

TransFonD brings Romania's national banking system into the electronic era with IBM infrastructure solution.

Overview

■ Challenge

To compete in the European Union, Romania needed to upgrade its banking IT infrastructure and implement an electronic interbank payment solution

■ Why IBM?

IBM offered the best price-performance ratio and the most feature-rich and sophisticated technology

■ Solution

Scalable, flexible, service oriented architecture and messaging software integrates interbank electronic payment system with core back-end processing applications and data of its member banks, processing up to 300,000 transactions per day in automatic clearing house application alone

■ Key Benefits

Faster processing of up to 7 billion EUR (8.6 billion USD) per day in funds; reduction of settlement period from two days to real time; 67% reduction of fees compared with paper-based system; improved security and liquidity management in Romania's banking system; simplified work processes



Needing a scalable, secure and high-performance infrastructure for an electronic payment solution, TransFonD turned to IBM and WebSphere software for a flexible service oriented architecture.

Since the fall of communism in 1989, Romania has undergone numerous development programs to modernize its government, privatize its industries and make its financial institutions more efficient. For assistance in joining the European Union (EU), Romania has tapped EU funding for several projects, and none has had more dramatic consequences than the development of an electronic interbank payment system. TransFonD S.A. (TransFonD)—a private company owned by 27 Romanian banks and the National Bank of Romania—is the Romanian organization that carried out the project with IBM's assistance.

“With our service oriented architecture, TransFonD can leverage reusable code components, enabling the same services to function within many applications, saving time to value for our new solutions.”

—Marian Simion, IT Director, TransFonD

Accelerating time to value and minimizing risk

Key Components

Software

- IBM Lotus® Domino®
- IBM Lotus Notes®
- IBM Tivoli® Storage Manager
- IBM Tivoli systems management software
- IBM WebSphere® Application Server
- IBM WebSphere MQ

Servers

- IBM System p™
- IBM TotalStorage® disk arrays

IBM Business Partner

- S&T Romania

“TransFonD is charged with providing flawless information flows for the Romanian banking community. We needed to minimize risk. So we chose IBM.”

– Marian Simion

Prior to the chartering of TransFonD, Romania's system for settling interbank payments was paper based. It took a long time for a payment to reach the end beneficiary. Even the settlement between banks took one day. A significant volume of papers circulated between banks, and between banks and their clients.

The Romanian banking community needed an interbank electronic payment system for faster, cheaper and more secure payments. At the same time, a streamlined modern infrastructure for payment would enable banks to compete based on operational efficiencies.

TransFonD's mandate provided a clear path to reach this goal: reduce settlement times and help the Romanian banking industry and its economy enter the era of paperless transactions brought about by the Internet.

Laying the foundation for a national payment system

Lacking an existing infrastructure, TransFonD was free to choose the best technology available. It selected a payment settlement solution from Montran Corporation, a leader in providing comprehensive interbank payment systems to national banking communities in countries worldwide.

For the software and hardware infrastructure to power the interbank electronic payment solution at the highest levels of performance and availability, TransFonD evaluated products from Hewlett-Packard and IBM. It chose IBM hands down. IBM delivered best-of-breed middleware software including IBM WebSphere Application Server to process the business logic, and IBM WebSphere MQ to meet the solution's application data exchange requirements. IBM Tivoli systems management tools help keep the payment solution up and running, while IBM Lotus Notes and Domino collaboration software provides participants with information on the status of their transactions. IBM TotalStorage disk arrays and Tivoli Storage Manager manage the storage of data at both the primary datacenter and a remote disaster recovery site.

The software for the electronic interbank payment system runs on a clustered IBM System p platform. IBM Business Partner S&T Romania provided software and hardware products on time and on budget to meet TransFonD's stringent requirements.

Says Marian Simion, IT director, TransFonD, “We selected IBM systems and software based on several compelling reasons. IBM offered the best price-performance ratio, the most feature-rich and sophisticated technology, and excellent references for similar complex projects both inside the local Romanian banking community and worldwide. With IBM we also have access to the expert professional services and support provided by IBM Romania and IBM Business Partners. Above and beyond these reasons, however, there is the issue of trust. For this project we required a vendor that would partner with us and help us achieve a successful outcome. TransFonD is charged with providing flawless information flows for the Romanian banking community. We needed to minimize risk, so we chose IBM.”

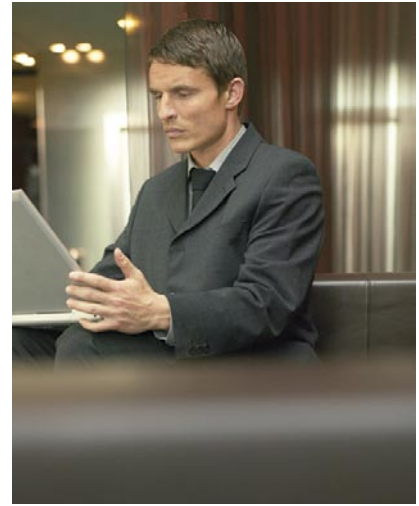
Doing business in real time

With its interbank electronic payment system, TransFonD has significantly improved liquidity management in Romania's banking system. The solution has reduced the settlement period from one day to real time for payments of over 50,000 RON (17,000 USD), and to a few hours for smaller payments. In addition, the solution has simplified banks' work processes and lowered administrative costs.

The highly available system provided by IBM, TransFonD and Montran is also significantly more secure than the previous, paper-based solution, reducing the risk of losing valuable data and minimizing operational risk.

The electronic interbank payment system is currently processing all interbank credit transfers (payment orders) and direct debits. For the most part, these payments are related to real economic transactions. The new system also settles card transactions as well as debit instrument transactions (checks, bills of exchange and promissory notes) that are still circulating on paper. Later this year, TransFonD anticipates including all such instruments in the same system, while eliminating paper-based interbank payment instruments.

With the IBM solution, banks can perform better cash flow management than before. The solution also means lowered commissions for interbank payments, since the cost of such transactions is drastically reduced.



Formerly paper-based, the Romanian interbank payment system is now capable of settling payments in real time, thanks to IBM.

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–Marian Simion

Proven technology fosters trust

Entrusting the secure and timely delivery of funds to an automated system indicates a high degree of confidence on the part of TransFonD in the IBM solution. As the foundation of the WebSphere software platform, WebSphere Application Server delivers a rich application deployment environment with application services that provide enhanced capabilities for transaction management, as well as the security, performance, availability, connectivity and scalability expected from the WebSphere family of products.

WebSphere Application Server provides the basis of a service oriented architecture (SOA). "With our SOA, TransFonD can leverage reusable code components, enabling the same services to function within many applications, saving time to value for our new solutions," says Simion.

With WebSphere MQ, TransFonD integrates its interbank electronic payment system with the core back-end processing applications and data of the National Bank of Romania, the Romanian Stock Exchange and its member banks, and the Ministry of Finance. Assured delivery of messages—and transparency of applications and data—help TransFonD offer a solution that Romanian banks can trust to be accurate and on time.

"With WebSphere and an IBM infrastructure, the banking community has an electronic payment solution it can trust," says Simion. "IBM has enabled us to provide a payment solution at the national level that has literally transformed our banking system and brought it into the modern age."

For more information

Please contact your IBM sales representative or IBM Business Partner.

Visit our Web site at:

ibm.com/websphere

For more information on TransFonD, visit www.transfond.ro



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