CASE STUDY: STANDARD BANK OF SOUTH AFRICA

Standard Bank is a leading African banking group focused on emerging markets globally. With assets exceeding R1509 billion [Y08], it is the largest banking group in Africa (by market capitalization) and operates in 33 countries worldwide. The group has been a mainstay of South Africa's financial system for over 145 years. In recent years, led by the Corporate & Investment Banking division, Standard Bank's international expansion has taken it from its southern African base into 17 countries across the continent, and 16 countries outside Africa. Standard Bank's Corporate & Investment Banking division serves a wide range of client requirements around the world for banking, finance, trading, investment, risk management and advisory services. Having developed in line with globalizing capital markets and the growing sophistication in financing requirements in emerging markets, the division has built a deep understanding of the market dynamics in countries with rapidly developing economies.

THE PROBLEM

The objective at the time was to overhaul the banking book collateral operating environment including the business operating model, processes, methodologies and systems. The Bank considered this a strategic imperative in terms of the need for capital efficiency, accurate credit risk management, operational efficiencies, reducing operational risk and optimized pricing. Banking book collateral was loosely defined as all legal and collateral documentation that did not fall within the stricter parameters of normal trading agreements like ISDA's, ISMA's etc.

The CIB business is diversified and spread over a large number of different divisions and geographies without a common system for the recording, housing and valuation all of the banking book collateral documentation being in place. This led to numerous different standards being applied and a lack of consistency. The collateral system in use, in SA, at the time was never designed to be a Collateral Management tool and options to enhance it were limited. Manual workarounds proved difficult and certainly not ideal for Regulatory capital purposes.

THE SOLUTION

One of the primary drivers, at the outset of the Project, was the decision taken that the Bank would look to one system to provide document management capabilities together with its collateral management and valuation requirements. The system also needed to be capable of:

- Operating effectively across different geographical regions and also:
- Being configured as required and as business needs evolved.

The Bank performed its own industry surveys, but learnt about Rockall Technologies' STOC product through word-of-mouth, from one of the London based executives at the time. The Bank followed its standard procurement process which involved requesting proposals from potential vendors based on high level business requirements. The proposals were assessed and two vendors shortlisted. These two vendors were asked to demonstrate the suitability of their solutions utilizing sample cases prepared by the Bank. Rockall Technologies STOC was selected to meet the needs of the bank's requirements with a small amount of customization needed.

Rockall proved very responsive to the Bank's needs and worked effectively with it to add detail to the solution requirements before the license and implementation contract was finally agreed. Despite some constraints, during project execution Rockall adopted a solution seeking approach to address issues as the project dynamics unfolded. Rockall was an effective partner in taking the solution live and assuming its support responsibilities.

The implementation of the first phase of the project was anticipated to last 6 months but it soon became apparent that this was not realistic. With hindsight deferring the Phase 1 implementation to get the basics right turned out to be well worth the effort and ultimately formed a solid foundation from which to consider further enhancements.