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## FOREFRONT

## Rwanda rising

Rwanda's capital markets are beginning to show signs of promise, prompting the automation of custody services by the country's largest provider

FULLY automated custodial services have arrived in Rwanda, with KCB Rwanda (KCBR) Custody Services pioneering the use of Sectech's flagship technology system.

The journey leading to this development began two years ago when the KCB Bank Group, the custodian's Kenya-based parent, learned about Sectech's Custody 2000 system after receiving enquiries from a client for sub-custody services relating to automated operations. Edwina Mulanga, head of KCBR Custody Services, picked this up with the senior management, and the bank began talks about ways in which they could automate their custody processes. Mulanga was told that the system was "easy to work with. That is when the conversation with system vendors started," she says.

At that stage, the KCB Bank Group had been using a core banking system and thought it would be prudent to buy the Custody 2000 system as a group. However, the Rwanda team opted to go at it independently after clearance from the group.

The custodian considered a number of vendors and selected Sectech, following a competitive bidding process. "The reason I went for Custody 2000 was, firstly, it had been tried and tested by other renowned industry players," says Mulanga.

"When we looked at what the other vendors were offering, Custody 2000 appeared to be very specific for our needs," she says. "Also, considering the background of the Sectech team, we found more than three people at Sectech had been custodians in the past, and we felt that in developing their system they had custody in mind and would respond effectively to our needs."

Indeed, Sectech's founders previously worked for Citibank Worldwide Securities Services in London. Citi's development center in Mumbai provided the genesis for the launch of Sectech's operations there in September 1999. Khalid Mukhtar, one of the founders, recalls: "In those days as soon as we started the company, we realized that we won't be able to hire people in the U.K., and in those days there was a lot of availability in terms of good resources in India when we started our development center there." The center in Mumbai forms a large part of Sectech's 35-member component and looks after development and support.

On implementation, it was decided that Custody 2000 would interface with the core banking system of KCB Group, as well as with SWIFT. In the short to medium term, Mulanga has several expectations for Custody 2000. Firstly, she expects it to cut almost all manual processes KCBR has in custody over the next five years, following the initial teething problems of interfacing the system. Secondly, it will simplify reporting.

The automation of the system is also expected to streamline KCBR's custody offering, compared to what is currently in place in Kenya. "Kenya has huge operations, and they are not yet automated," says Mulanga. "The team grew from eight to about 30 within less than 10 years. I thought that if we have Custody 2000 now, and if business grows, we still would not necessarily need to employ extra staff on top of the current three, and this would help take care of our costs."

The automation is also expected to enhance the current offering as Rwanda's capital markets begin to show signs of promise, particularly relating to bond markets and the growth of money market funds. "Custody 2000 is helping our bond calculations and helps me see what the actual risks that will come from investments [are]," says Mulanga.

"And being the first custodian in the market, our standards are going to set a benchmark for other custodians who will be coming into the market." Out of Rwanda's nine banks, only two currently offer local custody—KCBR and Bank of Kigali, which recently obtained its license. "Once they look at our standards, they will only want to be better and use our system," says Mulanga.

As part of a large Kenyan bank, KCBR's search for automation in custody is also part of an effort to expand its clientele, which currently comprises mostly local asset managers, Mukhtar notes. "Their search for automation was to enable them to process the growing volumes, improve client reporting, improve client services and also attract more foreign clients," he says. "And the Rwandan market has had some focus in the last year or two where everybody has been looking at it as a frontier market."



Edwina Mulanga



Khalid Mukhtar

An automated system would enable KCBR to grow its volumes from those international clients. "They do have a few international clients, but I guess when you are doing things manually, the number of transactions you can process and the capability to do so is very limited, as you are so sensitive to volumes that you are almost scared to take on more business. So that was one of the objectives—to make sure they have a little bit more volume insensitivities and a minimal rate of errors that comes from a quick service," says Mukhtar.

For Sectech, the addition of Rwanda has introduced the possibility of further expansion into East Africa. "There are big banks like Ecobank (a client of Sectech in Ghana), which is a fairly large organization in terms of its presence," says Mukhtar. "They are perhaps cautious about entering the custody business, but they are the best-positioned indigenous bank to take advantage of the op-

portunities, mainly because of their footprint in the continent."

Mukhtar adds that automation will enable these players to compete more effectively with the likes of the large foreign banks. "I guess that's what we look at: If there is interest from the foreign institutional investors and the legal infrastructure in the country supports custodians, then it is a market that we can assist in automation," he says.


"Rwanda is a very small market, but there is interest from the foreign institutional investors, and I believe there is potential for growth," he adds.


Sectech currently provides several banks in the region with a standard package of post-trade functionality that includes settlements, automated SWIFT messaging, corporate actions processing and client billing. "Some of the things that matter most in our experience for the custodian is having Custody 2000 talk to their banking system," says

Mukhtar. "We have worked with a lot of clients, and we have now covered almost all major banking solutions. So if a custodian says 'How is Custody 2000 going to talk to my banking system?' we usually say that we already have an interface that will work, so as long as you're using the same version of the banking software then that is not an issue, and usually it is not."


In addition to SWIFT connectivity, Sectech also offers time-to-market services. "We have surprised a lot of people a number of times; especially when we already have a client in the market, then we can move very fast. Another thing that comes to mind is that when we see requests for enhancements, our turnaround time is really quick. The way we have designed the system is that the majority of it is parameterized at the site level, but even if we have to make a complex change, it is done pretty quickly."

—Janet Du Chenne







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