

cover story



SUNRISE OF A NEW SOLUTION



TCS BANCSS enables South African custodian to race ahead of competitors with online access and STP

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Nedbank Investor Services (NIS) is South Africa's premier single-market custodian, with approximately ZAR1.7 trillion under custody representing an estimated 30 percent of domestic assets. As the leading custodian for the wholesale market, NIS has relationships with over 100 institutional investors including the major retirement funds in South Africa and several global banks. NIS also acts as custodian for institutional investors in Namibia, Swaziland, and Botswana.

In addition to offering custodial services, NIS provides derivatives clearing, investment accounting services, investment analytics, trustee services, regulatory reporting and securities lending.

NIS provides consistent excellence in customer service across all of these offerings due to a core group of knowledgeable staff, cultivated through an extensive talent development program. While high employee retention contributes to business success, the same cannot be said of retaining legacy systems from years past.

In 2005, NIS was informed by its primary technology vendor that its custody solution, first installed in 1998, had reached end-of-life. For the next few years, the technology architecture of NIS was effectively frozen. Still, the business had to meet stringent South African regulations. "Any development, whether on behalf of our clients or for regulatory and compliance purposes, had to be done outside the system," relates Louise Currie, General Manager, Nedbank Investor Services.

NIS had several business requirements going beyond the capabilities of its legacy system. In the front office, clients needed online access for information, reporting and transactions. Meanwhile, regulatory compliance and reporting pressures were mounting with initiatives such as South Africa's "T+3" project to shorten the settlement cycle to three days following a trade. The result was that NIS made the decision to replace its existing systems. "We wanted a vendor that

we could relate to and who understands the local industry dynamics, as well as having the capacity to work with the central depository in South Africa," says Currie. "The vendor would have to come up with a cost-effective solution that meets the regulatory timeline for T+3 and positions the business to keep pace with other market initiatives and business changes."

The search for a new system coincided with the onset of the global financial crisis. "The replacement could not have come at a worse time, as there was a global crisis to contend with and we wanted to spend money on infrastructure and a new system," relates Currie. "We had to have numerous conversations with the Bank's Executive Committee, discussing why at this stage of the crisis, it was a good idea to embark upon new technology spending."

In November 2008, NIS sent out requests for information, which elicited responses from five vendors. NIS then issued requests for proposals. Those RFPs were evaluated on the basis of pricing, capacity, know-how in the South African market, and most critically from an operational standpoint, the ability to deliver seamless migration from the legacy system. "We asked each vendor if we could speak to some of their existing clients to verify their competency at managing migrations," relates Currie. "While the selection competition was fierce, the ability of TCS to demonstrate a significantly superior migration support model set them apart."

The decision to proceed was reached in November 2009, with TCS BANCSS Securities Processing selected to replace the securities and custodial applications at NIS.

March 2010 marked the start of a gap analysis to define the new system. Although the initial timeline specified a four-week analysis phase, once the TCS subject-matter experts delved into the specifics of custody operations in South Africa, NIS and TCS decided to devote more time to the analysis phase. "We spent eight weeks defining the



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solution,” says Currie. “That was one of the defining moments in the project, because it made the difference in terms of TCS understanding exactly what we needed.”

NIS appointed a senior manager with the dual roles of project and product management, responsible for coordinating activities within NIS business units, other Nedbank business areas, the group technology organization at Nedbank, and TCS.

Another distinctive aspect of the deployment was that senior managers were directly involved from the solution analysis phase through to the implementation. For each of the business units involved with product delivery – corporate actions, settlement and clearing, and client services – the senior managers responsible for each business unit were assigned direct responsibility for the success of the deployment. “The senior managers had to engage directly with TCS, coordinated by the project manager, and state exactly what they required with each delivery,” explains Currie. “They were responsible for their own system implementation and delivery.”

The participation of senior management along with the careful deployment schedule made it easier to adapt NIS business processes to the capabilities of TCS BOUNCS. “Instead of us insisting that the new system be adapted to our way of working, NIS adopted the business processes embedded within the TCS BOUNCS solution,” says Currie. “The only changes we insisted upon were those that mitigated specific risks, addressed market-specific requirements or provided short term competitive advantage.”

