Starting over

When ABN Amro set about rebuilding its presence around the globe in trade finance, it opted for separate solutions for front and back office and was happy to work with small companies. How have things worked out?

ABN Amro has been rebuilding its trade finance business over the last few years, with part of this being the implementation of a new platform. That platform comprises the IBAS system from long-standing Norway-based Commercial Banking Applications (CBA) at the back-end and the Allnett front-end from another established niche provider in this area, Surecomp. Through a sequence of cutovers, the bank has implemented the platform at home and across its international operations, as well as integrating it into its broader systems infrastructure, which includes Temenos' T24.

The need to rebuild stemmed from the break-up of the bank, which saw its previous business, people and systems end up with RBS. Coming the other way was Fortis Netherlands, which merged with ABN Amro in mid-2010, with the combined bank adopting the latter brand. Fortis as a whole had been undertaking a lengthy roll-out of another trade finance system, CSI's Banktrade, but this was not part of the merged Dutch operation.

Fortis Netherlands had history with CBA's IBAS, having used it for many years, initially within what was Mees & Hope, then MeesPierson. Fortis Netherlands had briefly moved to Banktrade but then reimplemented IBAS after it was broken up, having had a good relationship with CBA. There seemed to be no appetite to take Banktrade for the split new Fortis/ABN Amro operation, in part due to cost, and the decision to go with IBAS and Allnett for this was made not long after the merger (IBS, October 2010, ABN Amro takes CBA and Surecomp systems to underpin re-entry onto the international trade finance market). The old ABN Amro had also used Banktrade but this had headed off to RBS, where bank and supplier have ended up disputing software licensing rights (IBS, May 2012, Backchat).

When Fortis had made its trade finance systems decision, CBA had been deemed to be too small, says Frans Westdorp, business process manager, trade and guarantees at ABN Amro. The delayed nature of the Banktrade roll-out meant Fortis Netherlands only went live on this shortly before it was broken up, so CBA was only displaced for around three months.

Fortis Netherlands needed a quick alternative, says Westdorp (who came from the Fortis side of the business), so it went back to IBAS. This was the new, Java-based version that CBA had been working on for some time. He confirms that this was completely rewritten, which had benefits but also had the drawback that the bank's main knowledge was of the old version. There was a tendency among staff to assume that they knew how the system worked and was structured, but this wasn't the case. It is truly object-oriented, he says, so has a very different structure. This is also a difference compared with other trade finance systems on the market, so was new for people who'd had experience of any of these.

Benefits of the new IBAS cited by Westdorp are flexibility and the intuitive, user-friendliness of the system. 'When you know trade finance, you can easily use the system.' Testing and regression testing is also much simpler, because it can be restricted to parts of the system. And the bulk of the set-up was carried out by CBA so 'one major advantage was that it was really turn-key and we hardly spent any money on consulting'. The supplier delivered what had been agreed and was expected, including the interfaces, so there were no big set-up headaches.

One concern that is sometimes raised about object-oriented systems is performance but this was not an issue. 'Performance is only limited by the size of your hardware, performance testing took a couple of days,' says Westdorp. And in terms of the object-oriented design, in the day-to-day use of the system, this is barely notice-able, he adds. The system is basically real-time, so there are a number of small batch runs during the day for accounting updates and then an end-of-day run for reporting, none of which impacts the availability of the system.

This was important because ABN Amro is running IBAS as a single hub, with remote support for its international operations. There was a completely new implementation within a year of the Fortis split for the Netherlands and then a board decision that this would be the platform for the new international operations. The bank had a need for branches in Singapore and New York as soon as possible.

For country-specific requirements, there is a 'really very smart design', says Westdorp, based on a hierarchy of objects, with global requirements at the centre and then country ones at the next level. The latter can be as simple as defining letterheads for each operation, for instance, or particular fees and commissions.

At home, IBAS was interfaced using its XML exports to two core banking systems, from the constituent parts of the bank, but everything has now moved to the ABN Amro-derived system. Outside of the Netherlands, it is interfaced to T24. 'IBAS is open but no interfacing is ever straightforward,' says Westdorp. 'At the accounting level, it always gives you a headache because every core banking system has its own specifics.' The system is also interfaced to Swift, to an internal system for customer account data, exchange rates and static data, and to Fircosoft for screening and blacklist checking.

