

UniCredit Group: transforming brokerage services

Overview

■ Business Challenge

UniCredit Group subsidiary HypoVereinsbank needed to simplify and streamline the ordering and execution process for its retail equity trading division, which was facing risk and competitive challenges due to largely manual business processes.

■ Solution

The bank partnered with IBM to analyze and integrate the trading division's business processes. Consolidating existing IT assets, the German bank implemented the IBM Valuta-Direct OROM (Order Routing-Order Management) system. This end-to-end, automated trading platform has been adopted by the entire UniCredit Group for use by customers across Europe.



■ Key Benefits

- Consolidates dozens of disparate systems and associated manual workflows into a single, automated solution
- Supports more than 35 markets and multiple currencies, and handles a market volume of almost €700 million per day
- 100 percent system reliability delivered to date
- Enables greater business flexibility and speed to market

“When we add a connection to a new stock exchange in that market, it will automatically become available to all of our millions of customers across Europe, instantly. That kind of responsiveness and flexibility is unprecedented.”

— Johannes Koller, Managing Director of Global Brokerage and Electronic Execution, UniCredit Group

Streamlining complex trading processes and relationships

Business Benefits

- Consolidates dozens of disparate systems and associated manual workflows into a single, automated solution, cutting costs and reducing risk exposure
- Supports more than 35 markets and multiple currencies, and handles a market volume of almost €700 million per day
- 100 percent system reliability delivered to date
- Makes the addition of new sales channels and access to financial markets in other countries simple, enabling greater business flexibility and speed to market
- Automates the entire order execution process, helping to ensure the best possible prices are obtained for customers

“We knew that if we were to remain competitive, we would have to optimize our systems and processes and make them much more streamlined.”

— Johannes Koller

In late 2004 HypoVereinsbank, the second largest banking institution in Germany, was facing a competitive challenge. Its retail brokerage division, which handles trades of stocks and equity-linked products such as futures contracts, bonds and mutual funds—all in multiple currencies—was in need of streamlining. The operation relied on some 16 separate business processes and dozens of separate IT systems. Each of the thousands of transactions handled by the bank for its domestic customers every day had to pass through human hands at some point. Information from one process was manually fed into another, causing slowdowns and exposing the bank to high levels of risk due to the potential for operator error.

“This fact was a key driver of our need for change,” says Johannes Koller, Managing Director of Global Brokerage and Electronic Execution for UniCredit’s Markets and Investment Banking Division. “We knew that if we were to remain competitive, we would have to optimize our systems and processes and make them much more efficient. Our costs were high, but more important than that was our need to increase market share.”

The trading system also lacked the transparency and flexibility that is essential to competitiveness in today’s fast-moving, global marketplace. Making a new channel or stock exchange available to the bank’s customers involved reconfiguring each of the affected systems individually, which caused further risk of disruption to operations.

Untying the process knot

The bank called in IBM to help it transform the brokerage operation from end to end. IBM professionals working from the IBM competency center in Aachen, Germany analyzed the existing business and supporting IT processes, working to unify them into a single, automated process. This consolidated process was enabled by a new, fully integrated supporting software architecture based on the Valuta-Direct OROM order-management platform.

To minimize costs associated with the new solution, the team worked to re-use as many of the bank’s existing IT assets as possible to support the new solution. Integration and dynamic re-use of data was a major focus of the project. The IBM team used a service-oriented architecture approach, building a solution that would not manage any static data on its own, but rather treat data as a service delivered from other integrated components. In this way, the duplication of data and functionality across the entire system is minimized, which gives greater flexibility, performance and less chance of error.

The key advantage of Valuta-Direct is its transparent, automated nature. Orders are accepted by the system from any source, whether online or through manual input, from retail customers or institutions, and are automatically routed to the appropriate bank, exchange or brokerage for execution and settlement. This results in much greater accuracy and faster execution, since all information is fully integrated and almost no manual intervention is needed. Valuta-Direct OROM also ensures the best possible prices are obtained by automatically aggregating orders to create larger single trades; the filled orders are then split apart and allocated to the customer.

The new system could not be implemented in isolation. IBM also helped the bank integrate the new solution with its existing systems to provide seamless, end-to-end functionality. Much of the solution's integration is made possible by IBM WebSphere® Message Broker, which enables communication between the order-management platform and the bank's other systems.

Entering a wider arena

While the solution was being developed—and in part because of its robust capabilities and scalability—HypoVereinsbank was acquired by Italian banking giant UniCredit, one of the largest financial institutions in Europe. UniCredit saw the potential of the Valuta-Direct platform and elected to expand the solution to all of its operations.

The original trading solution was only intended to serve HypoVereinsbank customers. Using it across all of UniCredit Group would take it to a new level, but the system is designed for easy scalability. It went live in Germany in late 2007 and is handling a market volume of almost €700 million per day. Currently, it is being rolled out to all of the 22 countries that UniCredit Group serves.

Making markets more transparent

While the primary driver of the new order-management platform was cost and risk reduction, it is yielding significant competitive benefits. One of the key advantages of the Valuta-Direct platform is that only the business processes and logic are built into the system. Connections to the outside world are shared among processes and are simple to define and change as needed, which gives the system a high degree of flexibility. This is in contrast to the legacy systems, in which links to other organizations such as banks and brokerages had to be embedded into each system separately.

Solution Components

Software

- IBM Valuta-Direct OROM
- IBM WebSphere Message Broker

Services

- IBM Global Business Services
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Transformation at a glance

In order to streamline and consolidate its complex equity trading process, UniCredit Group subsidiary HypoVereinsbank worked with IBM to implement an automated order management system based on the Valuta-Direct platform. The solution reduces risk and improves performance by eliminating most manual intervention while dramatically increasing business flexibility—allowing the bank to quickly and easily gain access to new markets as well as open up new sales channels.



“What we’ve done with the new system is de-couple distribution, order management and market connectivity,” says Koller. “With our old systems, everything was bound up together and very difficult to change. Now, we can easily reach out to new markets and new channels through simple configuration changes. For example, we’re focused on expanding into the growing eastern European marketplace. When we add a connection to a new stock exchange in that market, it will automatically become available to all of our millions of customers across Europe, instantly. That kind of responsiveness and flexibility is unprecedented.”

For more information

To learn more about how IBM can help transform your business and help you innovate, please contact your IBM sales representative or IBM Business Partner.

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1 New Orchard Road
Armonk, NY 10504
U.S.A

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