

Settle down now.....

When a UK investment bank's major settlements system re-engineering project came off the rails it threatened the very existence of the fixed income business of the company. Allen Ruddock describes his experiences as the programme manager brought in to settle things down.

The Background

This programme was a strategic initiative to bring settlement of all corporate and government bonds on to one system. Existing systems were focused on one segment of the product set and weren't flexible enough to respond to the rapidly evolving market the company now found itself in. In particular, the UK Government Bonds (Gilts) system could not be upgraded to handle the Central Gilts Office proposals for automated settlement (CGO2).

The programme was initially structured with two streams of work:

- 1) Replace the settlements systems for corporate bonds; and
- 2) Develop new functionality to meet the CGO2 requirements

A third stream was added when the company's Japanese business moved into the Japanese Government Bonds (JGBs) business in Tokyo. As the new system was designed to be global, it was immediately put live to support this business.

The Problems

Prior to Allen being brought in, the original Programme Manager had resigned and efforts to find a replacement had come to nothing. For two months the programme had been run by a combination of the team leaders and the IT Director. The new system had been live for settlement of bonds in a number of the minor European currencies plus supporting the JGB business in Tokyo. The latter was struggling due to limited functionality and system performance issues, exacerbated by the time differences and limited processing window.

Just before he took over, the team tried to convert the first of the major currencies, Sterling, onto the system. It failed because of data quality issues in the old system so needed to be re-scheduled. However, quarter end was now upon the

programme and the first full reconciliation of the system took place. This threw up major issues with the way the system was accruing interest on bond holdings and how it was calculating the daily P&L for the traders. The latter didn't trust the system and refused to accept further conversions until all problems were resolved.

Solution Stage 1

Faced with more problems than he envisaged when agreeing to take on the job, Allen's immediate priorities were stabilisation and re-building the credibility of the system and the 60+ strong team.

An immediate assessment identified a number of resource issues. The new system was based on a package that was being tailored. The tailoring meant that new releases from the supplier wouldn't work on our code base. It also meant there was a limited resource pool in the outside market with the knowledge to make an immediate impact on the programme. In addition, the permanent staff were wage constrained by the Bank's overall performance and the lucrative contract market was tempting many to change career direction. The programme needed to be a success to keep the permanent staff interested! The keys to this stage were prioritisation and focus.

Working with key business stakeholders Allen prioritised the issues facing the programme and then focused key resources on the most important issues:

- Resources from the supplier were brought in alongside the programme's own team experts to re-engineer the accruals processing;
- A specialist consultancy were brought in to assist with resolving the trading P&L issues;
- The programme's IT operations resources were focused on stability and performance improvement to help the JGB business;
- A recruitment programme to tap short term contract experience and identify longer term

permanent employees was established using all of Allen's extensive network;

- Resources to meet the time-bound CGO2 implementation were ring fenced.

Solution Stage 2 – Additional requirements

A business never stands still and nor do the systems supporting it. With the initial problems stabilised and solutions well on the way to being delivered, the business' focus turned to additional functionality. Top of the list was the JGB business. The specialist requirements were requiring significant manual intervention that needed to be automated away for the business to be profitable. A long term business analysis presence was established in Tokyo to provide the link back to the team in London. In addition, implementation of further infrastructure features were planned that would make the system operate on a regional basis, removing the operating window time constraint.

Next was the repo trading business. The new head of repo trading felt the new system's trading functionality was inadequate to meet the business' needs and wanted another specialist repo trading system implemented. With limited resources in-house, a third party consultancy with experience in the base package used in the main programme and systems integration was brought in to run the project, reporting in to the main programme through a liaison team leader. This approach led to the implementation of another stream of programme activity on time and to budget.

In the meantime, the CGO2 stream came to fruition with the release of the CGO2 code into the main processing environment, paving the way for a successful CGO2 conversion.

What next for the programme? Ever increasing business demands, handling equities as the whole investment bank was re-shaped and then the Euro, but that's another story.....

Lessons learned

- Just when you think things can't get any worse.... - Allen thought he was taking on a programme with out a leader that had just suffered a morale sapping setback. In fact things got much worse. The lesson here is to fully take stock of the problems facing you in a turnaround situation and then plan accordingly.
- It's the people that count – without a skilled and dedicated team the programme could not have been turned round. Catch the team doing things right and reward them. One team member had put in many long days and weekends on the accrual problem. Paying for her to take her husband out to dinner as a thank you gained more loyalty than a bonus of ten times the cost.
- Don't buy the source code to a package – we couldn't take upgrades to the original package because of changes we had made. Therefore, we couldn't take patches to fix problems like the accrual accounting and trading P&L.
- Business support is crucial – understand the business' priorities, present the facts and deliver against your plan and you will get the support you need. Be prepared to walk away if you do all that and the business doesn't support you.
- Beware the balance between contract and permanent staff – over the past few years the balance has swung back in favour of the permanent staff with contractors facing rate cuts and termination. However, where there is a shortage of supply, demand will push up costs. Here we had contractors resigning to get better rates whereas permanent staff got minimal pay rises tempting them into the contract market. Use contractors to resource peaks or particular complete skill sets. Half and half in a general team can be a dangerous mix!

TCL have many years of experience in helping organisations solve their programme and project problems including programme turnarounds like the one described above, programme and project assurance, undertaking feasibility studies and preparing business cases. Contact us for an informal discussion on how we can help your programmes and projects deliver greater benefits.

Transformis Consulting Ltd
Waterloo Business Centre
117 Waterloo Road
London SE1 8UL

David Loveless 020 7902 1152
david.loveless@transformisconsulting.co.uk
Allen Ruddock 020 7902 1153
allen.ruddock@transformisconsulting.co.uk

www.transformisconsulting.co.uk