

MORS deploys Treasury solution for speciality mortgage lender Bluestep Bank



BlueStep Bank is the leading provider of specialty mortgages in the Nordic region, focusing on individuals who cannot access traditional bank loans. Bluestep started its operations in Sweden in 2005 and over the years has expanded to Norway and Finland. In 2016, Bluestep received its banking license and officially changed its name to BlueStep Bank AB.

A treasury system with Covered-Bond Pool functionality

For most of its initial years, Bluestep relied on wholesale market funding for its operations. In 2019, the bank decided to start offering covered bonds as part of its strategy to diversify the source of funding. The bank decided to implement a treasury management solution, which, along with managing liquidity risk, asset-liability management and day-to-day treasury operations, would also produce covered-bond pool analytics and regulatory stress testing. The treasury management system was also expected to help Bluestep automate its day to day treasury reporting process, which until then was managed using in-house software and spreadsheets.

The selection process

Bluestep evaluated multiple vendors via an RFP process and shortlisted four suppliers that met the bank’s broad requirements. Out of the

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four, the bank selected MORS Software, a Finland-based specialist in ALM, Treasury, and Liquidity Risk Management. While the availability of a covered bond pool analytics module was the critical selection criteria, the decision to select MORS Software was also based on their clear understanding of the bank’s requirements. Notably, the bank highlighted how the MORS team was able to present a mock-up of the proposed solution during the evaluation process, which helped cement the bank’s decision to award the contract to MORS Software.

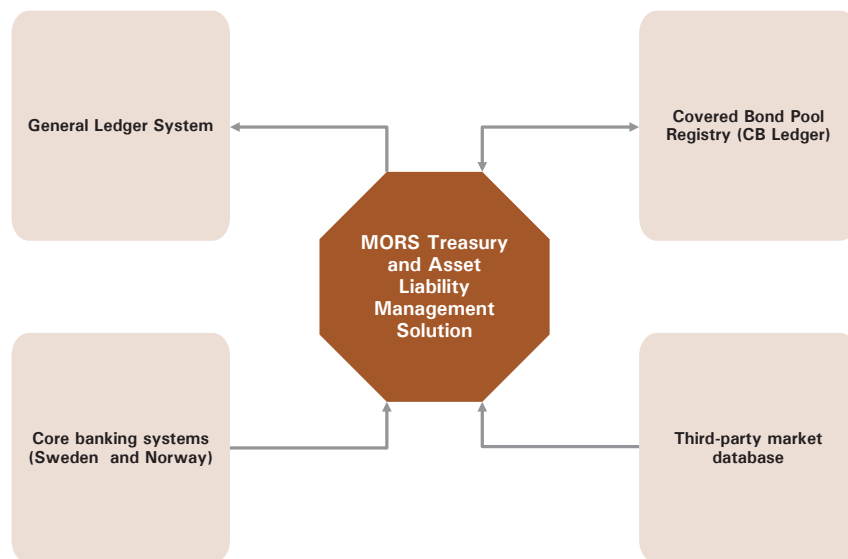
Agile deployment with a remote working team

The implementation started in April 2019 with a project team that included a full-time project manager from the bank along with subject

Modules deployed by MORS Software

MORS Treasury Management System	To support managing Treasury deals from front to back office
MORS Asset Liability Manager	To support Interest Rate Risk management and monitoring including Interest Rate Risk in the Banking Book calculations
MORS Liquidity Risk Manager	Support Liquidity risk calculations such as calculation of the Liquidity Coverage Ratio (LCR)
MORS Covered Bond Pool	Pool analytics and stress testing

Key Integration points between MORS solution and the bank's existing infrastructure



matter experts from the treasury, core banking, IT, and accounting teams. The MORS team included a project manager, a configuration consultant, two Interfacing engineers, and a business consultant.

The solution was implemented in a phased manner with the treasury management system module as well as ALM module ready and live by September 2019. The Covered Bond Pool functionality was also ready in September but could not go live as the bank was awaiting regulatory approval to issue the covered bonds. The solution deployed was on-premise and mostly out of the box, with customisations required mainly for the integration between MORS and Bluestep's existing systems.

Almost 90% of the delivery was managed offshore, with on-site interactions limited to periodic face-to-face meetings and workshops. The MORS Software implementation team was able to connect to the bank's test environment via VPN to develop the interfaces to the core banking solutions, Covered Bond Pool registry, and to perform system configuration. One of the success factors of the remote execution of the implementation was the working model that was adopted by the team. The project team followed an Agile approach and involved a weekly online catch-up with the entire project team and a clearly defined task list that the project team could follow and track.

The integration process – a critical success factor

The integration with existing systems was one of the most critical and complex parts of the project. Bluestep was running separate localised core banking systems from different vendors - one for its HQ in Sweden, while the other was for its operations in Norway. MORS had to develop a direct interface with both systems to be able to import assets and liabilities data from the bank's balance sheet. Integration with the Covered Bond Pool register was also done to source loan-specific data that the MORS system would use to run stress tests on the Covered Bond Pool, and export the results of the stress test back into the register. Getting the integration right was critical for the bank as the system had

to import the balance sheet data daily for calculating risk & performance KPIs as well to test the Covered Bond Pool and ensure that the pool meets the regulatory requirements.

MORS also had to integrate its system with the bank's General Ledger system to export the accounting entries for the treasury deals into the ledger. MORS was also interfaced with the bank's market data provider, using a standard interface developed by MORS.

A successful deployment

Overall, Bluestep Bank was happy with the implementation, especially in terms of how well the MORS team was able to understand and translate the requirements into the end deliverable. The biggest benefit realised by Bluestep was the ability to quickly mobilise its strategy to issue covered bonds and effectively diversify the sources of funding for the bank. The deployment also streamlined the internal treasury risk management and interest rate risk management by consolidating the activities onto a single platform. A noteworthy aspect of the implementation, relevant to the current Covid-19 impacted market, is that the delivery of the solution was done almost entirely from an offshore site. This is likely to be the preferred deployment model for implementations for the next few years.

In terms of future roadmap, the bank also plans to use MORS for financial and capital planning purposes.

Key Facts

Bank: Bluestep Bank AB

Total Assets: SEK 20bn

Headquarters: Stockholm, Sweden

Supplier: MORS Software

Solution: Treasury and Asset Liability Management Solution v 5.9 (later upgraded to v6.0)