

Case Study



Infusing Tradition with Innovation

PrivatBank: leadership through innovation

PrivatBank is the largest financial institution in Ukraine taking the leading position in the banking market based on the key financial indicators (assets, loan and deposit portfolio, profit, etc.). PrivatBank also leads by the number of customers, with every fourth person living in Ukraine as its customer. The bank's service network spans over 3,000 offices and branches in Ukraine. The bank also actively develops a modern financial services system in Russia, Latvia, Portugal and Georgia through its subsidiary banks.

One of the key components of PrivatBank's success is its innovation policy targeted towards the implementation of cutting-edge banking products and services, which enables its customers to have access to the newest and most diverse ways of managing their finances. PrivatBank was the first in Ukraine to offer an Internet banking service called 'Privat24' as well as mobile banking and the ability to purchase mobile service operator and IP telephony electronic vouchers via its ATM and POS terminal network.

PrivatBank's leadership in the payment card market can be described as unprecedented. Based on many indicators, the bank's market share is 40-50% of the entire Ukrainian market. By December 2009 the bank had issued over 18,7 million payment cards and had networks of 7,000 ATMs and over 52,000 POS terminals across Ukraine.

The scale of partnership

The partnership between PrivatBank and Compass Plus originates from 2001. The bank previously based its processing system on a software solution provided by CTL, however, the growth of its terminal network and its ambitious business plans revealed the necessity of having a more functionally rich means of automation. PrivatBank chose TranzWare Online front-office system developed by Compass Plus as the specialised solution for managing its ATM network.

"One of the integral selection criteria was the productivity of the solution", says Alexander Androsov, Head of Processing Centre at PrivatBank, "And not only the linear productivity suitable for the current requirements. We were searching for a tool capable of processing constantly rising volumes of data, a truly scalable solution..."

The processing centre experts have commended the TranzWare system for its reliability, functionality and flexibility. The next logical step was the gradual migration of the functional modules (such as terminal and host-to-host interface management, authorization, routing and cryptography) to the TranzWare platform.

The algorithms of success

Another influential criterion in choosing the processing system was the openness and flexibility of the solution. The innovative market positioning targeted at the provision of financial services to global standard demanded the rapid technological implementation of business ideas. The bank's strong IT team needed the tools for building highly competitive know-how. The PrivatBank IT infrastructure (as the infrastructure of any modern financial institution) contained a great number of program components developed by the bank as well as by third-party vendors. The situation spawned the demand for the effective usage of in-house resources for the adaptation and development of the system in the light of constantly arising and changing business ideas.

The processing solutions offered by Compass Plus conformed substantially to these requirements. The TranzWare Online front-office system (as well all other TranzWare



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Client:

PrivatBank

Goals:

- obtain an easily scalable solution capable of accommodating constantly rising business volumes;
- enable the rapid technological implementation of new business ideas;
- effectively use in-house resources for adaptation and development of the processing system.

Implementation:

- installation of TranzWare Online and gradual migration of all functional processing modules to the TranzWare platform;
- usage of TranzWare Online capabilities for unassisted setup, customisation and integration with third-party systems (external or those implemented in-house);
- active usage of algorithmic processor called Algorithmix for configuring scenarios that manage transaction attributes at any stage of processing and for implementing unique customer services;
- joint development of an analytical system of fraud detection.

Results:

- rapid implementation of many unique to the banking market products and services;
- exceptionally effective usage of the ATM network; ATMs became fully-functional mini-offices where customers can access a wide range of services and not just banking services;
- the role of the processing system is not limited to working with standard card accounts, the system is also a base for developing products such as fuel cards, certain types of deposits and e-commerce services;
- ability to easily integrate the processing system with other bank systems, therefore reaching optimal IT system functional configuration;
- effective fraud prevention and monitoring system.

products) offers the capabilities for unassisted setup, customisation and integration with third-party systems. One of the most popular development tools offered to the processing system users is a mechanism of user-defined functions.

An algorithmic processor called Algorithmix, a module within the TranzWare Online system, was developed to configure scenarios that manage transaction attributes at any stage of processing. Algorithmix allows the implementation of complex authorisation rules, the calculation of multi-aspect commissions, transaction-based interaction with external systems and a number of other functions. The application range of this tool embraces many components of the processing cycle, for example, it can work to solve pressing issues such as:

- flexible setup of transaction criteria enabling rapid implementation of competitive products;
- building communications with customers (dynamic ATM scenarios, message distribution, etc.) for strengthening loyalty and organising cross-sales;
- interaction with external IT systems (banking, billing, scoring, etc.);
- preventing fraudulent operations.

Thanks to the built-in scenario editor, an Algorithmix user has the ability to independently create their own rules for managing transactions. The business logic of the functions that were created in this way not only solves applied tasks but also builds the foundation for the development of unique banking products and services.

For the realisation of interaction involving a constant transaction load (for example, host-to-host interfaces) with external IT systems, Compass Plus supports several specialist protocols. The specification of these protocols and respective development tools are also available to the company clients (as are the specifications of the file exchange and report generator (including machine-readable)). As a result of this, the bank receives the ability to easily integrate their processing system with other systems, implementing optimal IT system functional configuration.

In the case of PrivatBank, the role of the TranzWare Online front-office system is not limited to working with standard card accounts. The system is also a base for developing products such as petrol cards, certain types of deposits and e-commerce services. The front-office customer service system called 'Privat48' and other internal banking systems interact with TranzWare Online in terms of information on the set of the administrative and payment operations whilst using FIMI and TIC integration protocols.

Closer to customer

A clear example of applying the cache of development tools is the services that are offered through PrivatBank's ATM network; their functionality extends beyond the initial purpose of this device.

