

CASE STUDY

VPBank increases productivity, efficiency and automation in its treasury operations.

VPBank embarks on a digital transformation initiative of its treasury and risk management operations with Kondor by Teciem*.

* previously part of Finastra.

The challenge

To achieve its ambitious goals, VPBank needed modern and advanced risk management.

VPBank's legacy core banking system could not support its ambitious plans for growth, including the management of complex derivative products to provide the best financial solutions to help businesses avoid potential financial risks. To achieve these goals VPBank needed modern and advanced risk management in line with international practices.

The primary reasons for embarking on the initiative were to be able to manage FX and interest rate derivatives front to back, and to improve risk management and have visibility, in a timely and accurate manner, on the risk position according to the bank's mark-to-market valuation.

VPBank also required a fully automated, end-to-end IFRS9. To improve service to customers, VPBank had to have a better view of what fit their risk profile and was manageable with VPBank's desired framework.

"VPBank's operations were highly manual including data collection and data processing, which was not very efficient and limited our risk appetite."

To bring this all together, VPBank's aim was to implement a comprehensive, modern and integrated platform. They needed to bring all connections to a centralized hub, and control the data interface quality effectively, smartly and quickly.

"We needed to implement a system that would not only improve market capacity and market position, but also resonate with the risk management system to ensure that we could control the limits and avoid costly operational errors."

“If you look at the back office — the second line of defense — it was easily integrated with the core banking system and the payment platforms such as SWIFT, Cetad and SAP and the data warehouses that we use, and contracts are now generated automatically, avoiding any manual mistakes.”

The solution

Kondor has enabled VPBank to increase trading volumes while offering the flexibility to support more complex derivatives, options and structured trades.

Having used Kondor to support its trading activities for many years, VPBank decided to upgrade to the latest version of the solution to unlock new opportunities for growth.

The solution consists of Kondor and Fusion Risk, delivered through a proven implementation program. The project was designed to enable the bank to grow its financial markets division by making it possible to develop new complex products and improve operational efficiency through automation.

Kondor has enabled VPBank to trade high volumes of treasury while offering the flexibility to support more complex derivatives, options, and structured trades.

Kondor provides a fully automated, end-to-end IFRS9 solution and it is integrated with VPBank's core banking solution.

The highlight of the initiative was the comprehensiveness of the automation from front to back. The initiative provided a single professional platform for VPBank's front-to-back-to-risk operations, including:

- ▼ Front-office connectivity, delivering seamless integration with Reuters and Bloomberg systems, front-office FX trading, funding register and others
- ▼ Back-office connectivity, delivering seamless integration with core banking systems, payments channels, automated reconciliation and reporting
- ▼ Validation and accounting for both Vietnam Accounting standards and IFRS (VPBank was the first of six banks using Kondor in Vietnam to have successfully implemented IFRS)
- ▼ Straightforward integration with SAP and data warehousing platforms

The successful implementation of IFRS on Kondor was a very important first step in the roadmap of applying IFRS from the level of dealing with systems and automated tools, following the bank strategy. Previously, VPBank only converted manually balances from VAS to IFRS. During the implementation, VPBank's staff also accumulated a lot of practical experience to continue confidently implementing IFRS in other areas of the bank.

The delivery journey

To ensure a seamless, timely upgrade, VPBank followed a proven implementation methodology.

During the Kondor implementation, there were some challenges that could have delayed progress but they were managed effectively.

Understanding local practice

The local current market practices are unique from the standard worldwide market practices, which required considerable effort from consultants to understand the procedures as well as the logic behind them.

IFRS

VPBank was also the first bank working with Teciem* to deploy in Vietnam. This configuration was handled by VPBank providing the definitions for every accounting entry required for very product.

Data migration

There were challenges around the definition of specifications, but Teciem* and VPBank were able to adapt to manage the complexity of requirements and data migration load.

Because of the migration challenges, the project team decided to conduct additional rounds of data migration tests – two more rounds than were originally estimated.

The tests took place in challenging conditions, due in part to tightening of the bank's security policy. Making data migration as a top priority was the right decision with the control and deep participation of the General Accounting & Accounting Policy Department, IFRS Policies Department, and Financial Control Department from the beginning. It created a solid foundation for good control of deviations before, during, and after the go-live.

Migration tools were supported with maximum automation to quickly migrate data.

Validation of the success of the project was confirmed when VPBank was able to run its close-of-business operations without any exceptions for the very first time.

