FStech

January/February 2013

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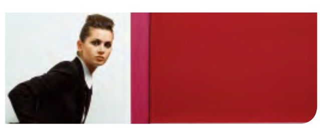

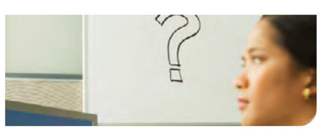

regulars...

PAYMENTS AWARDS 2013

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FREE TO ENTER

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Thursday 14 November 2013
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Nice dream

Scott Thompson hopes for a UK retail banking revolution, but doubts it will happen in his lifetime

There were stirrings last year of a long overdue revolution in the retail banking sector. But will the new players take it to the next stage, beyond all the hype to something that gives the old guard sleepless nights? I'm not so sure. Marks & Spencer Bank's first current accounts went live and it set its sights on opening 28 bank branches by the end of 2012. Metro Bank, meanwhile, opened its 16th store during February (situated in Sutton). The aim continues to be 200 stores in the Greater London area by 2020, although in the last issue of FStech Metro Bank COO Aisling Kane admitted they would be extending to commuter belt towns such as Brighton and Hemel Hempstead. "The philosophy is we are all about customer service so it's about having stores where you work and where you live," she explained. Despite the slower than predicted expansion, however, she insisted the bank was meeting its targets with more than 110,000 accounts now open. "We didn't want any legacy issues – or a "this is how we used to do it before" experience – we wanted a new culture."

It's a pity that 'new culture' hasn't extended to the IT infrastructure. When it opened for business in 2010, it was Britain's first High Street bank in over 100 years. It is running on Temenos's T24 core system and is now working with the banking software provider and edge IPK (recently acquired by Temenos) on its next-generation internet banking application. Any bank starting out today probably wouldn't build their own datacentre and core banking platform. But even so, haven't they built their own legacy system? Sort of.

The most potent threat to the banking status quo is said to come from Tesco Bank, which is gearing up to launch a current account, to go alongside savings, mortgages and general insurance products already on offer. The grocery giant didn't have a great 2012, reporting its first profit fall in 20 years and announcing its exit from the US market. Although it did recently announce its strongest sales growth in three years, unveiling a 1.8 per cent rise in like-for-like sales for the six weeks to 5 January. It remains a powerful brand with stores all over the UK and 15 million Tesco Clubcard holders. If it converts just a fraction of those into banking customers, the NatWests of this world will have a serious contender on their hands. That at least is the theory. But there's a frustrating reluctance to break from the old ways. Head honcho, Benny Higgins, is formerly of HBOS and RBS, so can hardly be viewed as the rightful leader of a retail banking revolution. There is a strong public appetite for change in this area but once again we see a new player failing to make the most of a fantastic marketing opportunity; bankers building old banks and treading cautiously. M&S Bank, for instance, launched with the slogan 'new fashioned banking'. But there is nothing 'new fashioned' about its offering or the fact that HSBC lurks in the background.

So, all the new entrants now have a visible presence on the High Street and, in the case of Metro Bank, mobile offerings but their impact will be limited, for the time being at least. You never know, things might change, especially if Metro Bank really does get to 200 stores and Tesco Bank is able to convert a large amount of Clubcard holders to customers. But the unfortunate truth is that banking in this country is incredibly institutionalised. I say unfortunate because I really would like to see new banks tweak the nose of a complacent establishment and attract disillusioned customers in their droves. The old guard have taken their customers for granted for too long. In reality, however, the newcomers will probably all find a niche and achieve profitability but they won't pose a major threat to the big banks.

The retail banking industry will inevitably change over time but the traditional High Street players will get their acts together and ensure their continued market dominance. We're already seeing signs of that with the likes of Barclays Pingit. And NatWest launching TouchPay contactless NFC payments. Whilst RBS has become the first UK financial institution to launch the V.me by Visa digital wallet. An initial trial for RBS and NatWest customers is currently underway, before a full roll-out in the spring. A few years down the line, the model will be the same as it is now, the existing channels but with a further shift to online banking and further forays into mobile. And the revolution will still be on hold.

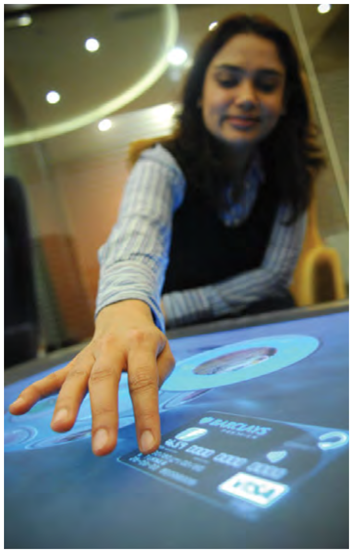
The retail banking industry will inevitably change over time but the traditional High Street players will get their acts together and ensure their continued market dominance. We're already seeing signs of that with the likes of Barclays Pingit

Scott Thompson is Editor of *FStech*. His blog on all things financial services technology-related can be found at: www.fstechnology.blogspot.com. He can be contacted at: scott.thompson@fstech.co.uk

news overview

need to know

Rounding up the major FS tech-related stories from the last two months



Barclays: Pegged as a UK retail banking branch innovator.

