brokerjet beyond borders

*Online brokerage from **brokerjet** subsidiary of Austria's Erste Group expands into Central and Eastern Europe with TCS BαNCS.*

By **Amit Saxena**, Global Solutions Head, Capital Markets, TCS Financial Solutions

In 1999, Vienna-based Erste Group set up a subsidiary to provide online brokerage services to self-directed investors in Central and Eastern Europe. The subsidiary, ecetra Central European e-finance AG, started doing business in 2001 in Austria under the brokerjet brand, expanded to the Czech Republic in 2003 and Slovenia in 2008, and starting offering its services in Poland in 2012.

From the start, brokerjet relied upon TCS with the deployment of Quartz, an earlier version of TCS BαNCS. The Quartz technology was ahead of its time, and brokerjet's positioning as an early adopter allowed brokerjet to capture the top ranking for trading volume on the Vienna Stock Exchange and Top 3 market share in each of the countries served. Growth through 2007 was phenomenal, and not even the global financial crisis could stop the momentum toward increased engagement in online trading in Central and Eastern Europe. In fact, the market was ripe for a well-positioned player, such as brokerjet, to expand.

When brokerjet started planning expansion into additional countries, the limitations of Quartz as a single-country solution became apparent. To support brokerages in multiple countries, brokerjet required a single-solution based on a multi-entity architecture. By extending the capabilities of a single solution across multiple countries, languages, taxation regimes and currencies, brokerjet would be able to benefit from economies of scale and scope, achieving cost advantages versus domestic-only competitors. brokerjet sought further efficiency gains through straight-through processing (STP), improved performance in terms of speed and throughput, and higher customer acquisition and retention rates from faster deployment of new and enhanced functionality.

Michel Vukusic, CEO of **brokerjet**

Alternatives

In 2008, brokerjet narrowed down the possibilities to three very different alternatives. After working on a feasibility analysis and business case for each option, brokerjet determined that TCS BαNCS was the optimal choice. "The most important point was the total cost of ownership for the three alternatives, and this gave a significant advantage to TCS," says Norbert Maier, who was brokerjet's head of project management, operational support, business analysis and implementation, and who now holds a similar role at the parent Erste Group organization. "Additionally, we had 10 years of experience with TCS as our back-office provider, and so we knew that they would deliver."

Even though TCS BαNCS as of 2008 had yet to be deployed at a major European brokerage, brokerjet was nevertheless willing to proceed based on the strength of the company's previous experiences with TCS, backed by a careful engagement model. "We cooperated very closely in terms of the requirements and specifications, and we defined critical KPIs for stability, performance, and quality," says Michel Vukusic, CEO of brokerjet.

brokerjet sent a team to India for a hands-on demonstration of TCS BαNCS in action, and soon thereafter the decision to proceed with TCS BαNCS was finalized in March 2009.

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brokerjet's TCS BαNCS migration team, left to right: Gerfried Francisci, Alexandra Holub, Wolfgang Denifl, Nicole Müllner, Reinhold Fröhlich, Karin Janu

Implementation

Kicking off the transition, the TCS BαNCS team began working with the brokerjet team to capture the business logic embedded in the custom code of the previous solution, and then to translate that business logic into easy-to-modify parameters within the TCS BαNCS solution. The flexible TCS BαNCS architecture makes it possible to capture complex business rules through parameters instead of code, which eliminates the need for programmers to make changes in business rules while also making the solution easily upgradable as new features are developed.

"Once we selected TCS BαNCS, we generated thousands of pages of business process descriptions, and held many workgroups in Vienna to run through those processes with the TCS teams," says Reinhold Fröhlich, who was responsible for functional project management, specification and acceptance tests at brokerjet.

By law, brokerjet has to retain from seven to nine years of client data, which covers just about the entire operating lifespan of the company to date. Thus, the switchover to a new system had to include massive volumes of trading data along with metadata about those trades. "We moved an enormous number of old datasets to TCS BαNCS," says Fröhlich. "With the data, we also had to include much of the business logic as part of the migration."

The extensive data migration was broken into three phases, with the final phase concluding with the go-live date in October 2011.