Nikita Volkov, Deputy Chairman of the Board at PrivatBank commented as follows: *"Gradually implementing a 'being-closer-to-customer' strategy we not only widening the self-service network but also striving to offer our customers the most convenient and all-inclusive service. PrivatBank's ATMs are fully-functional mini-offices per se, where our customers can access a wide range of services and not just banking services. Compass Plus solutions allow rapid implementation and delivery of our business ideas to customers, which is one of the bases of the bank's competitive advantage..."*

One example of this concept in operation could be the personalised ATM menu. A cardholder can create 'My Menu' in which he can define his most frequent operations (checking the balance, withdrawing a certain amount of money, paying for mobile phone services, etc.). During the subsequent use of PrivatBank's ATM, this cardholder will be able to view his personalised menu. Later, if necessary, he can use ATM screens and scripts standard to all customers.

Aside from the standard set of information and payment functions, PrivatBank's ATMs support many innovative services. The premise for their development was the popularity of the various goods and services amongst the bank's customers. For example, in the last couple years the volume of cross-border transfers performed by the customers has grown considerably. PrivatBank responded by implementing Visa Money Transfer (transfers between cards) and PrivatMoney (without opening an account) services in its ATMs.

Using PrivatBank's ATMs it is possible to order a modern minicomputer or digital player, which can be paid for from the card account, or by application for instant

TranzWare Online

A high-performance, scalable, multi-card processing solution providing efficient and secure switching, authorisation, driving and monitoring of an unlimited number of terminal devices and the handling of multiple delivery channels all on a single platform. In addition to the standard features, TranzWare Online is equipped with such an innovative and unique functionality as an algorithmic function (TranzWare Online Algorithmix) for greater user empowerment, as well as enhanced tools for flexible switch management and a user-friendly transaction-based web interface for remote access to the processing centre facilities (TranzWare Online FIMI). The system also enables 24/7 access to banking products via various remote banking channels.

TranzWare Card Management System

A feature-rich comprehensive banking solution providing the tools to enable the efficient operation and management of card issuance and lifecycle, bank and merchant acquiring. TranzWare CMS also ventures into the broader retail banking territory to include saving account management, revolving credit management, instalments, scoring and many more attractive features. The product includes a broad range of card and account management tools for various customer types (including debit, saving, credit, currency, etc.) and banking product definition features that enable the implementation of diverse business logic. This gives our clients the upper hand when it comes to competitive advantage and complete customer satisfaction.

TranzWare FIMI (Financial Institution Maintenance Interface)

One of the protocols enabling online-interaction between a processing system and other IT systems. Especially, FIMI is used for connecting third-party ABS or retail systems to an authorisation system, as well as for integration of terminal applications (kiosks, Internet, mobile banking). Using FIMI an external IT system can manage front office resources: request information, modify card/account/limit/transaction/device status, etc. In some cases TIC (TranzWare Interconnection Interface) may prove to be more suitable. It is a TranzWare Online native-interface developed for an online-connection with other hosts.

TranzWare Fraud Analyzer

An automated analytical system providing advanced fraud monitoring and proactive risk management capable of substantially reducing the risk exposure and losses associated with a wide range of fraudulent activities. TranzWare Fraud Analyzer efficiently monitors, alerts and acts in response to suspicious actions of various system user groups based on pre-defined rules. The product incorporates case investigation and dispute management with extensions for transaction data analysis for operational reporting and the detection of rules, trends and cross dependencies. TranzWare Fraud Analyzer enables the unrestricted interlinking of various control objects and alerts generated to show a complete picture of fraudulent activity.

PrivatBank also uses TranzWare Card Factory, TranzWare Interchange and TranzWare Claims Manager.

PRODUCTS

credit. The service centre will then contact the bank's customer to coordinate the time and place of purchase delivery.

Within the unique co-branding project with popular communication service, Skype, PrivatBank's customers can make phone calls to landline phones all over the world with good-value tariffs and use ATMs to top-up their accounts. It is also possible to pay for more traditional services through ATMs such as landline and mobile phone services, the Internet, TV and many others.

In September 2008, in Dnepropetrovsk, where PrivatBank is headquartered, a new stadium was opened. The bank has responded to this event with the next technological innovation: an opportunity to purchase tickets for football matches through its ATMs with any bank's card.

"Compass Plus is not an ordinary technology vendor", argues Nikita Volkov. "It is really a partner which shares the innovative concept of PrivatBank's business conduct. This is especially important for us – on one hand, we receive maximum flexibility in the operation of solutions and an opportunity to do many developments ourselves. On the other hand, the company willingly responds to our initiatives, the implementation of which requires more serious development. One example of such cooperation is the creation of an analytical system of fraud detection named TranzWare Fraud Analyzer. At the time, we were unable to find a readily available solution in the market that met our requirements: existence of integration tools, configuration of monitoring rules, etc. The company developed such a system for us, and today TranzWare Fraud Analyzer effectively assists PrivatBank in fighting card fraud. Over the years, the company has proved to be a reliable partner, which we consider strategic for the development of the retail business of the Privat banking group. I am sure that in tandem with Compass Plus we will adequately take on the challenges imposed by the dynamic banking market..."

About Compass Plus

Compass Plus provides refined state-of-the-art products and flexible business solutions that drive all-scale multi-component EFT systems employed in the financial and retail industries, mobile and electronic commerce, interactive self-service business and in other trade areas that engage in electronic payments. Our in-house developed superior EFT solution – TranzWare™ – incorporates a comprehensive range of integrated customisable products and is fit to suit an array of customer needs. TranzWare™ solutions are capable of reducing clients' total cost of ownership, improving ROI, increasing efficiency and delivering great benefits to the end customers.

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