

4sl Group Project Library – Case Study

Categorisation

- **Company:** Global Bank
- **Service category:** Financial Management
- **Sector:** Financial Services
- **Date:** Feb 2010

4sl delivers £25m IT cost recovery for European Bank

Client agenda

In 2007, the client and its takeover partner acquired a global competitor based in continental Europe. A year on, after significant delay and uncertainty brought on by the credit crisis, separation of the target bank's financial markets business was well underway, but many shared IT systems and teams remained. To add to the complexity, some systems that were initially under the ownership and control of one partner were destined to be transferred to the other. The client wanted to ensure its costs were recharged appropriately to the partner during the transition phase.

Engagement outcomes & deliverables

Our structured approach to this requirement was:

- To develop a cost recharge model from first principles, incorporating cost of ownership analysis of key shared IT platforms through the technology stack, including:
 - data centre operating costs, hardware depreciation & maintenance
 - software licensing & maintenance
 - internal and external support teams
 - development costs for statutory maintenance & enhancements
 - networks
 - market data
 - internally-developed software assets
 - management overheads
- To establish a forecast of IT service use through the application of both the partner's IT build-out and migration plans, and the client's integration plans, to each group of systems across the various product areas (including Fixed Income, FX & FX Options, Money Markets, Derivatives and Commercial Loans).
- To produce dynamic, consumption-based costings by measuring relative trade volumes and other appropriate metrics on a monthly basis.

The negotiation with the partner bank lasted several months, and involved representatives on the partner's side from front and back office IT functions, and Finance. These were successfully completed in Q3 2009 and recharging commenced thereafter with 4sl liaising between the parties.

Adding value to Bank's internal financial management function

4sl was selected for this work due to our knowledge of the acquired bank's systems, our commercial & business management expertise in financial markets IT and proven approach in delivering cost savings and cost reduction benefits.