

Success story

An innovative processing partnership with a major European bank

Financial services, Enterprise Partnership

The business challenge

In the late 1990s, a leading European bank took 3,000 of its employees and created a new, standalone, subsidiary transactional bank, to perform processing, printing and mailroom functions. By marketing the transactional bank to other European banks there was a vision to make a profit from what was previously an overhead. After two years, no other banks had joined the platform, and after five years it had only two small customers. Potential customers were wary of the security and sensitivity of outsourcing processing work to a competitor. Meanwhile, the transaction bank was still a large cost that was making no profit.

The requirement

The European bank had specific requirements from their chosen partner:

- deconsolidation – in order to retain the positive benefits but also divest Full Time Equivalents (FTEs)
- cost savings
- improved service delivery
- neutrality – to create an attractive proposition for other major banks and customers
- investment avoidance – though it was clear that there was a need for technology development, the European bank wished to avoid funding IT speculatively due to the already high cost of running the transaction bank
- a rapid solution to address a failing business unit
- a processing platform that could cater for market demand and be flexible and cost efficient to attract large customers with varying needs.

Why Xchanging was chosen

The European bank had to look for a partner to market the platform. Xchanging was selected due to its experience in business processing, proven implementation approach and Lean Six Sigma and IT excellence. In addition, Xchanging was able to provide a unique partnering proposition – the Enterprise Partnership (EP).

The EP model would enable the European bank to retain a 50/50 share in the transactional bank with the visibility, control and transparency not found in traditional outsourcing contracts. The European bank also saw that they could utilise an independent processing specialist to operate the business and take responsibility for bringing in new customers.

National financial services regulators viewed Xchanging's approach as a way to allow third parties with specialist processing knowledge to work within the confines of the regulatory regimes. Additionally, the unions saw Xchanging's partnering approach as a socially responsible means of ensuring continued employment on comparable terms. This was viewed as a major difference from other outsourcing models.

The solution

The assets, employees and infrastructure of the transaction bank were transferred to a 50/50 co-owned partnership between the European bank and Xchanging. Xchanging assumed day-to-day operational control with responsibility for delivery of service, the preparation of three-year business plans and setting the annual budget. The EP aligned the interests of all parties.

Five major changes were introduced in order to increase productivity and service, and create spare capacity to absorb new business wins. These were:

1. **Service Review Board meetings** – held each quarter to review performance and highlight areas of opportunity
2. **Champion team building programmes** – to channel employees' talent and energy
3. **155 Six Sigma Lean Processing process improvement projects** – resulted in productivity improvement or an increase in service performance
4. **Technology optimisation through the existing architecture** – refocusing the approach to technology operations and utilising a tactical implementation team
5. **Environment consolidation** – to create a central operating unit that could better serve the needs of the customer.

The benefit

Through Xchanging's partnership model, the bank switched from owning a cost centre to being a partner in an entrepreneurial and commercially-orientated profit-making business.

Within a year of engagement, the EP was a dedicated securities processing hub in the heart of the European financial market. As of 2010, the hub houses approximately 700 employees who process millions of securities transactions a day according to the requirements of German withholding tax.

The Enterprise Partnership implemented new processes to bring the customer closer to the business including:

- development of new service agreements,
- a new price book
- enhanced customer contact infrastructure
- greater levels of transparency.

With these measures the EP was able to earn and keep the trust of its customers and benefit from the subsequent reputational uplift. As such, Xchanging were able to demonstrate early value capture and persuade the market to take advantage of economies of scale in a way that the European bank was unable to do on its own.

By 2006, Xchanging had exceeded the streamlining objectives set at engagement and moved into a continuous improvement phase. This has allowed the EP to create a professional sales capability responsible for driving new products and services into the market and securing third party business. Additionally, compliance to SOX and SAS 70, as well as ISO9001 accreditation was secured in 2006.

Over the first five years of engagement, the EP attracted extensive new business. A leading international bank transferred domestic securities transactions processing to the platform in a contract that is worth €56 million over five years.

The EP has benefited from extensive cost savings and productivity improvements: cost savings amounting to 30% relative to day one costs were achieved in the first five years.

About Xchanging

Xchanging is one of the largest and fastest growing business processors. With a wide range of multinational customers in 42 countries and employing over 8,000 people, we are a truly global company. Our aim is simply to provide business processing services better, cheaper and faster.

Contact us

For further information or to discuss how Xchanging can help, please contact our Group Sales team.

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