

MORE THAN COST SAVING; THE OPERATIONS TOOL TO PROMOTE BUSINESS GROWTH.

The processing objectives of trade operations are to ensure that all valid trades transacted by the bank, are processed and settled on the agreed date for the agreed amount / delivery with the greatest efficiency and the minimum of cost.

Owing to technology restrictions, early trade processing was predominantly manual with specific ledgers providing the data retention for trades.

This was enhanced with external and internal systems that assisted various parts of the processing.

Invariably, these numerous systems required more and more reconciliation. Additionally repetitive exceptions occurred with weak and non-collaborative architecture which meant that operations personnel were hampered in their efforts to streamline both the exceptions and reduce the reconciliation.

Markets generally realised that the best solution was to have a consistent view of the processing and to be able to minimise trade handling by operations staff.

STP became the Holy Grail. However the solutions were fragmented, creating further checks and balances, as they moved away from the primary premise of hands off processing.

Structured Workflow provides hands off processing by taking the responsibility for all entry, update and execution of tasks that are required to complete operations processing objectives.

In other words, Workflow simplifies the processing. Workflow focuses on the actual core tasks and duties. Ultimately, repetitive and redundant activities are removed; exceptions are presented focussed on the whole trade. Costs are reduced and the business finds itself ready to grow.

Workflow arguably is only truly beneficial when it is adopted strategically to provide one process control, monitoring and exception management infrastructure. However this same strategic platform must have the facility to deploy tactical business solutions as it builds towards its strategic goals.

Workflow wholism is the design focus that sound Workflow software and support design should embrace. Time and consideration must be put into the whole product so that its deployment provides a safe, totally scaleable and flexible environment to first reduce costs and then grow the business. This deployment should be delivered in projects of no greater length than 3 months. Each deployment should provide a quick return on investment.

Budget restraints also demand that Workflow should be designed in such a way that the business is able to take the strategic decision to adopt Workflow and then deploy the strategy in short term deliverables that provides an immediate return on investment.

SALES & SUPPORT

9 Botolph Alley
Monument
London EC3R 8DR
ENGLAND

HEAD OFFICE

Kirribilli House, North Lodge Court
South Horrington, Wells,
Somerset BA5 3DZ
ENGLAND

To achieve a true workflow transparency, the business should have access to views for:

1. The overall processing status of each part of the business
2. The status of individual trades
3. Exceptions that have occurred
4. Exceptions that will potentially occur

Processing transparency becomes more essential the more that Workflow becomes entrenched in the day to day activity of the business.

Therefore, there should be predictive monitoring so that operations can react quickly to issues, identify potential bottle necks and provide the best possible service levels to the trading floor and the market.

It is the writer's experience that a commitment to Workflow means a long term commitment to enabling the growth of the business.

There is independent evidence that the fastest and most accurate trades that are delivered to market today achieve this success because of their commitment to Workflow.

WORKFLOW – OPERATIONS STRATEGY – PUTTING THE HORSE BEFORE THE CART

Workflow can replace your existing integration architecture, make redundant duplicate flow activities and provide succinct real time monitoring and accountability within trade operations and settlements. The move to electronic workflow architecture is not a decision to be taken lightly. It is nevertheless a decision that must be taken to compete, indeed survive, in the ever changing financial markets.

Workflow may be implemented through a series of tactical solutions. In fact, any vendor that you intend to work with should be capable of providing tactical solutions while still adhering to the overall architecture. However it is best to determine the business's operational strategy as the first to a workflow environment.

To start, it is essential to consider the operation's major tasks; not necessarily those that are in place but those that are required by your clients and regulators to complete a trade. What exactly are the tasks that operations must carry out to fulfil their duty of timely and cost efficient settlement?

1. Retrieve the trade from the front office
2. Update trading risk if not already completed
3. Book trade
4. Send confirmation
5. Receive and match confirmation
6. Prepare payment instructions
7. Pay away or Pay vs. delivery
8. Update ledgers
9. Advise all related references
10. Reconciliation and reporting

To complete these tasks, internal data retention/processing systems will be required to:

- Manage the risk
- Accept data and process the trade through ledgers

External regional and global systems will manage the interaction between you and your counterparts and/or clients, e.g.:

- SWIFT
- CLS
- Country/Zone Currency Clearer
- Country/Zone Equity DVP
- Country/Zone Securities or Commodities Clearer

All other tasks are, or should be, internally Workflow based.

Now that you have set out the tasks, Consider;

- If the tasks will fundamentally change in anyway in the foreseeable future.
- whether such liquidity enablers as CLS, the pressure of T+0 settlement or BASELIII are going to be factors that will impact the way your operations should respond to trading requirements
- possible acquisitions or mergers
- what other factors do you see will affect your business and its ability to respond to clients and partners

Next look at the systems available to the business; many of the systems, as in the case of confirmation matching, will be duplicated and costly to maintain. Indubitably, this number of different systems creates its own level of support both technically and for the business. Unfortunately more reconciliation.

Worse, this level of fragmentation means that there is not one technology point of trade accountability. Hence there are numerous reconciliations that must be carried out, or other monitoring equipment to ensure that the overall trade settlement is tracked.

