

BLG London Has the Market Covered With Help from Constellar

Constellar™ Hub Integrates Multiple Trading and Market Activity Feeds.

A bank can purchase off the shelf systems for managing its business but it depends on the organizations' ability to feed the data from branches and systems throughout the entire bank. Only then can a bank hope to manage credit, market and operational risk effectively.



BLG London uses Constellar Hub to integrate strategic data and systems across the enterprise.

Achieving Straight Through Processing

It is the long-term objective of leading German bank Bayerische Landesbank Girozentrale (BLG) London to achieve straight through processing based on standard settlement instructions and Constellar Hub enables you to do that. At the moment, settlement instructions are checked as they go through to SWIFT for payment, but ultimately this will be eliminated and the dealer will be the only source of human intervention in the whole process. Mark Steele, IT Manager for BLG commented: "Constellar Hub is key to BLG's information technology infrastructure as we move forward into the next millennium."

Economic Upswing Fuels Business Growth

BLG has stepped up its expansion as the demand for credit and treasury services has increased. To support the new growing business, the Bank renovated and enlarged its data processing center in 1996, and moved to a new trading room in the same year. It was against this background that the Bank reviewed its information systems strategy.

Business Drives IS Strategy

The existing system, IBIS, runs on IBM AS/400 and supports all the back office settlement and accounting functions including the general ledger and a SWIFT link. However, it was apparent that the system, which was predominantly paper driven, required a lot of manual intervention with deal tickets passed by the front office to the back office for settlement. Position keepers were employed to maintain trading positions. The amount of manual intervention meant that systems were subject to human error potentially resulting in trading losses and it was increasingly cumbersome to introduce new instruments. The specialist banking consulting organization, TCA, was commissioned to produce an information systems (IS) strategy review recommending systems for the future. The IS strategy review concluded that the existing systems were good and reliable but were reaching the peak of their performance capabilities. In addition, newer systems were needed to handle the treasury sales, interbank, securities and derivatives businesses. The bank recognized it would need new front office dealing systems, which would take information straight to the desks of risk managers and accountants. To automate the treasury sales and interbank business, the Bank selected Devon Forex from Sungard Capital Markets.

The IS strategy review concluded that the Bank also needed to implement a transformation hub to provide a common interface between the existing back office IBIS system and the newer front office Devon Forex system.

In 1996, the bank decided to evaluate two transformation hubs, for data movement and transformation. Constellar was asked to prove the concept by moving and transforming FX trades into the IBIS system. The concept was proven and Constellar Hub was selected for the job. Steele commented: "Constellar Hub was the most flexible and most appropriate product and worked for our needs." BLG spent the next eleven months implementing the new trading system and Constellar Hub. Steele believes this was a good investment. He said: "The real dividend comes now because Constellar Hub will expand and grow with our business, enabling us to plug in new trading systems as we need them."

Implementing the Transformation Hub

Constellar Hub and Devon Forex now support all of the treasury sales and interbank business.

BLG has thirty-five trading positions where five percent of deals are arbitrage deals, and the rest are FX and vanilla money market trades. Trades entered into the Devon Forex system by the trader are passed to the IBIS system in the back office for accounting and settlement purposes. Trades are transformed by Constellar Hub between the front office and the back office. For example, an Investment SWAP constitutes five deals on the back office system but only one in the Devon system. The Constellar Hub holds more than 13,000 clients in

lookup tables. Transformation rules in the hub validate for ridiculous amounts and impossible rates. Such errors provide an early warning of possible input errors.

Steele said: "The new hub system offers reductions in operational risk for the bank by reducing the possibility of keying errors and missed deals."

Other benefits that BLG sees from the transformation hub architecture include:

- Better management of operations due to predictability of systems and processes. Previously, the manual paper driven systems did not provide timely information to management.
- Increased efficiency of operations leading to greater throughput of transactions and greater utilization of resources. The new systems handle greater transaction throughput without needing additional human resources.
- Growth in treasury business. The bank can now handle greater volumes of trades.
- Decreased losses. Constellar Hub provides a seamless interface between the front and back office systems, thus increasing the accuracy of information and reducing losses. The automation of trades from deal entry, through to accounts, the general ledger and then through to settlements has eliminated losses previously incurred due to human error and delays resulting from manual intervention in earlier systems.

Bayerische Landesbank

London Branch

Bayerische Landesbank London is a branch of a leading German bank, Bayerische Landesbank Girozentrale (BLG). The bank, established in July 1972, is fifty per cent owned by the Bavarian Savings Bank Association and the State of Bavaria, respectively. Bayerische Landesbank London Branch is a member of the Securities and Futures Authority.

Employees: 130

Systems: IBIS on IBM AS/400, Devon Forex on Sybase and Sun Solaris



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