

# Sectech delivers reliable, simple solutions for emerging markets

Despite perceptions of instability in some African markets, one firm has found a way to build a thriving business in the region. *Caroline Allen* talks to Sectech's Khalid Mukhtar.

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hether it is finance or farming, the kind of solution required in developing markets is a reliable, robust product that is cost effective, low maintenance and long lasting. In the last decade, founders Khalid Mukhtar and Anurag

Gupta have built Sectech, the custody systems provider, into a trusted supplier, which does exactly that.

Before starting Sectech in the late 90s, Mukhtar and Gupta both worked for Citibank in London. Mukhtar and Gupta, an engineering graduate of Indian Institute of Technology (IIT Bombay), met in London around 1995 and it was the start of a friendship which turned into partnership and the development and launch of Sectech and its flagship Custody 2000 platform.

Mukhtar recalls his experience at Citibank as one where he learnt a lot, saw the world and believes his training at Citibank still helps him to this day. He loves his life at Sectech and is dedicated to making Sectech the most trusted partner of custodian banks around the world.

It's a demanding goal. Just back from Ukraine, he was in Africa the week before and is set to go to the Middle East, then another hop back to Nigeria, all the while keeping in touch with his business and support bases in India and the UK. The hectic schedule, he says, simply reflects the "fantastic" opportunities in these emerging markets.

Having lived in the Middle East and Africa, Mukhtar has many years of experience in the region, installing Citi's banking system in Gabon in the 1980s and subsequently similar systems in Senegal, Zambia and Zaire. His last responsibilities at Citibank included supporting Citibank's custody businesses in Europe.

Sectech won its first contract from Turkey's Akbank in 1999, beating long established Sungard and some other competitors, but soon after switched its business focus to Africa. Sectech now has a range of prestigious

clients across the continent and, more importantly, has become the preferred supplier for Barclays Securities Administration (BSA).

The firm's Custody 2000 is a Microsoft technologies based system. Since September 1999, Sectech has had its own development and support centre at the prestigious Millennium Business Park in Mumbai, India. Clients can contact the support teams via phone, email and fax.

Sectech now operates in 10 of Africa's 49 countries. The latest installation for BSA was in Egypt, following those provided in Zambia, Ghana, Kenya, Zimbabwe, Botswana, Mauritius and Uganda. In January, the firm also completed a contract for Old Mutual in Zimbabwe.

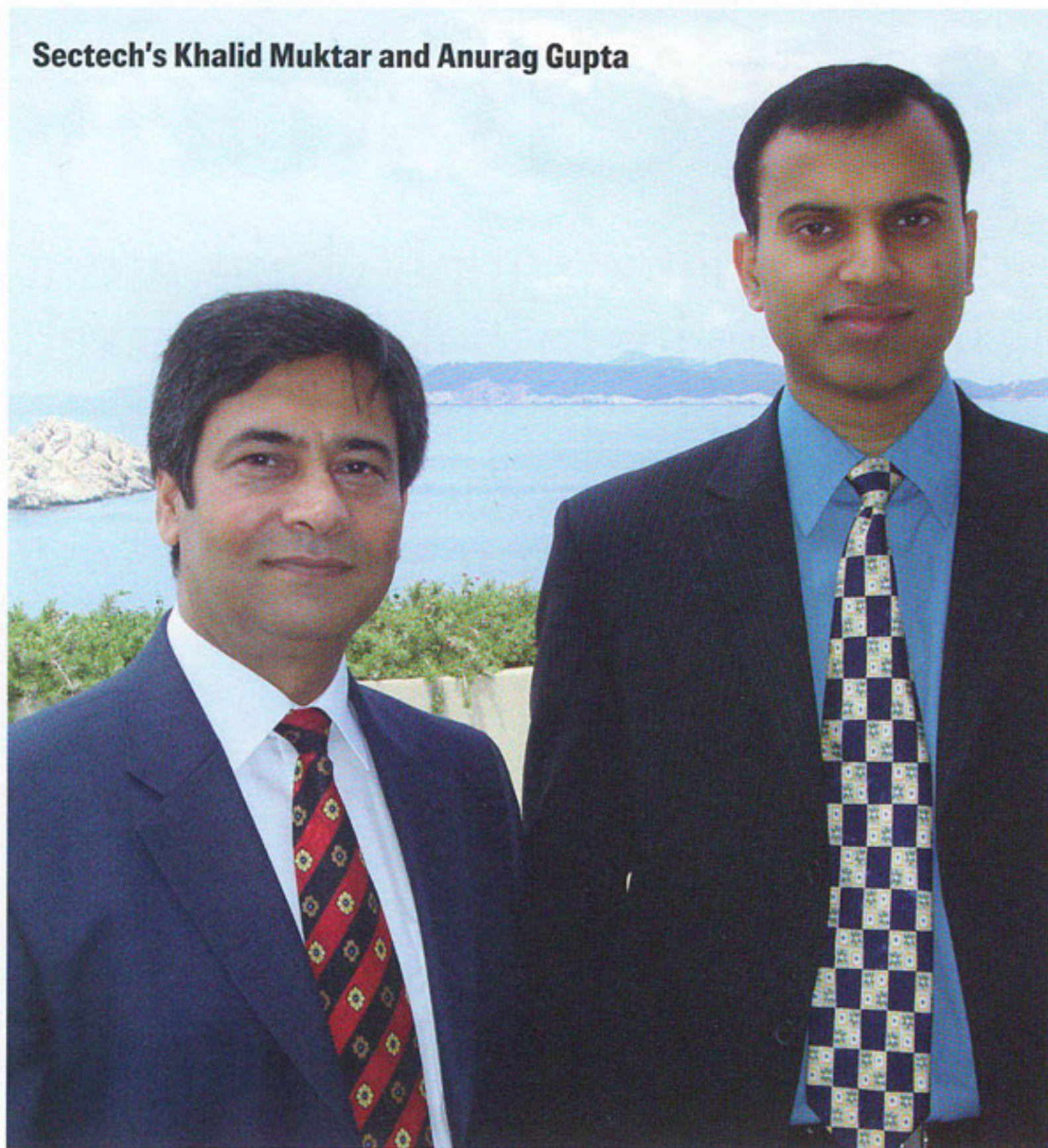
There is room for growth. Mukhtar hopes that expanding markets, like those in Nigeria and Kenya, will pull the rest of the continent with them, despite general perceptions of political instability. "Perceptions are often outdated...Nigeria, for example, is booming. The banking sector there has really gone through a transformation, consolidating from 80 or more banks to about 25, with very strong balance sheets behind them."