In February 2011, the solution was ready for early deployment with selected institutional investor clients. “That was another defining moment,” says Currie. “Instead of adopting a ‘big bang’ conversion

approach, NIS made a conscious decision to spread the implementation risk over multiple conversion phases that spanned four months, thereby lowering overall project risk and ring-fencing client and business impact.”

The early deployments provided additional insights into client impact, business impact, and risk management, helping the business to get a better understanding of how the system solution would function in a full-scale production. “As the business head, I ensured that the team focused on finding workable solutions to problems they identified,” says Currie. “In situations like this it was not always smooth sailing for a multi-disciplinary team from two different organizations.”

“The key differentiator in my view was the personal commitment of the team members to a successful implementation rather than short-term personal or organizational objectives,” Currie adds. “This resulted in the major migrations in July and August 2011 being very successful.”

BRIGHT BENEFITS

The TCS BOUNCS Securities Processing solution brings several benefits to NIS, starting with simpler business operations. “Everything that we process is now part of the TCS BOUNCS solution,” notes Currie. “This includes service delivery to clients and our communications with the stock exchange and the central depository.”

The TCS BOUNCS solution provides high levels of STP, powerful workflow management tools, and flexible billing configuration options. “We can be proactive instead of reactive in managing exceptions prior to settlement, which reduces risk and enhances our reputation,” says Currie.

With the upcoming rollout of the TCS BOUNCS Channels solution, scheduled for the last quarter in 2011, external clients will also have web access to information about assets under custody, including up-

to-date corporate actions data. "Once we roll out the web channel solution to our clients, we will leapfrog the competition with a superior solution having transactional capabilities on top of information access."

Because the South African marketplace is characterized by high levels of shareholder activism, the ability for clients to respond to corporate actions has become an essential function. "TCS BANCs now provides us with a solution for proxy voting that meets a huge demand of our clients."

With TCS BANCs, NIS sees several business opportunities on the horizon.

Meeting the T+3 settlement mandate is just one of the regulatory requirements being faced by custodians in the South African market. In addition, NIS clients are facing increasing regulatory demands for accurate and timely reporting on specific holdings and summary positions for risk management. "We believe we can package information in such a manner that our clients will not have to do their own data mining in order to comply with regulatory demands," says Currie. "We're now in a prime position to provide that to our clients."

The flexible TCS BANCs solution also allows NIS to envision new value

propositions for global institutional investors and central banks both inside and outside of South Africa.

In addition, NIS intends to expand its business with major pension funds involved with sovereign partnerships, and is also looking at establishing a prime brokerage service within Nedbank.

Concurrently with the TCS BANCs deployment at NIS, a separate agreement to deploy TCS BANCs has also been reached with the asset management and trust division of Nedbank. This second deployment should open up further linkages and opportunities for the broader organization.

Although expectations are high for the business results stemming from the TCS BANCs implementation, the deployment has already set an impressive benchmark. "The deployment and integration of the new system into the Nedbank environment, and the conversion of our clients onto the new platform, was done on time with no severe impacts on our clients or on the bank, and within budget," relates Currie. "That is a remarkable achievement, which is due to the fact that we were one cohesive team – TCS and Nedbank – together providing a solution and ensuring its success." ■

AT A GLANCE

Company: Nedbank Investor Services (NIS), a division of Nedbank Limited.

Headquarters: Johannesburg, South Africa

Business Challenge: To replace existing securities and custodial applications with a solution providing enhanced STP, reduced costs, a web-based front-end, and extensible workflow capabilities.

Solution: TCS BANCs Securities Processing

FAST FACTS

- Nedbank Investor Services (NIS) has approximately 1.7 trillion under custody, representing approximately 30 percent of domestic assets in South Africa.
- NIS has received frequent top ratings and commendations in the Global Custodian Major Markets Survey.
- NIS is part of Nedbank Group, South Africa's fourth-largest banking group measured by assets, with a strong deposit franchise, the second-largest retail deposit base, a client-centric wholesale and retail franchise and a substantial and growing wealth management offering.