The key factors for success were:

- ▼ Partnering with a vendor with an excellent track record and experience – VPBank chose Teciem* for its global reputation as well as its track record and experience of completed projects since 2011 in Vietnam.
- ▼ Choosing a solution that was robust, scalable and open – our modern architecture and interoperability was critical for integration with existing systems.
- ▼ An affordable cost of ownership and keeping costs under control – including implementation cost, license cost and operational cost.
- ▼ Excellent project management and strategic alignment across the two organizations, making the smooth implementation and transition possible.

* previously part of Finastra.

“We were the first bank in Vietnam to implement, in parallel, accounting systems where accounting is done not only in Vietnam Accounting Standards (VAS), but also in IFRS.”

The result

VPBank reap the rewards of an ultra-efficient, future-proof trading solution.

\$3bn

in the volume of derivatives sales

750%

increase in IRS and CCS sales

30%

of time saved in business operations

25%

increase in total capacity

100%

of contracts are automatically generated from the system

100%

of critical limits are effectively managed pre-deal and post-deal

The result

Optimization and operational efficiency for customer success.

By stepping up its trading activities with Kondor, VPBank has significantly improved operational efficiency and risk management. Today, the bank is better equipped to explore new avenues for product development.

VPBank now has:

- ▼ Full financial markets trading software covering front, middle and back offices
- ▼ Operational improvements including a professional platform for automation, electronic processes, document handling and transaction rotation
- ▼ Support for enhanced risk management, minimizing risks front to back

“The front office can do real-time checking of limits compliance and it is seamlessly integrated with Reuters and Bloomberg now, which has made the management of derivatives by the front office very easy and ensured compliance with VPBank’s framework.”

VPBank now has a complete core treasury solution that includes FX and interest rate derivatives. Accordingly, thanks to comprehensive financial solutions accompanying customers, VPBank’s total sales of derivatives including cross-currency swaps (CCS) and interest rate swaps (IRS) at the end of 2020 reached US\$3 billion, equivalent to a growth of more than 750% over the same period.

Kondor has delivered efficiency gains because VPBank no longer needs to execute treasury transactions manually.

VPBank has improved risk management by providing timely and accurate risk positions according to the bank’s mark-to-market valuation.

VPBank continues to pursue the goal of affirming the bank’s position in the market, which is to be in the group of leading retail private commercial banks in terms of customer lending scale, deposit mobilization, customer motivation and profitability, and focus on improving operational quality.

The achievements in the recent transformation period have validated VPBank’s strategy, with positive changes in image, service quality and professionalism. VPBank is also consolidating its growth trajectory with the continuous increase in the number of new customers and mobilized capital.

VPBank is implementing innovative programs to serve new or underserved customer segments utilizing new products delivered through new or re-engineered channels.

“Now risk positions are measured in in real time and at end of day, according to the bank limits and mark-to-market valuations, we can see our positions perfectly”.

VPBank*

VPBank has set an ambitious target of becoming the most consumer-friendly, technology-driven bank and aims to be among Vietnam's top three most valuable banks. It has received numerous awards for its exceptional banking activities, effective risk management and corporate social responsibility initiatives.

www.vpbank.com.vn/en/ca-nhan



“Fast expansion of the Vietnam market led to increasing demand from customers for more complex products and hedge strategies to secure their business against market vulnerability.”

223
Branches

25,000
Employee

631 trillion
Dong total assets as of 2022

Highlighted solutions

Kondor
by teciem

Kondor is a comprehensive front-to-back-to-risk treasury solution that streamlines treasury operations with tools for cash management, liquidity management, risk management and trading. It delivers powerful insights for a fast-evolving market and allows banks to focus efforts on priority business needs by delivering the flexibility required to meet changing market and regulatory demands.

Fusion Risk
by teciem

Fusion Risk is our risk management solution designed to help financial institutions identify, assess and mitigate risks across their operations. Fusion Risk delivers credit and market risk management modules, limits management, and FRTB and SA-CCR modules.

* stats are true at publication date.



About Teciem

Teciem is a global provider of front-to-back treasury and capital markets software solutions, serving banks and financial institutions of all sizes. We deliver award-winning solutions for trading lifecycle and risk management, helping clients to operate seamlessly across asset classes and global markets. Built on decades of domain expertise, our solutions – Kondor, Summit, Opics, Sophis, Fusion Invest and Fusion Risk – are trusted by more than 340 financial institutions (and many of their subsidiaries) worldwide, including a majority of the top 100 global banks.

For more information visit tecierm.com

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