Union Bank of India Achieves Desired ALM Benefits with KASTLE^{TM} ALM

Major Indian bank gains a competitive edge by efficiently managing assets and liabilities, complying with central bank regulation and controlling risk factors

Highlights

- Data import from across applications made easy for aggregation
- Tools help analyze market risk, manage interest rate performance and reduce risk
- Availability of information strengthens control over operations
- Optimized workflow raises productivity, improves customer satisfaction
- Enhanced ability to launch new products with shorter turnaround times

Case Study

Overview

Formed in 1919 and headquartered in Mumbai, Union Bank of India is one of India's largest banks, with nearly US $ 12 billion in assets under management. The government held bank with 26,000 employees, has one of the most extensive networks with around 2020 branches.

The bank offers a range of financial services including consumer, corporate and private banking, treasury management and asset management. Committed to its image of 'Good People to Bank With', Union Bank has vigorously responded to the new market realities by revamping its customer strategy and identifying technology as a thrust area to leverage growth and gain competitive advantage.

Given the falling interest rates in India at the start of the new millennium because of a thriving economy, Union Bank, in common with other Indian banks, was therefore facing pressure on net interest income. There were also other pressures on business such as increased competition. The bank was looking for a solution to manage its assets and liabilities more effectively.

Challenge

Before using KASTLE^{TM} ALM, Union Bank was able to measure and manage interest rate risk in only a restricted way. The bank was using an in-house designed, COBOL based, ALM solution that offered limited analytical reporting and cumbersome to use.

A major challenge for the bank was pulling together information from across its vast network of branches that had different levels of automation, ranging from partially automated operations to fully automated applications in aggregating data at the central office for efficient Asset and Liability Management. This process was becoming more unsustainable as a business model in the face of intense competition and falling interest rates.

Therefore, Union Bank wanted a solution that would aggregate data from across the whole bank, encompassing all its lines of business whilst track down branches that had not submitted information. The aim was a much more precise management of assets and liabilities by taking a comprehensive view across all positions.

Further, a new financial regulation by the country's central bank, the Reserve Bank of India in 1999, made it mandatory for banks to file a quarterly gap report about their assets and liabilities to ensure they stay balanced and risk controlled.

Solution

In selecting its Asset-Liability Management (ALM) solution, the Union Bank project team collaborated with PricewaterhouseCoopers India to develop a set of evaluation criteria. ALM features such as Behavior Analysis, Risk Quantification, Decision Support, Reporting, Risk Measurement, Architecture fit, ease of use and support were key considerations.

Company Snapshot

Name	: Union Bank of India
Business Profile	: Consumer and Corporate Finance
Industry	: Banking
Founded	: 1919
Branches	: 2593
Assets	: USD 12 billion
Staff	: 26,000
Location	: Mumbai, India
URL:	
www.unionbankofindia.com	

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Against these criteria, KASTLE™ ALM from 3i Infotech emerged as the clear choice as it met all the requirements. KASTLE™ ALM, an advanced analytical solution enables active asset-liability management, helps ensure they stay balanced, maximize profitability and provide capital adequacy. The system offers powerful technology and proven solutions to help analyze market risk, forecast performance and develop strategies to maximize earnings.

Union Bank began KASTLE™ ALM implementation in mid-2001 with teams from both 3i Infotech and the ALM team of the bank. In the first phase, the bank mapped the GL heads from the various data sources with KASTLE™ ALM. Trial runs were conducted and regulatory reports generated.

Phase two saw more of data analysis and reporting. Here, the bank's focus was on risks given to different types of exposures: contractual maturities of deposits, average interest rate on deposits/advances, duration analysis among others. The implementation process took around a year to complete.

The aim was to identify any existing gaps in the methodology, processes, organization or technology, and develop a credit-risk assessment process for each key area of credit activity.

With KASTLE™ ALM, Union Bank is following data consolidation process from major branch offices on a fortnightly basis and a comprehensive ALM aggregation from across the whole bank on a quarterly basis.

Benefits

KASTLE™ ALM provides Union Bank with powerful technology and proven solutions that help the bank effectively analyze market risk, forecast balance sheet performance and design strategies for maximizing returns.

The bank is able to import data from across platforms and drill down to regional level or branch level scrutiny. With KASTLE™ ALM, Union Bank can merge data from across the whole bank and get a full view of its business. The system provides the tools needed to make critical business decisions.

As a result, Union Bank can now manage its interest rate risk in a better way. The bank has enhanced control over its activities and is able to improve its balance sheet performance.

Looking Ahead

Union Bank plans to utilize all modules of KASTLE™ ALM for further analysis and reporting, adding another dimension to its ALM.

It will integrate the ALM system into the bank's core banking solution, once it is fully rolled-out to gain far greater control over its operations.

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About 3i Infotech

3i Infotech (www.3i-infotech.com) provides software products and IT services for the Manufacturing, Retail & Distribution; Banking, Financial Services & Insurance (BFSI); and Government verticals. The Company is SEI CMMI Level 5 compliant for its Software Services and ISO 9001:2000 certified for its IT Infrastructure and BPO Services.

By using its domain knowledge and through continuous investment in technologies, 3i Infotech Limited helps corporations in their businesses through its expertise in enterprise-class software solutions, software services, information security consulting, system integration services, IT infrastructure and Disaster Recovery solutions. 3i Infotech services over 600 customers in more than 50 countries across five continents.

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