

International BANKING SYSTEMS

THE JOURNAL OF BANKING OPERATIONS & SYSTEMS DEC 2008–JAN 2009 / ISSUE 18.4

CASE STUDY: SG HAMBROS

SG Hambros's central line

Since being acquired by Société Générale, the business of what was Hambros has had a complete system overhaul centred on solutions from ERI, Touchstone and Odyssey, on a centralised basis



Jean-Pierre Flais
SG Hambros

A centralised systems architecture is vital for efficient operations. The benefits of well connected systems, supporting automated processes, can prove to be a major advan-

tage in troubled times. Whether it's the back office reporting systems or the front office portfolio management software, having a good set of integrated systems is critical. One private bank that has achieved this is UK-based SG Hambros.

SG Hambros is part of SG Private Banking, the private banking arm of Société Générale. The French banking giant acquired Hambros in 1998, and set about integrating it into the group's operations. It has offices in the UK mainland, as well as the Channel Islands, Gibraltar and the Bahamas.

Since the acquisition there has been a complete systems refresh at the bank. When the acquisition was made, the investment management side of the business was outsourced to a SocGen-owned stockbroker. This was brought in-house and new systems were selected to manage the operations.

The bank now uses three main systems to run its activities. On the core banking side it uses ERI's Olympic, for trust services it has Touchstone's Navision, and the system in place for investment management is Triple A Plus from Odyssey Financial Technologies. On top of these it has other satellite systems for areas such as management information and reconciliations. The main touch-point between the three key systems is with Olympic and Triple A. This means that one of the most important aspects for the project was to integrate the front and back office systems.

'In early 2000 a global survey was carried out to choose the private banking standard system for investment management [for the SG Private Banking Group],' explains Jean-Pierre Flais, deputy CEO of the bank. 'We also did a bit of an in-house search, but that survey was understandably led by SG Paris as the view was to have a

common system across the SG Private Banking group.' The result of this search was the selection of Triple A as a group-wide solution.

The implementation of Triple A began in 2001 and the system went live in the summer of 2003. Flais feels that having a common system has brought benefits to SG Hambros. He believes that one of the main gains has been the technical features of the system. 'The portfolio management functionality, the automated rebalancing of portfolios against strategies, performance analysis against benchmarks are obviously key and a prerequisite. But in addition it's given us the ability to make our technical platform accessible from the different locations, it's also enabled us to develop STP and it fits with the overall commercial strategy.' He thinks it has helped the bank combine operational efficiency with flexible customer service.

The bank has taken a hub approach to its systems architecture. All the systems are based in its data centre in Jersey, and the various subsidiaries connect into this. Flais describes this hub approach as 'the cornerstone of our strategy'. He feels this approach has not only brought cost savings, but it has also enabled a concentration of technical ability in one place. On top of this, he feels it has brought more of a platform focus. 'The other side of the hub is that you then don't need to develop an ad hoc system or new platform each time you expand.'

This has been an important factor for the bank due to the acquisitions it has made in recent years. In 2007 it bought the private banking business of ABN Amro in London. It followed this up in 2008 by acquiring the business from the Dutch bank in Gibraltar. Obviously the acquisitions were driven by the commercial side, but according to Flais, one of the rationales behind the deals was to achieve cost efficiencies. 'The ability we had to on-board those new acquisitions to the existing infrastructure has been key.' In both cases it was a process of linking the new business to a platform that was not on site. The bank used the existing

outsourcing arrangements that it had in London and Gibraltar to connect the ABN units into its hub in the Channel Islands. 'From that perspective it was a similar process as when you open a new account and add that new account to the system.'

Having the central hub has also allowed the bank to open a number of new regional offices in England. Flais describes these as not really branches but front-end offices. 'In those cases again we have re-used the platform.'

The hub approach was taken to generate efficiencies on the back office side, but also of importance was that it could be flexible to meet customer needs. 'It is one platform but multiple offers,' says Flais. 'One hub does not mean one size fits all for the clients, on the contrary.' The bank's portfolio managers have 30 investment strategies they can choose between.