Next, consider the role that Workflow may have in your operations environment. Determine the components that will become redundant with the implementation of Workflow.

The following are the criteria we believe should be used to determine the relevance of an activity in a future workflow environment.

1. The activity is not one that should execute on data retention/processing
2. The activity is required as a milestone in the trade flow
3. The activity currently relies on human intervention for more than 10% of its achievement
4. The activity is considered outside the trade flow e.g. master static data update, when it could be an enabler of the activity
5. Compliance must have the ability to see the progression of this task to its next with no break in the flow

These steps are the beginning to effectively exploit workflow in your business.

Despite the numerous discussions that will occur it is essential that strategy is kept to its simplest.

Remember, Workflow is simple, because it is simple it is scalable, because it is scalable your business will be able to achieve cost savings and then growth that few technologies have been able to support.

When choosing your software vendor, consider that it will be a partnership. Full workflow implementation will take a number of years. Not because of the technology, but because your work practices will change,

There are many software vendors in the market so you are spoiled for choice. However, the vendor you choose must be able to provide excellent product, a willingness to continue investment in product, proven sustainable consulting and support but more importantly a corporate desire to act as a business partner as your business grows and changes.

THE EFLOW EXPERIENCE

eflow's software PATH began life as a Workflow product and numerous large bank's can attest to its capabilities.

Workflow will become essential to most trading operations within the next five years. Clients achieve the most out of their workflow platform when their software vendor is integral to the day to day activities of operations.

The downturn in the market's interest in software capital purchases, gave eflow the opportunity to invest in PATH's further evolution and to enable eflow to develop a support model that enables its clients to form true business partnerships; an essential relationship style where a client must come to have considerable trust in its software vendor.

eflow also offers a pay as you go licensing and support pricing model. Clients establish their workflow environment with a one-off licence cost and then usage is monitored from the beginning of production and clients billed accordingly. In most cases this means that clients will achieve a very short term return on investment and then as the workflow evolves, the ROI is evident before the payment is made.

eflow include on site support in the standard pricing package. A qualified workflow and PATH specialist is on hand to assist with workflow design, modelling or training. Each eflow consultant is trained by eflow's training department at least four times a year. The focus of this training is to enable the consultant to most effectively assist the business with the evolving workplace and market. PATH provides all the tools that the eflow consultant will require to satisfy the client's workflow needs.

PATH has 3 components: The toolkit and test hub, the quality assurance hub and the production hub.

The Toolkit has all the tools that the consultant will need to model the workflows. A workflow will generally begin with the standard workflow models mentioned below and will then be configured to embrace the specific task systems that exist within a client's environment.

All models are referenced through a change control. Each time there is a change to the model the change is recorded and stored within the change control enabling users to review their models regressing changes that have failed review.

Our clients have a choice for resourcing and will supplement their own teams with eflow personnel. Invariably as the installation progresses demand for changes by internal clients mean that there will be multiple change controls active at any given time. Within this year's release eflow will enable change controls to be migrated and tested independently of each other thus further reducing costs whilst ensuring that audit acceptance of the Workflow evolution.

PATH provides succinct and real time monitoring of trade activity beginning at the business level (e.g. Foreign Exchange), cascading through various levels down to computer operations individual communication levels and the fully integrated dashboard managing the exceptions as part of the Workflow.

These facilities are available over the LAN or Intranet. Each logon has a 'follow me' colour palette and other personal configurable features.

Monitoring is an essential part of workflow as is auditability. PATH understand its needs for accountability of messages, trades and audits. Every activity from the change controls through the multilayered testing, promotion of models to production and then the individual sessions run through the routing and rules engines. PATH is an auditor's delight!

PATH facilitates simple Workflow modelling by providing wizards and one view communications modelling that reduces even the most complex communications protocols to the simplicity that users of PC's have come to expect. However PATH's range of communications and protocol functionality is as broad as it is simple.



FINANCE WORLD ARTICLE by Marsha Parker

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PATH today supports all industry standard protocols:

TCPIP,SSL,OLE,ODBC,MQSERIES,MQSE,Corba,SOAPSMS,WAP,FILE,X.25,LU6.2, LU2.0 (3270 & 5250), Telnet, Asynchronous, DECNET, Tandem Q.....

PATH also supports the following formats:

XML,HTTP,HTML, FIX, FIXED LENGTH, VARIABLE LENGTH, DELIMITED, KEYWORD, KEYWORD DYNAMIC, ASCII, EBCDIC, SCREEN.....

PATH also has standard adapters for:

Kondor+, MIDAS, CLS, IRIS, CHES, AUSTRACLEAR, RTGS, EMX, OASYS, PORTIA, HIPORTFOLIO, BLOOMBERG, REUTERS DEALING.....

PATH executes Workflow models (pre-dominantly settlement) which are created using the PATH toolkit. These include:

FX, Money Market, Securities, Equities, Commodities, Unit Trust, Standing Data Dissemination...

eFlow and PATH define the best that there is in Workflow; are committed to their clients, their business health and commit to continue their investment in training, product and support to ensure that the experience remains superior.