

Press release

Outsourcing opportunities in the financial services sector

The EAA successfully realigns the operating model

In going live, the new service provider landscape will optimise and increase the flexibility of the cost structure

- The EAA is focused on the core functions of managing, monitoring and deciding
- Standardised services enable a flexible cost structure
- Reducing potential financial burdens

Düsseldorf, 28th June 2023

By outsourcing its operating processes and infrastructure in full to a new service provider, the Erste Abwicklungsanstalt (EAA) continues to optimise and increase the flexibility of the cost structures. The EAA has been successfully operating live with the new service provider landscape since 15 May 2023. This was preceded by a Europe-wide award procedure and a comprehensive transition phase.

The previous use of a complex banking system landscape and the accompanying largely inflexible administrative cost structure would have posed mounting challenges for the EAA in the coming years as the portfolio reduction progresses with the resultant decline in income. “The extensive outsourcing that has now been realised enables the EAA to focus on its core functions of managing, monitoring and deciding and also guarantees a flexible cost structure, which is essential for us to fulfil our winding up mandate in a cost-efficient manner,” said Christian Doppstadt, member of the EAA Managing Board. The outsourcing to external service providers signifies a profound realignment of the EAA’s operating model and represents a decisive step towards the efficient and cost-effective winding up of the remaining portfolio, which the EAA manages within the scope of its mandate of reducing potential financial burdens from the winding up of the assets transferred from the former WestLB with a view to minimising losses. “In doing so, the EAA has demonstrated the various outsourcing opportunities that are available in the financial sector. The EAA’s success is already attracting the interest of other European financial institutions,” Doppstadt continued.

An extensive analysis, which substantiated the commercial advantages of the outsourcing formed the basis for the decision to outsource most of the banking services, including the IT infrastructure used here. The advantages lie in increasing efficiency and in reducing costs. The EAA achieves this largely by using standardised services from established and appropriately specialised service providers. The realignment of the EAA’s operating model was the last of a series of optimisation initiatives that were taken as part of a holistic programme aimed at improving portfolio structures, processes and infrastructure in such a way as to allow the EAA to focus largely on its core functions.

“The successful reduction of the portfolio put in place the conditions to take the now necessary step towards standardisation and operational excellence,” said Horst K pker, member of the EAA Managing Board, emphasising the importance of the realignment of the operating model. “We would like to thank the EAA’s employees, the supporting consultants and

the new service providers, who have contributed to the success in going live,” Küpker added.

Implementing the outsourcing was defined by a high measure of complexity. Following an intensive strategic, legal and economic evaluation, and a structured market survey of the alternative structures for the target operating model, the EAA re-tendered its complete function, process and service provider architecture in several European-wide procurement procedures that were synchronised in time and content. A key factor for the successful transitioning of the services to the new service providers was the holistic end-to-end view of the provision of services and the handover points between all parties involved. BlackRock will provide the portfolio services. These comprise services for lending and funding products, which can be subdivided into the core blocks of “portfolio management/ treasury”, “credit risk/ market risk management” and “operations”. BlackRock uses its integrated Aladdin system to provide these services. The financial data services, which comprise the core blocks of “IT platform services” and “reporting services” will be provided by SKS-Solutions and the ITC services (“workplace service”, “infrastructure”, “service & support” and “security & emergency planning”) by matrix technology.

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The EAA is a financially and organisationally independent public law institution. It was established in 2009 with a view to helping stabilise the financial markets. In accordance with its charter, its mission is to wind up risk positions taken over from the former WestLB in such a way as to minimise losses.

The EAA has taken over positions totalling approximately EUR 200 billion, which it accomplished in two stages: The “first fill” in 2009/2010 comprised loans and securities with a notional volume of EUR 77.5 billion. The second transfer, or “replenishment”, took place in 2012 and comprised loans, securities (banking portfolio) and derivatives (trading portfolio) in the amount of EUR 124.4 billion.

Being a public law institution, the EAA has a bankruptcy-remote structure and funds itself independently in the capital market. Thanks to the loss compensation duties of the State of NRW, the North Rhine-Westphalian savings bank and regional associations and the Financial Market Stabilisation Fund laid down in its charter, the EAA can issue securities on favourable terms. The EAA nevertheless plans to complete the wind-up activities at least “with a black zero” – i.e. without taking advantage of the loss compensation duties. Shareholders in the EAA are the state of North Rhine-Westphalia (approx. 48.2%), the two North Rhine-Westphalian savings banks and giro associations (both approx. 25%) and the two Regional Associations of North-Rhine Westphalia (each approx. 0.9%).