Self-directed investing has emerged as a popular method for investors to take charge of their own investment decisions. Yet, for many online brokers, self-directed investing has put serious strains on their ability to meet customer demands during peak periods of activity and keep servers up and running.

Like many of its competitors, DBS TD Waterhouse in Hong Kong had difficulty handling high trade volumes when the market heated up — typically, at the end and beginning of the year.

Making matters worse, the company had contracted for a maximum amount of computing capacity and storage, which it had to pay for whether it used it or not. “A lack of cost control in our IT operation was draining away profits,” recalls Philip Cheung, infrastructure manager at DBS TD Waterhouse. “We needed a more cost-efficient business model.”

In early 2003, the company turned to IBM to help it transform its operating environment into a more cost-effective, responsive and flexible infrastructure that could scale during peak periods.

“The vision of self-directed investing is a promising one for DBS TD Waterhouse,” says Cheung. “But the company knows that it can sustain its competitive advantage only if it has the flexible infrastructure needed to adapt to unpredictably fluctuating trading volumes. IBM’s on demand environment was exactly what we were looking for to handle these peak periods while controlling costs.”

“The on demand model from IBM can handle any sudden surge of investor activity. We’re always ready to handle anything, at any time. That is a big difference in our business today.”

—Philip Cheung, infrastructure manager, DBS TD Waterhouse
Implements 'utility-like' model
IBM provided the online investment firm with a revamped e-business infrastructure — comprising an assembly of hardware, software and network connectivity delivered through IBM Global Services — e-business Hosting Services. The new environment includes existing existing IBM pSeries servers, now running IBM TotalStorage Enterprise Storage Server (ESS) through which IBM provides storage capacity on an as-needed basis. This ensures that the company’s input/output performance remains high, even under a high volume of transactions.

Additionally, 50 xSeries servers act as a host platform in the IBM Hong Kong data center, running front-end and backend applications to support online stock information and transaction processing.

Since storage and computing capacity are offered in a “utility-like model,” Cheung says, the firm has been able to cut costs while maintaining the confidence that its systems can scale to meet unexpected peaks in investor activity.

“That confidence is important, since our competitors are all scrambling to bring similar services online to their clients,” he adds. “If you can’t handle those peaks and suffer excessive downtime, you run the risk of losing clients.”

Growing business
DBS TD Waterhouse (www.dbstdwaterhouse.com) is a joint venture between DBS Group, the largest banking group in Southeast Asia, and TD Waterhouse Group, Inc., a wholly owned subsidiary of the Toronto-Dominion Bank in Canada.

In less than a year since deploying the IBM solution, the online service has been able to handle 40 percent more transactions. “At the same time, it’s helped us maintain a consistent and reliable level of service during peak activity,” Cheung says.

The company has also realized a 30-40 percent savings in IT costs. “By being able to use storage and computing power as we need it, we don’t pay for what we don’t need anymore,” Cheung says. “That savings we’re now able to invest in other areas of our business, such as customer service.”

In all, the control over IT spending gained from the variable cost structure of the on demand model, the increase in peak season volumes, the improved customer service and the lower IT administrative costs are good for business. “We see even more growth ahead, because we’re more responsive to our clients’ need for fast, reliable trading,” Cheung says.

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