One of the main development areas for the bank has been the integration between Triple A and Olympic. And it is this area where Flais believes it has made significant improvements. 'We started with what was only a back-to-front link between Triple A and Olympic, and that was done at the end of the day. What we are putting in place now is the start of automated order management.' This involves a 'real-time interface' that is back-to-front but also front-to-back. 'We're moving from one day

items, implemented across the SG Private Banking Group, combining Triple A and Olympic, provide obvious advantages, and have allowed SG Hambros to enhance its solution in line with its specific needs.

While the integration has been the main development, the bank has also done some important work since the implementation around enhancing its services using Triple A, in particular around the reporting of performance. 'We've done some quite extensive work over the recent years about the reporting, which is something that is particularly key in these times.'

The functionality of Triple A has regularly been enhanced throughout the time the bank has been using the system. Due to this enhancement, Flais describes the system as having clearly met his expectations. 'In terms of what you expect from a system, the technical features, the integration with your overall set-up and the fit with your commercial strategy, these have been met.'

The bank now uses Triple A to manage the investment side of more than 7500 private client accounts, amounting to more than £8.5 billion (€10.4 billion) of assets under management. It has also increased the number of users on the system from 25 to 150, a significant proportion of its 550-strong workforce.

In what are exceptionally challenging times for all financial institutions, Flais

'There's really no margin for error, it's absolutely critical our valuations are clear, accurate and really can be used as effective support to explain our strategy and performance'

Jean-Pierre Flais, SG Hambros

in arrears to a real-time interface between the two systems.'

Flais describes the integration as a challenge but does stress that it has gone relatively smoothly. ERI has its own front-end for portfolio management in the Olympic system, but this was not chosen by the bank. Flais feels that standard sys-

believes good systems can give organisations an advantage. 'The extremely sensitive elements at this point in time are the exposed valuations and the performance analysis. There's really no margin for error, it's absolutely critical our valuations are clear, accurate and really can be used as effective support to explain our strategy and

CASE STUDY: SG HAMBROS


performance.'

He also believes with the high volatility currently in the market that private banks should stick to the constraints and benchmarks of the model portfolios. 'Features like the automated rebalancing of portfolios are also critical, because you don't want in such a high volatility context to miss out on the instructions set by the client'.

As far as the technology goes, Flais can see no reason to review the current architecture at the bank. 'It's really more in the wake of what we've done regarding the automation and the STP model. SG

Hambros is planning to do more of this across the board, probably by using more of the web-based functionality.' He claims this is not only aimed at the investment management side, but enhancing the front office applications. With the current market conditions he can see an emphasis being put on streamlining the operating platform and reducing operational risk, 'that's really what we want to achieve'.

Despite not having been the main actor for the choice of the system at the outset, SG Hambros has had some considerable successes. By selecting a good systems

architecture, the bank has developed scalable operations that can grow rapidly. The hub model has meant that the bank can centralise its IT resources without disrupting the customer experience. It also now has an integrated front and back office which will facilitate STP and help provide better customer service. The cornerstone of private banks is being able to provide an individual service. Through the actions it has taken to modernise its systems environment, SG Hambros has gone a long way towards ensuring it can achieve this in the most cost efficient way. 

Publication: International Banking Systems Journal.

Editor: Martin Whybrow.

This article has been extracted from the International Banking Systems Journal. Dec 2008–Jan 2009 issue 18.4

The International Banking Systems Journal is dedicated to the wholesale, retail and private back office banking systems and operations market, and related topics.

IBS Publishing Limited.

Publishing office: IBS Publishing Limited, 8 Stade Street, Hythe, Kent, CT21 6BE, UK.

Registered in England and Wales No. 5365737

Tel. +44 1303 262 636 Fax. +44 1303 262 646

Email. enquiries@ibspublishing.com Website. www.ibspublishing.com

© Copyright IBS Publishing 2009 – Material may not be reproduced in any form without the written permission of the publisher.

