

Commerzbank

Managing Credit Risk and Increasing Operational Efficiency

Business profile

Commerzbank

One of Europe's leading private banks

Industry

Financial services

Geographies

Headquarters in Frankfurt, Germany, with more than 700 branches throughout Germany and Europe.

EMC Documentum Products

Documentum ECM platform

Deployment Summary

Used by 200 employees in Frankfurt and London offices to manage entire corporate credit lending process. Eventual rollout to all European branches, with 12 additional sites planned in 2004.

Documentum Partners

Kofax Image Products

Business overview

With consolidated assets of nearly 400 billion euros, Commerzbank is one of Germany's—and Europe's—leading private sector banks, serving individuals as well as major regional and multinational corporations and institutions. In Germany, Commerzbank operations include a network of over 700 branches. Additional operations are concentrated primarily in other European countries, but presence is also maintained in key markets such as the United States. Approximately 35,000 Commerzbank employees serve roughly six million customers.

Challenges

In the competitive retail and commercial banking marketplace, improving operational efficiencies has become essential for survival. For Commerzbank, which every year processes over 170 multi-million euro loans and credit lines to corporations and institutions, streamlining the corporate credit lending process to reduce paper and drive down costs had become a top priority.

Need to Enable Working in Parallel

When a corporate client first requests a new line of credit, the Commerzbank client relationship manager begins conducting research on the company to determine how to structure the loan, while the risk management group begins conducting different research to determine whether or not to offer the loan and under what circumstances. In the past, with a paper-based environment, the client's file could be in only one person's hands at a time, so much of this research and other work had to be done sequentially, rather than in parallel. Commerzbank knew that having information in a central repository where employees could access it easily and use it simultaneously would go along way toward increasing efficiency for credit operations.

Business Processes Unwieldy and Difficult to Streamline

But Commerzbank needed more than just easier access to credit information; the bank had as its goal eliminating the need for paper and automating its entire corporate credit lending process. However, because each corporate loan or credit line has its own complex, content-dependent workflow associated with it, the question was how.

“For each corporate credit application, we need to take into account, for instance, which industry the organization is in, how it is rated by organizations such as Standard & Poor's and Moody's, how it is rated internally, and what the exposure is to the client, to the parent of the client, and to Commerzbank,” explains Stuart Oliver, head of process management at Commerzbank. Taking these and other factors into account requires 7 to 12 sign-offs from various people within the company and over 600 pages of paper documentation, generated by 30 teams within six departments.

Benefits

- Increased operational efficiency and speed from automating entire corporate credit lending process
- Faster, better risk analysis and decision making
- Increased internal audit rating thanks to automated workflow and improved security and accuracy
- Reduced storage costs by virtually eliminating need for paper
- Greater ability to enforce industry regulations and requirements

Need to Enforce Business Policies

Manually gathering all the supporting risk analyses data and making sure all the right approvals were obtained, in the right order, was often difficult and time consuming. With manual processes, documents could also be misplaced. Commerzbank knew it needed to ensure that appropriate approvals and other internal business policies were enforced—that “the right information made it into the right hands at the right time,” according to Oliver, “and that all documentation was secure and easily tracked.”

EMC Documentum Solution

After evaluating options for transforming its credit operations from a paper-based system to an electronic-based system, Commerzbank selected the EMC Documentum® ECM platform as the foundation for its new system. “The ability to manage complex workflow—to automatically determine an object’s workflow based solely on its content—was a key differentiator for Documentum,” said Oliver.

Other important factors that Commerzbank considered when selecting Documentum included the strong XML capabilities native to the Documentum ECM platform and the fact that other large banks had selected this solution their applications. This credibility within the industry helped convince Commerzbank that Documentum had the experience and expertise to address the specific requirements of a very large financial services organization.



“By using the Documentum ECM platform to reduce paper and automate our entire corporate credit lending process, we have been able to increase operational efficiency. In addition, the new system provides transparency across the business, which results in better, faster decision making.”

Stuart Oliver, Head of Process Management, Commerzbank

The new electronic system was such a departure from the way things were done before that Commerzbank took special steps to garner user support. It established a user acceptance group consisting of key members from among the 30 teams, held frequent meetings between management and users, and provided in-house training at the department level. In June 2002, the Documentum system was rolled out to approximately 200 users in London and Frankfurt. Because the solution was browser-based and did not require installation on desktops or major programming, deployment was quick and easy.

The new Documentum-based system automates the entire corporate credit lending process at Commerzbank. Business rules are all modeled within the system and all documentation — including the loan application form, risk analysis, return on investment spreadsheets, presentations, correspondence, annual reports, meeting agendas, and minutes — is stored electronically in a central repository. Client-generated correspondence and other documents originating in paper form are scanned into the system and stored as TIFF images, using Ascent Capture software from Kofax Image Products. Loan applications, meeting minutes, and all supporting credit documentation is entered into XML-based online forms. Workflow prompts and stores all approval signatures as needed.

