

CASE STUDY

LEADING ITALIAN BANK CHOOSES RED HAT ENTERPRISE LINUX AND RED HAT DESKTOP

The Banche Popolari Unite Group (BPU) is the seventh largest banking group in Italy and the largest co-operative credit bank. With over 2.7 million customers, BPU has a broad, diversified, and complementary customer base. They focus strongly on the retail market, small and medium companies, and the private sector.

It was founded in July 2003 through a merger of two leading banking groups and is now composed of a listed operational parent company, six network banks (BPCI, BPB, Banca Popolare di Ancona, Banca Carime, BP Todi, and Carifano), a network of financial advisers (BPU SIM), and a variety of product companies operating principally in the asset management, bancassurance, leasing, and investment banking sectors.

Following the merger, each individual bank assumed responsibility for two goals that seemed to conflict: to maintain local roots, a characteristic of the co-operative credit banks, and to act on the global market, which is essential in the current economic environment. Integrating the IT infrastructure of the different banking groups was imperative in reaching these goals, and responsibility for this challenge fell to BPU Banca, the operating parent company of the Banche Popolari Unite Group. Ultimately, BPU chose Red Hat® Enterprise Linux® and Red Hat Desktop as the standard platform that would allow the entire group to meet their goals.

HISTORY OF LINUX AT BPU

Prior to the merger, Banca Popolare di Bergamo was an early adopter of open source technology, beginning in the late 1980s and early 1990s. They initially migrated to UNIX®, making them one of the first banking groups in Europe to use an open source system. Their choices became the basis for IT policy at the current BPU. Several years later, Banca Popolare di Bergamo migrated to Sun® Solaris® and employed a distributed

computing model, which worked perfectly with the model of having each individual branch be the point of contact for customers. Therefore, by the late 1990s, each branch had a Solaris server and a number of UNIX workstations.

Then in 2001, BPU Banca began introducing Linux on the standard client. "It seemed like a natural evolution: the main reason we decided to migrate to Linux is because we wanted to continue with open source but wanted to use a more competitive market platform. And Solaris was a proprietary platform," said Gianfranco Lorusso, CIO of Banche Popolari Unite.

FAST FACTS

Industry: Financial Services

Geography: Italy

Challenge: To cut costs and grow revenue. To create a cohesive IT infrastructure following massive merger.

Solution:

Platform: Red Hat Enterprise Linux and Red Hat Desktop

Benefits:

- Escape from vendor lock-in. Lower costs with high reliability and performance.
- Simplified systems management.

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Within a few months, the Linux and Solaris systems were operating side-by-side. To protect the investments they had already made and to amortise existing hardware, they only substituted Linux for Solaris when the systems would normally have been replaced. As a bonus, Linux allowed them to utilize a less expensive hardware platform with more advanced technological capabilities.

LOFTY GOALS FOLLOWING MERGER

Following the merger in 2003, BPU had four main goals for their technology systems, and they quickly determined that the best way to meet these goals was to learn from the success that Banca Popolare di Bergamo had seen with Linux and other open source systems. Their goals were:

• To cut costs

“The main objective of banks in Italy at the moment is to reduce spending and improve balance sheets,” said Lorusso. “After a period with a great focus on ICT investments—remember the year 2000 and the introduction of the Euro—the global situation and the state of the Italian economy over the last few years have forced banking groups to review spending.”

• To increase revenue among all branches

“In recent years all companies have focussed on automating processes in order to reduce costs, and since we have now achieved significant levels of excellence it is unlikely that further investments would provide significant returns,” said Lorusso. “However, investments in CRM, Business Intelligence, and other similar applications still increase the effectiveness of business activities and provide excellent results, including increased revenue.”

• To avoid vendor lock-in

“A non-competitive environment leads to spiralling costs, not just in an absolute sense but also as a long-term trend because the situation inevitably becomes out of control,” explained Lorusso.

• To maintain top-level support and service expected of a world-class financial institution

“A bank like ours works with an IT system that operates 24 hours a day, 7 days a week, and this means that robustness, security, efficiency, and high performance are absolutely essential,” Lorusso said.

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WHY RED HAT?

BPU Banca is known in the market for its capacity for innovation and its expertise with IT systems. And at least one of the companies had a rich history with Linux and open source systems, so it’s probable that they would have been able to install and manage the entire IT system independently. However, Lorusso says there are two factors that led BPU to turn to Red Hat.

“As a bank, it is not the BPU Group’s core business to build and manage operating platforms. We believe certain operations should be handled by specialized companies. Since we are a banking group and there are considerable demands on our time, we would not have been able to devote the necessary time to research, weigh all the options, and take advantage of existing opportunities,” said Lorusso. “What’s more, open source technology is extremely interesting, but in certain areas such as banking, where security and safekeeping are absolutely essential, we felt it was important to be able to count on guaranteed reliability, robustness, and efficiency.”

A fundamental area for BPU Banca in terms of efficiency is competition between suppliers, which has become a high return factor. "A multi-vendor environment that meets market standards makes it possible to compare proposals from different suppliers. It means using standard, open source products that can work with each other and guarantee competitiveness and cost reductions without being tied to any single supplier," said Lorusso. Red Hat does not restrict or modify the initial open source principles but rather confirms and reinforces them.

MOVING FORWARD

"When we choose a partner we expect a truly hands-on approach. We don't have to spend time on activities that Red Hat already offers and can provide us with such as product guarantees, assistance, and new releases. And they also have the capacity to provide support for staff training and in the subjects and problems that we will face with the operating system," said Lorusso. "Linux has been very successful at the branches, so we've decided to bring forward the timetable for substitution, which we expect to complete by the end of 2005."