He points to players like UBA Bank, First Bank of Nigeria, First City Monument Bank and Zenith bank. Nigerian banks now require separate licences for banking and pension fund custody, which has provided a solid foundation for the custody industry. Francophone markets like Morocco, Tunisia and to a lesser extent Algeria, have a lower profile than many smaller markets in the region, but arguably offer much greater potential.

Demand is so strong that Sectech is sometimes called upon to install systems very rapidly. The fastest the firm has delivered is two weeks. "Our system is basically a complete software solution and incorporates most of the functionality (settlements, corporate actions, SWIFT Fax and email messaging, compliance) that a Custodian needs, and we provide user training," Mukhtar explains.



Sectech's Khalid Mukhtar and Anurag Gupta



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"The hardware is all LAN based, so we can move very fast. We can implement Custody 2000 in the time it usually takes other firms to conduct a customisation study. This is purely due to the functionality rich system and the expertise we have developed within the region. Africa is second home to most of us, and we love it," he adds.

### **Knowing the business**

Clients testify to the exceptional level of client support post-installation. Mukhtar is proud of the fact that Sectech has never had to send staff onsite to solve any problem. All support is delivered through phone and email. "We can promise two things," he adds. "One is, we know the business. We came from it. We know what Custodians want their systems to do. The other is responsiveness. Service has to be 100%."

He has never had a system failure with Custody 2000. He charges that many systems offer too much redundant functionality, and that there is growing resistance to paying for unused "bells and whistles" on complex platforms that cost a lot more to install and maintain than the markets can afford.

Delivering a high level of service is challenging for the business. Staff costs at the Mumbai development

and support centre have more than tripled in the last few years, as the world turns to India to recruit, and entice away, top financial operational expertise. Sectech however, has been able to retain its key team members by providing excellent work environment, flexible attitude and friendly management.

"We have a solid management team at our Mumbai office, which has not changed for many years, Mukhtar says. "Stability of staff is as important as stability of systems. We are very proud of our people, they have made Sectech what it is today."

As the Africa business grows, he is now looking at Eastern Europe, the Middle East and Asia, establishing a local hub and then branching out. "Markets need to have a solid legal and regulatory framework that supports the Custodians," he notes. "That is usually one of the signs that the market is ready for our products. Other indicators are a growing stock market, existence of a securities depository and of course the interest level among foreign investors."

He is monitoring the sector in the Middle East carefully, but believes greater short-term opportunities exist in Eastern Europe, notably the newer member states of the European Union, and the Baltics. "Our target is to double the number of installations we currently have within the next three years and we will", Mukhtar says. ■

### **BARCLAYS BUILDS ON HISTORIC FOUNDATIONS IN AFRICA**

Barclays has offered securities services in Africa since 1993, but has operated mostly through subsidiary Barclays banks in each country. Over the years the asset servicing business has grown steadily until Barclays Bank Securities Services now operates in 16 markets across the continent.

Ten of them (Botswana, Ghana, Egypt, Kenya, Mauritius, Tanzania, South Africa, Uganda, Zambia and Zimbabwe) are where Barclays Bank has a presence itself, and in seven of these markets, the bank uses Sectech systems.

The others are in countries where it is not directly represented, and here it appoints third party agent banks. In Nigeria, it is First Bank of Nigeria; in Ivory Coast it is Societe Generale Securities Services. In Malawi it is National Bank of Malawi, and in Namibia it is First National Bank of Namibia.

In Mauritius, Barclays Bank has been present since the early 1900s, and it has been operating securities services from there since 2000. Augustine Kwakye-Agyekum, head of sales and client relationship for Barclays Bank plc Regional Securities Services, says that from 2006 that presence was developed into a thriving hub, where smaller institutional investors can access markets individually. He has seen rapidly increasing demand from pension funds in Nigeria and Kenya, and a noticeable pick-up in interest in the region from hedge fund investors.

The biggest challenge to growing the securities servicing business, he adds, is the limited liquidity in many African markets, and still undeveloped infrastructure whereby transactions are manually processed rather than automated.