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HBZ banks on technology to level the field

By Chris Forsyth



In the world of Internet banking, most people want to handle their money without having to go to their local branch. To a bank like Habib Bank AG Zurich (HBZ) e-Banking is about convenience, of course, and so much more.

HBZ is listed in the world's top 1000 banks by *The Banker* trade journal. To put it in context, there are more than 9,600 banks in the United States alone. So obviously, being in the top

1,000 worldwide is a very notable achievement. But HBZ isn't resting on its laurels. In 2000, *The Banker* rated HBZ at 862 in the world. In 2001, they were rated 790. This year Reza Habib, HBZ's leader, says "we're about number 700 in the world." That's a jump of 162 slots in five years.

So how is HBZ leveling the highly competitive field it's playing in? In a word, technology.

Creating a global Internet banking system on Sybase ASE

Back in 1994, HBZ set out to create a system for Internet banking that would fulfill its global requirements. Using Sybase's Adaptive Server Enterprise (ASE) database as its foundation – and only commercially licensed component – they built a Java-based solution called hPLUS™.

They chose Sybase ASE to power it after "objectively evaluating three or four databases and I can tell you honestly, in the final analysis, there were only two we really looked at," says Habib. "We decided on Sybase when there was no office in the UAE (United Arab Emirates where the bank has its roots), so we had very, very strong reasons to go to Sybase."

The result was the first Java-based banking enterprise in the world. By using Java open-source technologies, hPLUS was a major vote of confidence for open-source technology. HBZ's faith in it was rapidly repaid when it integrated its legacy systems and streamlined its business processes in extremely cost effective ways. For a bank that has a high proportion of clients who demand first-class service, Java's general purpose programming language makes it well suited for use on the World Wide Web where many of its customers operate.

Since 1995, HBZ has upgraded hPLUS with successive Sybase ASE versions because it likes the philosophy it's hearing from Raj Nathan, Sybase senior vice president, Information Technology Services Group.

"Our customers get the benefit of having one central place to do all the work," says Habib. "That means they can cut down costs because if our costs are cut down, we can pass those savings on to the customer."

"As the new generations of the Sybase (ASE) engines have been released, we've seen some tremendous innovation from Sybase, right from Java on the database to really how they scale their engines," says the very computer-savvy Habib. As the joint president of the bank, Habib is excited about new clustering solutions in ASE for parallel processing, load balancing and fault tolerance that enable it to leverage the investment already made in PCs and workstations.

Currently HBZ is using ASE version .12.x Enterprise. (A new ASE version, No.15, is due for release later this year.) "It's very, very important to us," says Habib, the fourth generation leader of a banking, finance family private business based in Zurich, Switzerland.

Today, HBZ operates in 10 different countries, including the United Kingdom, Canada, Switzerland, UAE, and South Africa, each with different regulatory requirements – and the needs of its 100,000-plus customers and employees.

Since it was deployed, hPLUS has won successive performance and service awards, the latest being named a finalist for a 21st Century Achievement Award from the Computerworld Honors Program for its visionary use of information technology (IT) in the Finance, Insurance and Real Estate category.

A leader in ROI for the last five years

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Apart from catching the eye of independent Computerworld Honors judges, HBZ has been rated the leader in return on investment (ROI) for the last five years in a row among all UAE banks. Reduced overhead and lower total cost of ownership has come from efficiencies of HBZ's integrated system. Staff costs are not only down as a result, but HBZ says it has lower costs of procurement, maintenance, enhancement, redundancy, implementation and scalability.

hPLUS gives bank management the advantages of better decision-making, which reduces risk and increases margins. Today hPLUS tools for

risk rating, risk management and compliance have won the approval of the Swiss Banking Commission.

For employees, the advantages are improved real-time, transaction-flow management capabilities that allow them to stay productive and work less overtime.

For HBZ's IT staff of 12 that supports 50 branches in 10 countries, the advantage is in human resource savings because the majority of IT time is spent on development and not monitoring the system.

While e-Banking – the phone, the Web, smart phones, the automatic teller machine – is growing, the old-fashioned face-to-face teller banking is not ignored at HBZ's branches either. In fact, HBZ believes branch banking will never disappear however effective e-Banking becomes in helping banks extend their services.

The advantage of hPLUS for its customers is highly competitive fees as well as extraordinary levels of security over the technology delivery channels. The security feature is called challenge-response-authentication-mechanism (CRAM). It eliminates the need for customers to carry specialized hardware encryption devices since hPLUS runs on any enabled mobile phone or handheld device. The basic CRAM system is an image token presented on a screen that the user is asked to re-enter. This is separate from the standard user-name and password and adds a third feature to enhance security.

Another cost-saving benefit for customers is the highest Straight Through Processing (STP) possible, meaning when a customer makes a Web transaction it happens via the Web not through a manual back office procedure. Financial services providers are pursuing STP to promote operational efficiency, reduce labor costs, enable greater transaction volumes and improve data quality.

From the customer viewpoint hPLUS gives them integrated account information and convenience of being able to access and control their personal and business accounts anywhere.

A measure of the popularity of HBZ's e-Banking solution is that 67.8 percent of its credit customers and 71.4 percent of its depositors use hPLUS. Habib expects these numbers to grow as Internet and mobile penetration increases.

"Our customers get the benefit of having one central place to do all the work," says Habib. "That means they can cut down costs because if our costs are cut down, we can pass those savings on to the customer. If they're managing to open letters of credit online, for example, they save a lot of money directly."

Looking to the future, Habib says the crux of banking is how quickly new products can be brought to market -- because there's always a lag between a demand and how long delivery will be.

"Changes will continue," adds Habib, "and we're very encouraged by what we've seen for the future from the new road map that Sybase has to offer. I'm not sure how excited the big hardware vendors would be with Sybase's great innovation, but we're looking at some really exciting clustering solutions.

"It's not about saving money in the back end," observes Habib, "it's about redundancy, the ease of deployment, and not having vendor dependencies really.

"What we like about Sybase is that it reflects the core value of supplying pure technology. They always look at the core technology area, and I think core technologists need pure technology to develop new systems. Sybase has proven that. It's always possible to work with core technologists within Sybase. It's the fun part and it's why we respect Sybase."

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