

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 Finastra Kondor





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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.

Dmytro Kolechko

Dmytro Kolechko, Chief Risk Officer,
VPBank

About VPBank*



223 Branches

25000 employees



631 trillion dong
total assets as of 2022

VPBank has set an ambitious target of becoming the most consumer-friendly, technology-driven bank and aims to be among Vietnam's top 3 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

Highlighted solutions

Finastra Kondor

Finastra 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.

Kondor Risk

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

The challenge

Powering commercial growth

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

VPBank's legacy core banking system could not support their 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 according to 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."***



The solution

Trading up

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

Having used Finastra 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 Finastra Kondor and Finastra Risk, delivered through Finastra's Adopt 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.

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

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

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, that included:

- 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 & accounting for both Vietnam Accounting standards & 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.

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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 like SWIFT, Cetad, AND SAP and data warehouses that we use, and contracts are generated automatically, avoiding any manual mistakes."**

Delivery Journey

Smooth implementation

To ensure a seamless, timely upgrade, VPBank followed Finastra's Adopt implementation methodology.

During the Finastra 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 Finastra to deploy in Vietnam. This configuration was handled by VPBank providing the definitions for every accounting entry required for every product.

Data Migration

There were challenges around the definition of specifications, but Finastra 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 tightening of the Bank's security policy. Putting the importance of data migration as a top priority was the right decision, however, 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 are supported with maximum automation to quickly migrate data.

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

"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."

Key Factors for Success

The key factors for success for were:

- Partnering with a vendor that had an excellent track record and experience. VPBank chose Finastra for its global reputation, and its track record and experience of completed projects since 2011 in Vietnam.
- Choosing a core system that was robust and scalable. Finastra's complete set of integrated banking products and technology have modern architecture, interoperability, robustness, and scalability.
- 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.

The result

VPBanks reaps the rewards of an ultra-efficient, future-proof trading solution

Optimization and operational efficiency for customer success

By stepping up its trading activities with Finastra 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 made the management of derivatives by the front office very easy, seamless and ensured compliance with VPBanks 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 currency swaps (CCS) and interest rate swaps (IRS) at the end of 2020 reached 3 billion USD, 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 realtime and at end of day, according to the bank limits and mark to market valuations we can see our positions perfectly”

The following quantitative and qualitative benefits were recognized*:

\$3 billion
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

Contact us

About Finastra

Finastra is a global provider of financial software applications and marketplaces, and launched the leading open platform for innovation, FusionFabric.cloud, in 2017. It serves institutions of all sizes, providing award-winning software solutions and services across Lending, Payments, Treasury & Capital Markets and Universal Banking (Retail, Digital and Commercial Banking) for banks to support direct banking relationships and grow through indirect channels, such as embedded finance and Banking as a Service. Its pioneering approach and commitment to open finance and collaboration is why it is trusted by over 8,000 institutions, including 45 of the world's top 50 banks. For more information, finastra.com

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