

A Single Solution: The Foundation for Growth



ABOUT

Secure Trust Bank (STB) is based in Solihull, UK. It has been a subsidiary of the Arbuthnot Banking Group since 1985 and was listed on the Alternative Investment Market (AIM) in 2011. STB has increased its portfolio in recent years, acquiring the Everyday Loans Group and the V12 Finance Group, as well as the trade and certain assets of the Debt Managers Group in recent years. STB's lending is predominantly funded by customer deposits. STB maintain a liquidity buffer, above that required to support lending, reflecting STB's cautious approach to risk.

The Challenge

A regulatory review of Secure Trust Bank's practices prompted the implementation of a robust system to automate their treasury operations, provide comprehensive and timely ALCO reporting, and apply best practice interest rate risk management procedures.

The Solution

In May 2014, STB underwent a Prudential Regulation Authority (PRA) liquidity review. This identified two major areas for improvement in their treasury function: implementation of an Asset Liability Management (ALM) and Treasury Management System (TMS). To deliver these improvements, Stuart Clarke was appointed as Head of Treasury. His immediate goal was to establish a formal treasury function which would support the growth of STB into the future. STB had a strong preference for a single system that would support both treasury management and ALM activities.

KEY RESULTS

- Implemented an integrated treasury and risk management system to streamline daily treasury processes
- Replaced interest rate risk management activities carried out via Excel spreadsheets
- Implemented a monthly reporting pack for the ALCO committee that covers gap analysis and interest margin, including stressed scenarios
- Added functionality to monitor compliance with treasury limits such as counterparty credit exposure limits

With this in mind, they reviewed a number of TMS and ALM systems across the globe - from small niche solutions to sophisticated and modular platforms. Ultimately, they selected GTreasury for its integrated features, high level of system support, and positive assessments from current users.

The Results

The implementation was delivered in two phases over four months. Phase One delivered the Treasury Management Module over a month whilst Phase Two involved the deployment of the ALM Module three months later.

Clear improvements and benefits were realised almost immediately:

- Automated deal processing, reporting and accounting activities. These were previously performed in Excel.
- Established rigorous segregation of duties between front and back office within the system.

“STB is forecast to grow substantially over the next three years so we were looking for a platform that was scalable to support growth going forward and also offer value for money. For a financial institution of our size and resourcing, an integrated risk and treasury solution means that we can not only manage daily operations, but also focus on our strategic priorities.”

—Stuart Clarke, Head of Treasury, Secure Trust Bank

- Provided the ability to monitor treasury policy compliance, in particular counterparty credit exposure limits.
- Streamlined the payments process.
- Reported the fair value of financial instruments on a mark-to-market basis.
- Generated comprehensive interest rate reporting and analytics for the ALCO committee.

The project enabled STB to produce regular comprehensive reporting for both internal management and PRA submissions. Periodic Interest Income sensitivity reporting has aided internal risk management and budgeting processes, while net present value and Value at Risk outputs enable compliance with the PRA's reporting requirements. STB derived additional value from GTreasury's powerful balance sheet forecasting and behavioural modelling functionality. This enables them to model multiple potential interest rate scenarios, behavioural assumptions and what-if hedging strategies to proactively model their risk and identify strategies to achieve a desired net margin.

ABOUT GTREASURY

GTreasury's integrated TMS not only keeps pace with today's rapidly evolving enterprises, it surfaces the critical relationships between cash management and risk management. In this way, your treasury information becomes an invaluable driver of strategic business decisions.

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