

Six Sigma: The tool to maximize cost efficiency in all Post Trade operations in Treasury Back Office

The latest trend in treasury is Straight through Processing

Today many institutions are aiming for complete end to end automation of financial transaction processing, extending from automated tools to help support the investment decision through, to the complete order and settlement cycle.



By eliminating human involvement in routine transactions, the goal is for the marginal internal cost per trade to tend to zero.

For the same objective there is also a growing trend towards outsourcing repetitive activities to either captive or vendor agents.

At the same time, there is also a focus on new products like derivatives for developing countries like India.

The key challenges in this business are outlined as follows:

The volumes in this business are directly dependent on market forces. One cannot accurately predict the volumes. Moreover, non-standard peaking patterns put a high pressure on manpower rationalization and have a direct impact on productivity levels.

There are very strong penalties for non-compliance to the existing regulatory framework that puts an added pressure at cut off times.

There is a sharp focus on online and real time monitoring.

It results in giving a competitive advantage and ensures compliance to internal and external policies.

There is a focus on New Products like derivatives trading. Each deal is unique in nature and most such products have high manual intervention due to lack of system support.

As the treasury back office is the information hub for all treasury operations, it often receives adhoc requests for MIS.

There is a strong need for a well-defined and standard query and compliant resolution processes.

A leading new generation private sector bank retained ECS to optimize its operations with a focus on reducing cost and improving productivity while providing customers quick and hassle-free service.

ECS used the Six-Sigma methodology, a powerful tool that focuses on critical areas of cost, quality, delivery and flexibility of operations.

Deal strike: The Beginning and not the end!

There are a host of post trade activities that conclude a deal. These include deal confirmation, deal settlement, deal accounting, MIS generation and reconciliation.

A dedicated team of ECS consultants and client members representing all functions worked on the following processes:

1. Foreign Exchange: This included all Merchant, Inter Bank and Derivatives transactions.
2. Domestic: This included all Money market, Government Securities and Derivatives transactions
3. Commodities: This included the processes of both indent and trade
4. Equity and Equity Linked processes
5. Cash Management: This included cash management for both rupee and foreign exchange.
6. Reconciliation: This included reconciliation for Merchant, Interbank etc.

The methodology involved understanding the existing processes in detail, including the voice of all key stakeholders (management, customers and employees). Based on this understanding the team selects and measures the Six-Sigma metrics and sets targets for the same. Once the processes are reengineered, signed off by the key stakeholders and implemented, the implementation team again measures these metrics on an ongoing basis to ascertain the benefits of the exercise.

Benefits achieved

- Reduction in trade confirmation Turn Around Time by **25%**
- Reduction in trade settlement Turn Around Time by **20%**
- Cost reduction of over **60 %**
- Increase in Straight through Processing (STP) by **30 %**
- Improvement in productivity by over **60 %**
- Identification of activities that could be outsourced based on a cost benefit analysis.
- Manpower planning and rationalization identified the capacity for number of trades that could be executed with existing manpower for each product category and the department as a whole.
- Layout changes enhanced productivity by **80%**.

As a result of the Six Sigma initiative the organisation also got some intangible benefits

These include:

- A process focused organisation
- Process to manage contingencies
- Higher sensitivity to customer service
- Measurement driven quality improvement
- A continuous improvement culture

Contact for details

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ECS is a premier business management-consulting firm in India. Its consulting practice covers **Services, Strategy, Operations, Human Resources & Change Management, Supply Chain Management and Full Value Spend.**

Experience in Banking & Financial Services

ECS's pioneering work in the **Banking & Financial sectors** has resulted in significant improvements in **Service Delivery, Cost Efficiency** and **Operational Risk** reduction in the areas of:

Retail banking

Account initiation, centralization of operations, secured and unsecured retail lending, depositories and branch transactions

Wholesale banking

Trade finance, asset management, corporate banking, cash management services, working capital loan, term loan & corporate Internet banking

We partner all our clients from concept to implementation. Typical results of implementation have been a significant reduction in Turn Around Time and cost along with increased productivity and reliability of business processes.

Some of our leading partners include **American Express, Citibank, ICICI Bank, Dubai Islamic Bank, Deutsche Bank, GE Capital, Standard Chartered, ING Vysya Bank, Max New York Life, Baja Allianz and ICICI Prudential Life.**

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