Eliminating Paper and Reducing Storage Costs

The new Documentum system virtually eliminates the need to retain paper. When the system was first implemented, Commerzbank had approximately 100,000 pages of documentation related to the previous years' business, growing at a rate of approximately 150 pages per day or one file cabinet per month. Now, with information stored electronically, not only is it easier to search for and locate but the cost of retaining information is significantly less.

To enable each credit application to have different types of information and different workflows associated with it, Commerzbank leveraged the virtual document capability of the Documentum platform to create "credit packs." A credit pack consists of all the supporting documents for a loan or credit line. As new documents are submitted or created, and as they are signed off in the credit approval process, all this information is automatically linked to the credit pack. Credit packs are dynamically routed through workflow stages according to attributes captured in XML. "If the risk is above a certain level, the credit pack branches one way; if below, it branches another way. If exposure is above or below a certain value, it branches yet another way," explains Oliver.

Increasing Operational Efficiency and Speed Through Automation and Integration

With a central repository, groups can now work in parallel on a credit application, which results in greater efficiency and enables faster time to final approval. Workflow automatically notifies the appropriate employees when approvals are needed. Employees can approve, reject, or approve with conditions, and workflow will route the credit pack appropriately based on their decisions. Whenever users make approval decisions, the system prompts them to reenter a password, which is then treated as a written signature.

To increase efficiency further, Commerzbank has integrated the Documentum system with a number of back office systems, including two accounting software packages (AccountsDB and IDDS), Goldmine contact management software, and Siebel CRM software. As a result, client relationship managers can, for instance, click on a client's record in Goldmine and go right to the client's information within Documentum. And whenever a change is made to a client's record in Siebel — even a complex change such as the merging of two companies — this information is automatically transferred to the appropriate places within the Documentum system.

Facilitating and Accelerating Decision Making with Strong Reporting Capabilities

With a paper-based system, it had been very difficult for risk managers to gauge a client's exposure to a particular industry. A risk managers had to search through branch files and external storage facilities to gather data. In the best case, someone had maintained a manual spreadsheet containing this information. Now, however, because the Documentum system stores credit application data in XML, it is extremely easy to generate reports that provide transparency across the business, resulting in better, faster decision making.

"When a risk manager needs to know about exposure to an industry or to clients with an S&P rating worse than x, it only takes a few clicks to view a report that answers the question," explains Oliver. "And if the desired report doesn't already exist, it only takes a few hours to create it the first time, and a few seconds the next time. With the Documentum system, we can find out almost anything we want to know from data captured during the entire corporate credit lending process."



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Stuart Oliver, Commerzbank

Making it Easier to Prolong Loans and Retain Business

The typical duration for a loan or credit line is one year. It is usually in the bank’s best interest, however, to prolong a loan past its initial 12 months — a task that is now easier thanks to the new system. In the past, the client relationship manager had to remember when it was time to initiate a reevaluation of a loan to determine whether or not to offer an extension to the client. Now nightly reports based on XML-tagged credit data notify relationship managers when to begin the reevaluation process for their clients’ loans. The Documentum system also automatically creates a new credit application based on information contained in the previous credit application.

Enforcing Business Policies and Increasing Internal Audit Rating

With a central repository and a rules-based system, enforcing business policies for greater security and accuracy — from eliminating the chance of lost or misplaced documents to obtaining proper signatures in the right order — is now very straightforward. For instance, the credit pack, or parts of it, may be modified only by those with appropriate permission and only after appropriate signatures have been obtained. And when a loan is eventually offered to a client, thanks to the audit trail captured in Documentum, it is easy for management to see which version of the credit pack the final decision was based on. All of these features have dramatically increased the bank’s internal audit rating.

In addition, by providing an easy way to store vast amounts of data, the new system facilitates Commerzbank’s adherence to the industry’s Account Opening regulations, commonly referred to as “Know your Client.” Numerous checks are made on every potential client (individuals as well as organizations), to determine whether or not to go ahead with a transaction. Documentum enables all of this information to be stored indefinitely, as required, and makes it easier to retrieve if necessary at some future date. Another requirement, referred to as “Chinese Walls,” mandates access to confidential information only on a need-to-know basis; the system’s use of role-based permissions enables Commerzbank to meet this requirement.

Leveraging Documentum in other Areas

Commerzbank is also using the Documentum platform within its compliance department to manage data related to money laundering detection and prevention, and in its information technology department to store IT project documentation and manage a complex IT project approval process. Additional information on clients and bank operations is also managed in the Documentum repository and accessed by employees scattered throughout corporate banking operations.

Summary

By using the Documentum platform to eliminate paper and automate its entire corporate credit lending process, from initial client request through loan prolongation and retirement, Commerzbank significantly increased operational efficiency and speed. In addition, it improved its risk analysis and decision-making capabilities. “The electronic system wasn’t an easy sell to many of our employees who resisted change, but now everyone is fully on board and pleased that the system makes it easier for them to do their jobs, and do them even better,” said Oliver.



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Customer Profile
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