

A Case Study of the Gap Analysis and Implementation Planning undertaken with a leading Singaporean Bank as a part of CLS implementation

Introduction

The MAS in Singapore had seen advantages in having the Singapore Dollar adopted as a full Continuous Linked Settlement (CLS) currency, and had therefore encouraged the three leading Singaporean Banks to become Settlement Members of CLS Bank. In response, the Banks had each set up Working Groups to address this need. The Client had understood the CLS environment at high level, but took the view that because CLS was new to the region, they needed additional expertise to clarify key issues, validate the information received from elsewhere and to illustrate what impact CLS membership would have upon its business. PBA personnel provided the necessary expertise so that in a short period of time, the Client's level of understanding had increased to such a level that it was able to re-assess their own approach towards CLS membership, and at the same time provide thought leadership within the local community.

Background

United Overseas Bank (UOB), Development Bank of Singapore (DBS), and Oversea Chinese Banking Corporation (OCBC) were the major Commercial Banks in Singapore. Each had a significant FX market share within Singapore, and in so far as Commercial Banking is concerned, each faced strong competition from the major global players (in the form of Citibank, HongKong and Shanghai Banking Corporation and Standard and Chartered Bank).

The CLS initiative had been in development since 1996. Originally intended to go live during October 2000, it encountered a number of delays, and one of the major issues for the Client was that the timetable for membership was becoming very short. The FX market was already aware that the revised CLS live date of October 2001 was in doubt, and there was a concern within the Singapore environment in relation to the impact of a further delay upon the adoption of the Singapore Dollar as an accepted CLS currency.

PBA personnel had gained significant experience within the CLS environment over a period of 5 years and counted CLS Bank as one of their major clients. The Client recognised that PBA personnel would be able to provide significant value in the context of providing external validation of their own views as well as in the context of assessing the analysis which it was receiving from elsewhere.

Together, the three Banks had previously agreed to form a "Shared Utility", with equal shareholdings, which would perform a number of the processing roles which would otherwise have been undertaken by the Banks individually. Whilst issues relating to the development of the Utility were outside the scope of PBA's work, there were inevitably a number of issues which arose from the Utility Development Meetings which had an impact upon the Client internally, and the Client also required guidance on these issues as and when they arose. Management of the development of the Shared

Utility resides with a global top-3 Consulting Firm, which has been engaged for this work by the three Banks.

Specifically, there were a number of major issues which the Client needed assistance with, and these are summarised as follows:

- An understanding of the key process changes arising out of CLS Settlement Membership
- An understanding of the essential technology requirements associated with CLS membership.
- An Implementation Plan highlighting the key milestones in achieving CLS membership, taking into account the development of the Utility, and the associated Development Plan.

PBA's Role

PBA's principal activities were designed to achieve the following objectives:

- **Client Business Process Definitions** for all processes required to operate as a CLS Settlement Member and to settle FX trades that have been executed by the Bank in Singapore. These definitions illustrated the 'hand-offs' to or from the shared Utility where appropriate;
- **Business System Requirements** for the enhancements required to the Bank's existing systems;
- **System Architecture**, confirming how the Bank's existing business systems and supporting infrastructure will be enhanced / used for the purpose of CLS settlement including interfaces with the shared Utility;
- **Implementation Plan**, to provide the control for the implementation phase of the project;
- **Project Organisation** for the implementation phase.

PBA's approach.

Given the timeframe allotted for completion of the assignment, PBA adopted a collaborative approach with the the Client project team, which brought together the extensive knowledge and experience of CLS within PBA and the Client's extensive understanding of internal systems, organisation and methods. PBA proposed that it would be given overall responsibility for the preparation of the deliverables stated above, which would be reviewed and ultimately accepted by the Client. PBA organised and prepared a detailed work-plan, which was presented and agreed during an introductory workshop.

After deploying a team of three, each of whom carried significant subject matter expertise in their field, PBA undertook a series of meetings with key the Client personnel within each area of the Bank. Each

meeting was structured with the aim of understanding the business and technology processes within the Bank, and the likely areas of impact arising from CLS membership.

One of the major challenges, which PBA experienced within this phase, arose from the Utility where the role remained undefined and where the Development Plan was still being determined. The other Utility stakeholders remained undecided in the context of their own requirements of the Utility and this was an ongoing issue which PBA and the Client addressed during this phase.

PBA recommended at an early stage that the project was supported by a project office to ensure all activities proceed according to plan and that issues were investigated and resolved in a timely manner. The dependence on the shared Utility, also increased the degree of project co-ordination required and PBA's initial Proposal included the support of a Project Office during the Implementation Planning phase of the project, maintaining and producing project status reports and issue logs on a regular basis.

The Outcome

Within the allotted timeframe, PBA delivered concise literature providing guidance, clarification and validation of the business and technology issues which the Client needed to address in becoming a CLS Settlement Member. In addition, PBA provided an Implementation Plan and Project Organisation covering the implementation phase of CLS membership.

PBA recommended that the adoption of the Singapore Dollar as a CLS currency and the additional business opportunities which this will provide the Client should be treated as a separate initiative given both the associated timetable and the scale of the undertaking.

PBA also provided significant guidance in terms of the management of the Utility Development Programme, and recommendations, which were adopted by the Client.

PBA's Contribution

PBA remained committed to the CLS initiative, and contributed significant experience, knowledge and expertise to the Client both in CLS membership expertise as well as in multi-stakeholder issue management. By adopting a collaborative approach, the PBA team was able to build a strong working relationship with the Client team, and as a result provided significant value in forming the Implementation Plan for CLS implementation within the Client as well as clearly defined revised Business and Technology processes.

In addition, PBA provided the Client with significant guidance in management of the Utility development, as well as highlighted an alternative approach to the development of the Utility, which was of significant business benefit to the Client and the stakeholders as a whole.

Client Benefits

The Client was able to

- Maximise their CLS implementation plan, with the benefit of the industry expertise, which PBA provided. The CLS initiative is new to the market as a whole, and the Client were able to benefit from the advice and expertise provided first hand, from an industry acknowledged source.
- Take advantage of independent guidance, which if adopted will enable the Bank to provide thought leadership to the local market place as appropriate
- Receive recommendations which will facilitate optimum use of the Utility at affordable cost.