And, of course, IBAS is interfaced to Allnett. It was felt that the CBA front-end wasn't ready and that there was also value in using more than one sup-

plier, so the bank undertook a separate selection. There were a fair number of providers, says Westdorp, but often there was a need to take the back-end as well as the front-end, so there were actually few independent front-end options.

In fact, taking separate front- and back-ends was not as straightforward as envisaged by the bank. There were assumptions from each supplier about how the other's system worked and at the start they were reluctant to share information. There was a fair amount of discussion and, ultimately, the level of collaboration was fine. 'In the end, it worked out very well and both companies approached it very professionally,' says Westdorp.

In terms of timescales, Fortis Netherlands went live with IBAS in autumn 2009 and in spring 2010 the system was implemented for Fortis New York and Singapore. In November 2011, it was implemented in the Netherlands for the combined operations, under the ABN Amro brand. In spring 2012 it went live in Hong Kong, which had previously been serviced from Singapore but was turned into a full branch, and later in the year there were cutovers for Germany and Belgium. The system is also ready for the UK, with the bank awaiting regulatory approval to start its trade finance business, and the bank has also applied for a banking licence in India. Westdorp believes that the latter could become a large trade finance operation over time. For Brazil, ABN Amro is setting up a branch but due to local reporting and other requirements, will go with a local system at least for core banking, perhaps also for trade finance.

There are currently between 350 and 400 users on IBAS, of which around half are in the Netherlands. As well as trade finance, it is supporting the bank's burgeoning commodities business. The latter has been extremely successful, says Westdorp, mainly due to the bank's expertise in deal structuring and ability to do tailor-made solutions for clients. IBAS runs on IBM's Unix platform (IBM runs the bulk of the bank's IT infrastructure) and Oracle, with an IBM Websphere message broker.

For Allnett, there was a 'big bang' cutover of this for letters of credit (LCs), along with IBAS, when ABN Amro came off the old Banktrade system, because the bank also used the Banktrade front-end. The project staff virtually slept in the office during the cutover weekend but there were surprisingly few problems, says Westdorp, and no downtime. Allnett support for guarantees followed in mid-2012. The Surecomp front-end is more modular than the Banktrade equivalent and there is flexibility around templates, including the ability to provide pre-filled ones and copy from previous transactions. The guarantees portion is a bit more advanced than for LCs, he feels, and there is the ability to exchange draft guarantees with customers, which can be amended, ahead of finalisation.

On the 'to do' list is digitalisation of files, to reduce paper and manual processing, and broader supply chain finance support. While a few of the bank's customers use the Bolero platform, it is not interfaced to IBAS as the volumes did not justify this, so there is manual input. In terms of other industry platforms and initiatives, ABN Amro is merely keeping an eye on Swift's Bank Payment Obligation (BPO) and is not involved with the underlying platform for this, the Trade Services Utility (TSU) (IBS, October 2012,

Swift BPO case study: Paperless world – myth or reality?). Westdorp feels that BPO/TSU can work for those companies that can afford it but that there is a cost barrier and that for it to make the breakthrough, it needs to be able to accommodate everyone, from small producers in India through to large corporations in the US. BPO looks a 'nice instrument for exporters' but there is still a gap for traditional trade finance.

One of the overall sector problems is still the cost per trade finance transaction and the lack of electronic documents, so Westdorp feels there is a need for a revolution in this sector. 'It is kind of ridiculous that everyone holds their own documents' but the banks need to listen to their customers and collaborate, with too much technology – including the BPO/TSU – invented by the banks and then pushed at the customers. 'We really have to start listening to customers', otherwise he feels that it might be the likes of SAP, Microsoft or Adobe that come up with solutions, rather than Swift or the banks.

While less than convinced by the current industry initiatives in the trade sector, ABN Amro has clearly had a good experience on the trade finance side with CBA and Surecomp since it embarked on its move back into this sector. In many ways, it shows the value to be had from working with smaller suppliers. With the 25-person CBA, says Westdorp, 'one of the main reasons to revert to them very quickly was that in the past they had proven to be partners, not vendors, which is still the case'. He adds: 'I haven't yet found a benefit in having a large vendor'. ⚙

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Frans Westdorp, ABN Amro