

# Outsourcing for efficiency

Newly merged Calyon Securities (USA) turned to SunGard for a solution to its legacy-system issues — an integrated ASP to provide consolidated clearance and settlement across asset classes

In multi-market, multi-product broker/dealer organizations like Calyon Securities (USA) Inc, the ability to support multiple business lines in a flexible, holistic manner is crucial to doing business effectively and achieving bottom-line results.

A subsidiary of Crédit Agricole, Calyon is a global relationship bank headquartered in Paris, France, with assets of approximately \$380 billion and offices in 60 countries throughout Europe, the Americas, the Middle East, Africa and Asia. It came into existence on 30 April 2004, with the consol-

idation of Crédit Agricole Indosuez and the corporate and investment banking division of Crédit Lyonnais, as a full-service broker/dealer serving corporate and institutional clients.

Calyon has proved that various asset classes, traditionally treated in separate “silos”, can be merged as a single function by combining clearance and settlement functions. With a strategic approach to outsourcing and consolidating securities processing from SunGard, Calyon has achieved significant cost savings, operational efficiencies and business success.

## Exponential challenges

With consolidation and a keen eye toward expanding into new markets, Calyon had a number of operational challenges when it set out to consolidate processing across asset classes. Its processing environment was characterized by multiple books, disparate databases, complex interaction points, duplicate interfaces and excess staff



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*Rich Jablonski*

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with redundant responsibilities.

The company's goals were to:

- reduce the costs associated with processing different products on separate applications;
- pave the way for new business without purchasing additional processing platforms;
- assess and reduce credit risk across multiple product lines;
- reduce the compliance burden;
- streamline processes and gain operational efficiencies;
- better serve European and Asian affiliates, and provide enhanced service to clients.

Calyon's first challenge was to reduce the costs and inefficiencies associated with

supporting multiple applications. It had non-dollar fixed-income securities running on one system, equities and corporates on another and listed options on still another. In addition, Calyon's affiliates in Europe and Asia were getting daily reports and exceptions in the afternoons, making it impossible to evaluate credit exposures throughout the day.

"With the breadth of securities products that we handle, both domestic and international, it is crucial that we quickly and accurately communicate with customers and entities in all the markets in which we operate," says Rich Jablonski, Calyon's COO. "We needed the flexibility to add new products to our repertoire as our business needs dictated,

and handle processes automatically, with less manpower and cost, without errors."

At first glance, each of its systems appeared to perform functions based on asset class. However, it became evident that there was more overlap among processing platforms, while Calyon continued to deal with multiple staff per asset class, multi-point data reconciliation, and no core reference data for maintaining consistency and reducing errors (see Figure 1, overleaf).

By implementing a group of SunGard solutions – Phase3, STN Settlements, Margin Advisor and StreamCore – integrated in an Application Service Provider (ASP) environment, Calyon was able to:



"Phase3 provides a common engine for virtually every asset"

Todd Wiltshire

# Running all books and records on a single platform has enabled Calyon to eliminate the licensing and service costs associated with multiple back-office processing vendors and a correspondent clearer

- consolidate all its books onto a single database;
- eliminate redundant processes;
- integrate the back-office with centralized clearance and credit risk management processes;
- provide real-time data and exceptions management information to overseas affiliates;
- enhance service to customers.

