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CASE STUDY: CUCM

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Excel hell to hosted heaven

Credit Union Central of Manitoba (CUCM), the trade association of 52 members of the Canadian province of Manitoba, has become the first in North America to take up a hosted treasury and risk management service from Misys. For Mike Safiniuk, consultant to the chief executive of CUCM, this is the final assignment before retirement from his long career in the industry. Tanya Andraeyan finds out the details of the project

'We want to get away from Excel hell,' states Safiniuk, and in keeping with the schedule, CUCM will 'break free' by the end of the year. 'We consummated a deal with Misys in March, and the implementation kicked off in the second quarter 2008. We are already in the process of setting up and expect to be running the systems in parallel in the third quarter.'

Safiniuk joined CUCM in 1984 as CFO. At the time, the organisation had a small portfolio of around CDN \$164 million and a home-grown system based on Excel

for monitoring, recording and managing the investment operations. Being a trade association, its primary fiduciary responsibilities are to manage statutory liquidity deposits from credit unions which act as a

source of liquid assets for credit unions to honour their many obligations (i.e. financial obligations to their members), explains Safiniuk. 'We take deposits from credit unions, and invest them in liquid safe bond and money markets investments (excluding equity markets).'

Over the last two decades, these markets 'have become far more complex than we ever knew them then', he observes. In view of this, together with the growth of CUCM's portfolio (which currently stands at \$1.9 billion), the realisation came that CUCM needed 'more sophisticated systems'. It has been a long journey from the start of the

search until the signing of the contract – nearly six years – but Safiniuk puts this down to the abundance of relevant products in the market, not to the lack of effort in sourcing the supplier.

It was hard to search without outside help, admits Safiniuk. About three years ago, CUCM turned to a third party consultancy firm that specialised in capital and treasury markets. The selection of a consultant was a separate profound exercise, with CUCM researching the market and going through an RFP process 'to find a qualified company'. A US-based firm was selected and 'made a very good start' with compelling business and functional requirements of CUCM. Then the company went through a process of matching the results with the service providers and asked the shortlisted vendors for formal proposals.

'We didn't develop success measurement criteria such as ROI or performance indicators,' notes Safiniuk. 'It was more directly related to knowing what our needs were, weaknesses in terms of our current system, and whether the new system would eliminate the inefficiencies.'

The list of potential suppliers was then narrowed down to three offerings, and although Safiniuk can't name the two companies that didn't land the deal, he describes them as 'international suppliers with offices in the US'. In the last year,



Mike Safiniuk,
CUCM

CUCM went through a process of negotiating with two vendors (one of which was Misys). 'Actually, we kept both suppliers active until we had a final contract with Misys,' says Safiniuk. 'In terms of contracts, you never say never until your name is on the bottom line.' In the end, a hosting deal was signed with Misys for the vendor's flagship treasury and risk management system, Opics, Misys Eagleye (for monitoring and controls) and Misys Opics Risk Plus (for market risk and portfolio management).

In the process, CUCM built such good relationships with Ronald Fink from the US consulting firm, that when he moved on to his own business, Eagleview Group, CUCM continued to collaborate with him, says Safiniuk. 'He helped us with choosing Misys, then he helped us with negotiating the contract, and now he's helping us manage the implementation.'

The criteria for choosing the right software were very extensive. 'There was a whole raft of requirements,' recalls Safiniuk. The system had to be multi-currency, able to handle fixed and variable products, easy to connect with other applications, capable of handling data from various rating agencies and market information providers (e.g. Bloomberg), had to support cash management, asset liability management, dynamic gap matching and end-to-end processing, as well as be able to create electronic settlements to safe-keeping agents and dealers.

Financial derivatives were the area of special focus, notes Safiniuk. Although CUCM is 'not into derivatives in a big way', it was important that the supplier was 'committed to maintaining the system in terms of product development in the financial markets – with the derivatives, you see new products appearing constantly'. At the same time, as a low risk organisation, CUCM wanted to make sure that the new system could support automated limits and policy compliance.

All in all, CUCM required 'sophisticated and integrated' software that offered efficiency and economy of scale and let the personnel 'get on with the jobs they were hired to do instead of trying to maintain outdated systems'.

The unique aspect of this project is that that CUCM effectively became the first financial institution in North America to operate Software-as-a-Service (SaaS) treasury and risk management software. For



Safiniuk, this has been the key requirement from the start. 'When we were initially engaged with the suppliers, it was on the basis that we would have to acquire and install the software, maintain it, take new releases and so on, but this was not what we wanted.' CUCM was after 'a simplified, web-based solution', so that the 'operational responsibility for maintaining a data centre' resided with the supplier, while CUCM just accessed the system remotely via the internet.

As neither of the two 'finalists' had offered such a solution initially, CUCM went

base is lucrative. Misys met the wishes of CUCM and 'put a tremendous amount of resources into making this venture successful'. The vendor has specialists on site carrying out training and assisting with the implementation process. The prospect of Misys' further tie-ups with other credit union centrals helped in negotiating the contract costs for the project at CUCM, notes Safiniuk.

'Remote processing is not a new concept for us,' he continues. 'In our current environment, we have a banking systems provider, who is maintaining the system in

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Mike Safiniuk, CUCM

back to them explaining its view on developing a relationship with an outside system provider. To strengthen the argument in favour of a hosted system, CUCM 'brought to the table some other interested parties within the cooperative financial services industry in Canada, and clearly indicated to both suppliers that it was not just one organisation that was interested in such software, but multiple organisations similar to CUCM across Canada'.

Credit unions (and Caisses Populaires within the province of Quebec) are a strong force in the Canadian financial services market. There are seven provincial centrals and Desjardins within Quebec that are similar to CUCM, so the potential customer

its data centre, and we are remotely accessing it. What is unique with the Misys project is that it is a cross-border type arrangement with the company (or at least the data centre) located in the US.'

The project is managed by the steering committee, which meets once a week and goes through the details of the project as well as makes sure that everything goes according to plan. 'We have a detailed project plan with quite rigid timeframes, from start to finish,' says Safiniuk. He cites 30th June as 'one of the key milestone dates', as this is when the initial conversion of financial data from the current Excel system to the Misys system begins. This date was originally set for Q4 2008, but with

the project progressing so well, it was advanced by the quarter. 'We all acknowledge that this is an aggressive schedule and we may have some slippage as time moves on, but it wouldn't be unexpected,' he adds.


The testing is being devised by a joint effort of CUCM, Misys, consultants and also auditors to ensure that 'all goes smoothly in a controlled environment'.

Misys products will cover virtually the entire treasury and risk management functionality, including accounting, cash management, asset liability management, settlements, daily record keeping, and inter-

face with external markets. CUCM's member credit unions will be able to do transactions online by going through a portal.

'The business of credit unions in Manitoba has been growing in the double digits over the last decade, and so has the depth and breadth of CUCM's investment portfolio and the complexity of business,' says Safiniuk. Today, the credit unions offer a full range of banking services – all types of deposit instruments as well as consumer, corporate and agricultural lending. 'Misys will provide CUCM with the system that is able to handle this growth.'

For CUCM, migrating to Misys will be

'the first major step in terms of significant IT changes that are going to take place'. Amongst other areas, 'the refreshing of technology' will touch upon core banking software, currently supplied by a domestic vendor. Credit unions on the 'Prairies of Canada' – Manitoba, Alberta and Saskatchewan provinces – are 'in the midst of rolling out a new banking system' and CUCM is keeping an eye on the progress. 'Once the treasury project is done we'll be looking at general ledger and banking systems – a venture planned over the next couple of years,' says Safiniuk. 

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