

ANNEX BULLETIN

Annex Bulletin 2007-32

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Bank of Montreal zAAP-ing Its Way to Prosperity

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SCOTTSDALE, Aug 17 - The last time this writer was at this large Canadian bank's data center in northeast Toronto, the site was full of Amdahl mainframes. A quarter of a century later, it's an entirely different story. Amdahl and other PCMs (plug compatible manufacturers) have long bit the dust. And IBM mainframes are experiencing a real life renaissance in their Second Life, while zAAP-ing Big Blue's largest customers into prosperity.

zAAP-ing? I know, who needs another industry buzzword, right? Well, this one is here to stay, at least within the mainframe crowd. zAAP stands for "zSeries Application Assist Processor," a mainframe specialty engine introduced by IBM in 2004. zAAP's are dedicated to running Java workloads under z/OS, accelerating performance. And these resource-hungry workloads are gobbling up gobs of Java MIPS like a Cookie Monster in a bakery (or Starbucks? - see the cartoon).

But the zAAP's best feature is their price.

"zAAP's are much cheaper to buy and run than the general purpose processors," said Jonathan Gladstone, a Bank of Montreal mainframe capacity planning specialist, in an Aug 15 conference with analysts.

They cost only about 1/8th of the general purpose processor's price, and require no additional software costs, he added. As a result, Bank of Montreal figures it is saving about \$2.8 million per year.



And IBM is loving it, too... all the way to the bank.

For, the fourth largest Canadian bank is one of many mainframe customers that are flocking back to the product line that was once compared to dinosaurs. The specialty engine MIPS on System z were up 130% in the second quarter, according to Florence Hudson, the System z head of marketing. Mainframe revenues were up for the fifth

consecutive quarter, while the System z overall MIPS shipments were up 45%, the eighth consecutive quarter of growth (see "[IBM Beats the Street](#)," July 18).

So what zAAP really stands for is a Big Blue marketing coup. For, these "specialty engines" are a form of deep discounting that allowed IBM to drop the price for the largest and best of its customers with a strong appetite for 'CPU-hungry' Java workloads, while maintaining the high water mark pricing for its general purpose mainframes.

"zAAP's are so cheap that it is cost-effective to run them even at lower utilization rates," said Gladstone.

Add to it the virtualization trend, and the result was a huge increase in workloads and demand for mainframes. So our 2005 "[Poughkeepsie Spring](#)" seems to be yielding abundant harvests for Big Blue in 2007.

Which makes mainframes sort of like pineapples... on a two-year gestation cycle. :-) That's why Hawaiian farmers plant multiple fields each year so they have continuous pineapple harvests (kind of like what "virtualization" does to server farms). What IBM has now figured out is



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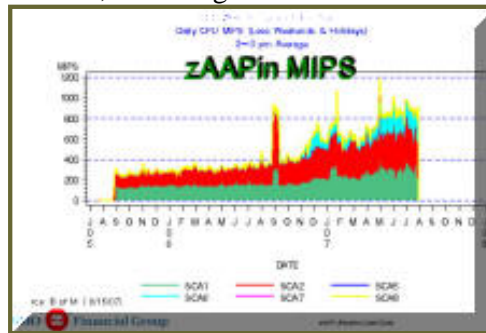
how to apply an agricultural practice to high tech and grow z pineapples in Poughkeepsie.



Add to it the general "greening" of Big Blue (see "[The Greening of Big Blue](#)," and [Part 2](#)"), and you can see while the cash registers at Poughkeepsie are ringing continuously as if it were Christmas all the time.

"The System z (mainframe) is the most efficient when it comes to power consumption and cooling," said Steve Garner, Bank of Montreal's manager of mainframe support services. He and Gladstone also lauded the System z security. "We've never had any breaches into our mainframe environment," Garner said. "Whereas you see it consistently in the Microsoft environment," he added.

And the bank has much to protect. It has over \$300 billion in assets, including two U.S. banks (Harris Bank and Harris Nesbitt), 1,200 branches, and 2,500 ATMs supported by three data centers spread within a 50 mile-radius around Toronto. They house eight mainframe footprints with thousands of MIPS and many other servers. And their workload has been steadily growing, as you can see from the chart on the right. So the bank's IT executives said that they had carefully investigated alternatives, such as Unix servers, before deciding to get zAAP-ed by IBM.



Now they are glad they did it. For, they would not have been able otherwise to justify the cost of running the Java workloads on the mainframe platform, Gladstone said. Better security and stability of the System z environment is an added bonus.

And the mainframe "Fort Knox"-type security just got better. The company enhanced today its "already fortress-like security for (z/OS) online commerce as well as the next generation of highly secure business transactions," IBM said in an Aug 17 release. Big Blue also announced new mainframe software that automates security administration and audit processes.

"The IBM mainframe has security built into nearly every level of the computer -- from the processor level, to the operating system to the application level," said Jim Porell, the System z Chief Architect. "Our security leadership is one of the many reasons why the world's top banks rely on the IBM mainframe for their financial transactions."

Guess there'd be no argument with that claim from Bank of Montreal.

Happy bargain hunting!

Bob Djurdjevic

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