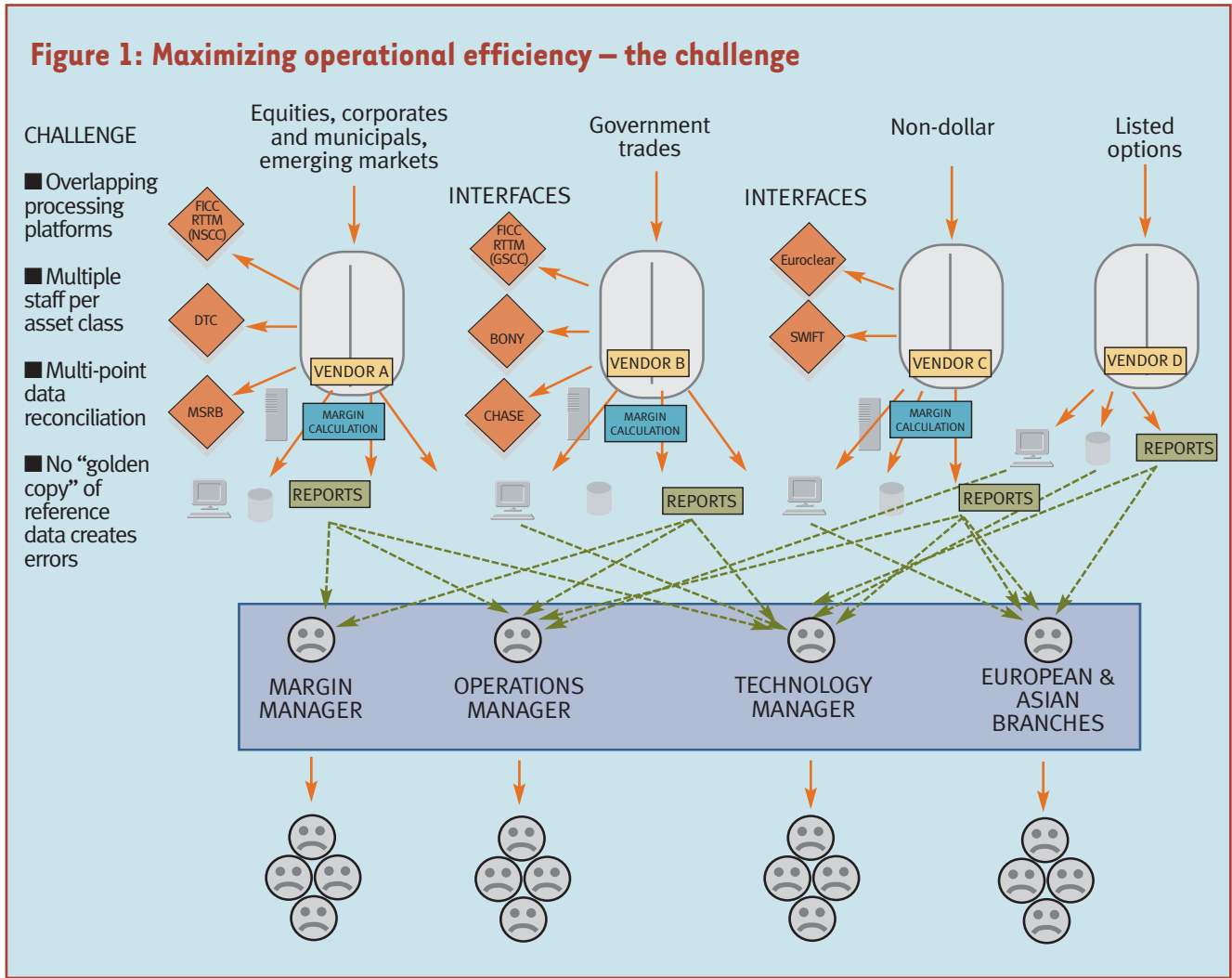
Running all books and records on a sin-

gle platform has enabled Calyon to eliminate the licensing and service costs associated with multiple back-office processing vendors and a correspondent clearer. Calyon has saved well in excess of \$5 million between clearing fees and annual IT costs, reducing headcount by 23% over 2001, despite a 1,000% increase in trade volume since then. With a consolidated view of position, balance and trading activity across products, it has been able to achieve effortless aggregate

assessment of customer activity and streamline margin and credit risk processing, as well as compliance reporting (see Figure 2, below right).

### The solution: task by task

**ASP for settlement and bookkeeping:** Calyon began using SunGard's Phase3 in March 2001 to process the firm's U.S. and foreign equities, U.S. Treasury bonds, corporate bonds and foreign fixed-income securities on



a single database. Over time, other product lines were converted to the single-platform ASP environment. Phase3 also helped to position the firm to take on new business from other product lines supported by the system, such as listed options.

“Phase3 provides a common settlement and bookkeeping engine for virtually every asset class,” says director Todd Wiltshire. “One of the principles driving the foundation of Phase3 is that various asset classes can be integrated onto a single processing platform.”

**ASP for connectivity:** Using STN Settlements, Calyon eliminated multiple, redundant links to various depositories and clearing agencies for trade comparison, matching, reconciliation, clearance and settlement on a global scale.

STN Settlements communicates with SWIFT and Euroclear, interfaces directly with Phase3 to update trade positions and account books, and records information instantly in a streamlined environment – helping to reduce the risk and cost of manual processes, errors and delays.

**ASP for real-time position monitoring, margin calls and credit exposure:** SunGard’s Margin Advisor provides Calyon with the ability to continuously monitor changes in positions, valuations and account activity in real-time, automate resolution of margin calls, and assess credit exposures intra-day.

Prior to using Margin Advisor, the company tracked client positions in margin accounts manually, by using spreadsheets. In order to further develop its clearing and execution services, Calyon needed to improve its

risk management techniques, take advantage of cross-margining opportunities and integrate with Phase3 and other platforms.

“Margin Advisor’s flexibility in setting up our own unique set of rules gives us infinite possibilities in what we can define in the system, such as how we set up accounts, perform margin calculations for certain accounts, and group accounts for a single entity,” says Wiltshire. “In addition, the system’s ability to create and forward alerts automatically improves efficiency internally.”

**ASP for trade and settlement data:** SunGard’s StreamCore allows Calyon to deliver trade and settlement data globally, immediately provide its European and Asian branches with real-time exceptions, and deal with *ad hoc* queries on desktops and via a Web portal being launched for customers. StreamCore is a real-time, continuous database engine that works in conjunction with any front-, middle- or back-office processing system for any security, in any currency. Thanks to StreamCore, Calyon has the tools to significantly reduce operational risk – since its Paris headquarters and other branches throughout the world can see the status of trades continuously – as well as deliver enhanced online services to its customers.

### Consolidation continues

Calyon continues to move business onto Phase3 and is planning to add the processing of treasuries, corporates and funding products from its New York Branches bank treasury division. By consolidating the institutional operations of both Calyon Securities and Calyon New York Branches onto Phase3, the firm is able to further eliminate multiple systems, streamline trading operations across business lines, reduce costs, and provide a platform that will expand with each division’s growth.

Calyon’s experience has shown that integrating IT functions across asset classes can help gain operational efficiency, reduce compliance and credit risk, and mitigate the IT barriers to revenue growth. By exploiting the use of standards, and utilizing technology with functionality across the firm in an ASP environment, firms will continue to move toward a common-platform infrastructure for multiple asset classes.

**Figure 2: Maximizing operational efficiency – the solution**

