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Mr. C. N. Ram

A MOMENT TO TREASURE FOR HDFC BANK

New treasury system helps 13-year-old bank to capture the world's attention

This summer, HDFC Bank issued ADRs on the New York Stock Exchange, raising over \$600 million to fund the bank’s domestic loan portfolio in the fast-growing Indian economy. Incidentally, the move has also raised the bank’s worldwide profile among investors, analysts and observers, with Forbes recently naming the bank to its list of “Asia’s Fab 50 Companies.”

Considering the NYSE listing requirements and the arduous process of Sarbanes-Oxley compliance, it took more than just a quick touch-up for HDFC Bank to prepare for its grand entrance onto the global stage at the young age of 13. The bank was founded in 1994 as the result of economic reforms spearheaded by finance minister Dr. Manmohan Singh, now India’s prime minister, permitting the creation of new, “tech-savvy” banks chartered to compete with the state-run banking sector. Over the ensuing years, HDFC Bank thrived in tandem with India’s economic success, achieving substantial growth and consistent profitability.

Yet by 2005, the bank’s original treasury management system had just about run out of steam, unable to keep up with increasing volumes, reporting requirements and regulatory demands. “The system itself was not scalable, and in terms of its architecture, was quite antiquated,” explains Mr. C.N. Ram, Head – Information Technology at HDFC Bank. “We were obviously in a growth mode, and wanted to offer many products to our customers that the system could not facilitate.”

For a replacement system, the vendor selection committee sought a provider in strong financial health, who could point to satisfied customers and offer solid support capabilities for cost-effective solutions. Functionality was also critical, particularly in

the ability to extending existing systems with new interfaces. On the technology side, the IT department wanted to maintain platform flexibility, to avoid being locked into a single hardware vendor or database. Finally, the committee looked at the cost of acquisition, implementation and maintenance.

In the end, HDFC Bank settled upon **TCS BANCNS** Treasury to manage its domestic and foreign-exchange operations, including back-office connectivity with external interfaces such as SWIFT and Reuters, front-office interfaces for the bank's trading desks, and middle-office reporting for risk management.

Implementation took almost a year, including customization, volume testing, stress-testing and data migration. The training itself was a sizable undertaking, involving people from the front-office, back-office, audit department, financial controller's office, and the IT staff. "It was a fairly long journey," remarks Mr. Ram. "But all's well that ends well."

Now the real fun starts

With **TCS BANCNS** Treasury, HDFC Bank has a system that can handle increased volumes, higher regulatory scrutiny and the challenges of growth.

The scalable, future-proof architecture ensures that HDFC Bank will have the capacity to manage India's expected growth in both industry and services, in anticipation of capturing a significant share of the associated foreign-exchange activity. "The new system has helped us cater to that much added volume," says Mr. Ram. "Because it's a scalable system, we can continue to service high volumes in the future."

Along with increased capacity for new busi-

ness, **TCS BANCNS** Treasury will also help HDFC Bank to shoulder the burden of added regulatory responsibilities as it plays a larger role in the overall economy. "It'll make a difference from a regulatory perspective when the central bank does an audit of our systems," explains Mr. Sudhir Joshi, Treasurer of HDFC Bank. "We're able to provide them with a lot more comfort in terms of how well we are managing our risk – market risk, credit risk and operational risk."

"Our regulatory reporting framework has improved considerably," adds Mr. Joshi. "Earlier, where there was a tendency to 'catch the last bus' in terms of reporting to the regulators, now we're able to do it on a timely basis."

Internal auditing has also been greatly improved by having the ability to maintain control over activities at the dealer desk. On the risk management side, HDFC Bank has just begun to tap into the benefit of having a single storehouse of consistent information regarding treasury-related activities, and has been customizing the system for reports that feed into its risk-management systems and processes.

Prepared for growth

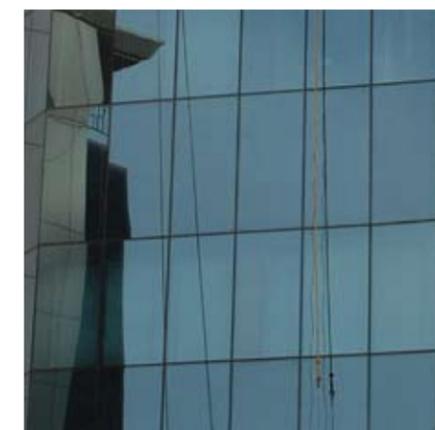
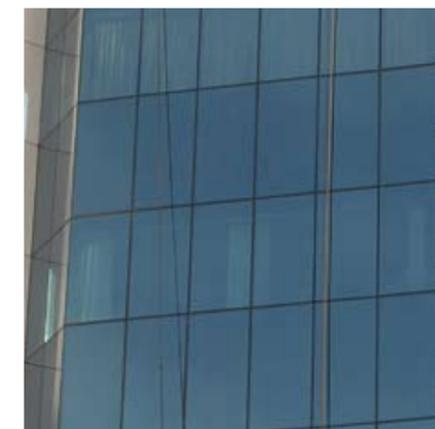
Even with India's GDP expanding at the rate of 10 percent per year and business volumes exceeding 15 percent annual growth, HDFC bank has been achieving even greater growth on its balance sheet. "We've been growing at over 30 percent year-on-year, and we don't see anything to suggest that this rate of growth is unsustainable," observes Mr. Ram. "The opportunity is only limited by our ability to execute."

Adds Mr. Ram, "Growth is the only thing we're looking at now."



Mr. C. N. Ram

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 (July 1994 – Present)
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 SolutionNET India Private Ltd,
 Flexcel International Private Ltd,
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