party clearing,” says Mr. Sridhar Vaidyanathan, COO of Investec Capital Services India Pvt. Ltd., a subsidiary of Investec Bank PLC. “Consequently, we had to search for a local product delivering those capabilities while being tightly coupled with our global systems for seamless trade processing.”

During the selection process for the institutional broker-dealer system, Investec management decided to limit the contenders to those vendors who could provide a single, integrated solution for back-office clearing and settlement, middle-office risk monitoring and front-office trading and order management. Furthermore, the solution had to include direct connectivity with Investec’s existing global systems so that institutional investors could compile a total picture of their global holdings, including Indian securities.

“If we had instead assembled a ‘sum-of-parts’ solution from three vendors, then we would have needed to push data from three customer databases into multiple systems,” says Vaidyanathan. “That’s when we started looking for an integrated solution, and TCS BaNCS fit our requirements very well.”

TCS BaNCS also stood above competitors with a robust architecture capable of handling high volumes at low latency to support execution of algorithmic trading strategies. Because the solution was deployed onto a third-party data center, Investec did not have to invest in additional technology infrastructure.

In addition, TCS BaNCS offered a flexible approach to adapting regulatory changes, which is critical in a fast-evolving market that has seen at least two regulatory changes per month. “Regulatory changes can be very drastic,” says Vaidyanathan. “TCS has demonstrated its ability to respond to any changes in the compliance and regulatory regimes, without delay.”

For example, regulators recently imposed new restrictions on order size that limited how much an investor could invest in a given

sector on an exchange. In response to the new regulation, Investec was able to draw upon the market knowledge of TCS subject-matter experts in order to roll out an entirely new set of parameters. “TCS has experts in each of the key areas of trading, settlement and risk management, and they’ve worked in the industry and understand our language,” says Vaidyanathan.

NINE-WEEK DEPLOYMENT

The deployment began in 2015 and was scheduled to take three months. From start to finish, the deployment process took just nine weeks.

The TCS project management team played a key role in the success of the deployment. “The project managers were stupendous – very hands-on, able to manage multiple stakeholders in a very composed way, and yet moving very fast and efficiently. They understood the requirements and pulled together resources on our behalf without major discussions,” says Vaidyanathan. “Also, the product was completely fit-for-purpose, which also played a key role in the quick deployment as no customization was required.”

Investec has been using the new solution for just under a year, and it has already proven its robustness and scalability.

As an integrated single system for trading and trade processing, TCS BaNCS handles high volumes with low latency with trading on both the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) of India. In addition, the solution supports algorithmic trading and direct market access, enabling better execution for end clients. The solution framework is future-ready, in line with Investec’s growing business need for handling higher volumes, enabling new segments like equity derivatives, delivering low-latency co-location services and achieving other benefits.

From an operational standpoint, Investec has been able to handle higher volumes without having to add significant headcount. This was a key consideration for Investec, which wanted to build a high-volume trading operation with a minimal operational team. “Most of our processes have been automated, and so we’re able to scale up very easily,” says Vaidyanathan. “We’re confident that our clients can trade with ease.” ■

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