

IBM Global Financing eases transition at Citibank

When Citibank in Germany needed to undertake a complex migration and consolidation project to overhaul its AS/400® systems environment it chose Memorex Systemhaus. A gradual process involving the migration from CISC to RISC technology and the installation of more powerful hardware, the project was made even more challenging by a number of constraints concerning the type of financing used.

Working closely with the world's leading Information Technology (IT) financier, IBM Global Financing, Memorex Systemhaus, was able to offer Citibank a bespoke tailored finance package.

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Semi Durak, Sales Manager, Memorex Systemhaus

Banks often have complex requirements when it comes to IT systems, with extremely stringent systems security and reliability requirements. For this project involving the migration and consolidation of their existing AS/400 systems environment, Citibank decided that traditional lease financing was not the best solution to its requirements – especially as certain items of hardware would be surplus once the transition project was complete.



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With project costs running into millions of Deutschmarks, Memorex Systemhaus contacted IBM Global Financing to help find Citibank a better solution.

In the highly competitive financial sector, a powerful IT infrastructure has a key role to play in the success of a company. Citibank uses twelve AS/400 systems to handle business transactions across Europe, and it is these machines that are directly targeted by the migration and consolidation project involving the upgrade from CISC to RISC and the installation of more powerful AS/400 machines.

A unique situation

The most critical phase of the project is the transition period between replacing the old machines and installing new machines with the more powerful processors. During this phase it will be necessary to install machines temporarily, which will become surplus to requirements once the project's 12 or 18 month timeframe has elapsed.

While upgrading the new systems, an additional ten machines are required to process business transactions and provide a seamless continuation of service.

But, once the project is complete only four of these more powerful machines will be retained.

Consequently, throughout the transition phase, Citibank required finance for an additional six machines. Describing the project, Semi Durak, Sales Manager at Memorex Systemhaus, commented: "It was no mean task trying to put together a finance package which could fulfil Citibank's requirements, particularly as a standard leasing package was out of the question. The essential challenge in this case was how to arrange to make a number of one-off payments over a 12 or 18 month period to finance six temporary machines amounting to 2.6 million DM (about £900,000, 1.329m Euros)."

IBM Global Financing, working closely with Memorex Systemhaus and Citibank, managed to create a tailor-made solution that was acceptable to all parties. The advantage to Citibank is that they avoided having to directly lease or buy the temporary equipment, while Memorex Systemhaus also ensured that they are not left with the responsibility for machines required only for the duration of the Citibank project.

Tailor-made solution

Thanks to IBM Global Financing's extensive knowledge of business processes in the IT industry, it has been able to accurately evaluate the financial requirements and risk involved.

Between IBM Global Financing and Memorex Systemhaus, it was agreed that the best solution was for Memorex Systemhaus to lease the six machines needed by the Citibank for a limited period of time. After the project, they would simply hand them back to IBM. Unlike with a standard leasing agreement, the bespoke solution from IBM Global Financing gives Memorex Systemhaus the right to transfer the use of the leased machines to its customer, Citibank.

Horst Kruszona IBM Global Financing's sales representative handling this account described this transaction in the following terms: "This contract is unique in that the leased machines are only being used for developing the project. This was a new type of finance contract for us, which was considerably different from the standard leasing contract, but during this stage of the migration process it was much better suited to Citibank's requirements."

Memorex Systemhaus – overview

Memorex Systemhaus was established in 1965. It currently employs 423 staff at its headquarters in Frankfurt/Main, plus an additional 30 sites. Most of the services provided by the company involve hardware integration. As a computer services organisation, it uses IBM products in over two thirds of its business activities. It can offer the whole range of products from mainframes, RS/6000*, AS/400 and PC systems to networks and peripheral devices.

IBM Global Financing

IBM Global Financing is the world's largest IT financier, established in over 40 countries. Each year they provide over \$35 billion of new financing to customers and business partners worldwide. IBM Global Financing is dedicated to the needs of the IT industry, providing a comprehensive range of financial services, including:

- Financing all aspects of customers' IT solutions – hardware, software and services
- Working capital financing for business partners to fuel their commercial growth
- A wide portfolio of IBM-quality remanufactured equipment.



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The IBM home page can be found on the Internet at ibm.com and more information can be found at ibm.com/financing

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