"We had TCS' key people on-site during migration and for two weeks afterwards, which was important because we were able to solve all of the issues that arose in a very short time," says Alexandra Holub, Head of Business Analysis and Integration, brokerjet. "We had great support from TCS, and working with the domain experts from TCS greatly eased the implementation of the project."

Benefits

Following the successful launch of TCS BαNCS, brokerjet quickly started operations in Poland in December 2011, with widespread PR and marketing in the country starting in March 2012.

The expansion into Poland demonstrates how the multi-entity capabilities of TCS BαNCS allow brokerjet to move quickly into new markets. "The advantage of the multi-entity model is that we don't have to implement a separate system for each country," says Vukusic. "The main business processes across core banking and securities processing– Internet and mobile trading, order routing, order management, clearing, settlement, and custody – are mostly the same."

Preparing for market entry involves setting country-level parameters for local languages and scripts, local regulations for taxation and reporting, and country-level handling of corporate actions. Everything else, including connections to custodians, stock exchanges, and international payments gateways, is already established. The bookkeeping and data storage is kept separate for each country-level entity, even as the technical resources are pooled for easier maintenance and lower-cost operations.

"With TCS BαNCS, we have now implemented our business model for multiple entities with sub-entities, while maintaining total segregation of client and broker funds within those entities," says Holub. "We've brought our brokers, custodians, and correspondents into a complete securities solution with STP and high levels of functionality," says Holub. "We can roll out this concept for any new country in which we decide to expand."

These multi-entity capabilities set brokerjet apart from incumbent domestic competitors in the core region of Central and South Eastern Europe, which tend to offer access either to the domestic market or foreign markets, but very rarely both in a single platform. "We benefit from having one platform where clients can trade across all markets, domestic and foreign," says Vukusic.

In parallel with geographic expansion within the Erste Group footprint, brokerjet also intends to expand the menu of service offerings to include bond trading and savings deposit accounts. "TCS BαNCS facilitates and supports many lines of business, including insurance, business banking, corporate banking, investment banking and regional banking," notes Vukusic. "We're also improving governance and control with stronger support for risk management, compliance, anti-money laundering, and other back-office and middle-office functions."

The new TCS BαNCS system has also enabled an aggressive STP initiative to reduce the total cost of operations and to achieve the best per-client and per-transaction cost structure. "We want to achieve the maximum STP possible, both to continually improve customer satisfaction levels and to lessen the burden on our operations teams," says Fröhlich. "We plan this year to solve the remaining STP issues, which will drive further improvements on the operations side and reduce operations costs for brokerjet."

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Reinhold Fröhlich, functional project management,
specification and acceptance tests at **brokerjet**

Reflections

The decision to go with TCS BɑNCS enabled brokerjet to expand on a faster timetable and with greater control than would have been possible with the other alternatives considered. TCS BɑNCS provides brokerjet with the foundation for a growth-driven business model at a competitive cost structure, in a way that allows brokerjet to control its own destiny. "TCS was the right choice, and if I were in the same position again, it's even clearer now that we would make the same decision," says Maier.

More than just the technological decision, it was the people involved that made the difference. "The TCS executive leadership fully supported the project with whatever we needed in terms of resources, support, and solutions," says Vukusic. "We received a strong commitment from the TCS side."

That commitment was visible throughout the deployment, with both TCS and brokerjet teams working together toward a common goal. "The cooperation we've had with the dedicated TCS BɑNCS team has been fantastic," says Holub. "You have to love what you do, and the people from TCS definitely love what they do." ∎

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AT A GLANCE

Company: brokerjet, founded by ecetra Central European e-finance AG, a subsidiary of Erste Group, with offices in Vienna (headquarters), Graz, Salzburg, Warsaw, Prague, and Ljubljana.

Business Challenge: To support geographic expansion, product-line extensions, higher STP, and improved performance for brokerjet online brokerage.

Solution: Securities trading and core banking solutions from TCS BɑNCS

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FAST FACTS

- **brokerjet** currently serves more than 56,000 customers, with over 1 million trading transactions effected each year.
- On peak days, **brokerjet** processes over 18,000 transactions.
- Trading applications support self-directed investors in stocks, investment certificates, exchange-traded funds and international investment funds; and professional traders with derivatives, FX, currency options and futures.

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