DECEMBER

Just three per cent of UK organisations have migrated or are in the process of migrating to SEPA direct debits. This compares with 42 per cent of organisations in Germany and 35 per cent in France. According to a study released during December by Steria, in collaboration with Edgar, Dunn & Company (EDC), one in five European businesses issuing debits is unaware of SEPA direct debits. The report, based on a survey of 300 businesses with 250 to 5,000 employees in France, Germany and the UK, shows that organisations risk missing out on the benefits of migrating. More than 60 per cent in the UK have not started to work on migration to SEPA at all, compared to 30 per cent of French and German businesses.

Despite this, 54 per cent of European businesses agree that the scheme will generate more benefits than disadvantages to organisations. The study found that a quarter are considering working with external payment partners to help them to migrate adequately. Jean-François Mansart, head of the group advanced payment practice, comments: "Organisations that view SEPA as merely a compliance burden are missing a trick. Smart companies will take SEPA as an opportunity to optimise their cash management systems and processes and reduce fraud and bad debt. But they need to allow themselves adequate time to prepare to avoid potentially costly errors and to ensure that the benefits outweigh the costs of migrating."

Sixty three per cent of the UK's High Street banks are responding to customers within an hour of receiving complaints and queries on Twitter. According to a study by Virgin Media Business, NatWest had the fastest response times for dealing with customer queries with an average of just four minutes to initially respond to a customer on the site. HSBC comes a distant second with an average time of 14 minutes. When it comes to number of followers, Co-operative Bank takes the lead with over 11,500 compared to RBS' 1,500.

"Social media helpdesks are becoming common in industries where businesses interact daily with customers. They're becoming like virtual stores. It's really encouraging to see the banking industry is taking a lead on this with every major High Street bank using Twitter to engage with customers," said Phil Stewart, director of customer services, Virgin Media Business. "On Facebook, banks have slightly more work to do. Our research found that just half of banks use their Facebook pages to speak to customers about personal issues."

"Social networking sites are a great way to engage with customers in real-time, but simply having a presence is not enough. Organisations need to make sure they're interacting with individual customers and responding to queries within an appropriate time from when they first get in touch. The hours in which the account is monitored should be made clear to manage customer expectations on when they'll receive a response. NatWest's ability to respond quickly to customers on a personal level as well as interact with their followers on a broader level can help build loyal, long-lasting relationships. Great customer service on any platform should be the rule, not the exception," he added.

Consumer awareness surrounding contactless mobile payments is on the rise, according to eDigitalResearch. Thirty three per cent of consumers now claim to have seen a contactless mobile payment point, a figure which has doubled since the company's first Mobile Payment Index back in May 2012. The Index also found that awareness of NFC-enabled devices has doubled over the past six months, with around eight per cent of the UK population now aware that they own such a smartphone. Fifty two per cent of those that already have the technology enabled on their smartphone device have already used contactless mobile payments to make a purchase; and three in four of these were repeat users.

2012 was hyped as the 'year of NFC' when everything would come together and consumers would adopt the technology in their droves. However, the lack of uptake by handset manufacturers and retailers has meant that adoption rates have been lower than expected. Security concerns, fraud and scepticism surrounding technical issues are still the main fundamental consumer bugbears and unless more can be done to reassure potential users, it is likely to dampen the growth of contactless mobile payment technology in the UK. The research also surveyed the use of contactless mobile payments at the Olympic Park during London 2012 to measure the success of one of the UK's first 'contactless' events. Results found that awareness and use was generally higher during the Games, with around one in five of visitors to the park claiming that they used the technology.

A computer systems crash at Lloyds Banking Group left New Year revellers unable to withdraw cash. Customers took to Twitter to vent spleen at being unable to make cash machine withdrawals and use their debit cards. Some also claimed that credit in their accounts had been wiped out. The problems kicked off mid-afternoon on 31 December and affected Lloyds TSB, Halifax and Bank of Scotland account holders. Twitter comments included: 'Lloyds tsb system meltdown. No cards work or will be accepted if you bank with them till its sorted. My night maybe ruined.' And: 'Thanks for ruining NYE - Due to your systems crashing on the busiest night of the year I have no food or drink. Bah humbug.' Lloyds Banking Group said that some customers experienced problems for a short period of time, but the root cause was soon identified and all services quickly restored. It did not explain how the crash happened.

JANUARY

Many are sounding the death knell for the retail banking branch but it remains the key channel in the banking delivery mix. That's according to a new report by RBR, entitled Branch Banking II: Case studies for the next generation. This shows that the continuing strategic role of the branch has been recognised by the many banks that continue to invest in this area. Certain banks stand out for their longstanding commitment to the development of cutting edge branches. Case studies of long-term branch innovators profiled in the new research include Barclays in the UK and ING Group in the Netherlands. Some banks, such as Jyske Bank in Denmark and CUA in Australia, have more recently made strategic decisions to invest in branches in order to differentiate themselves in crowded, competitive, retail banking environments. Newer banks are also investing heavily in their branch networks. For example ICICI Bank is making a push in the rapidly expanding Indian retail banking market. ICICI Bank, also profiled in the research, is held up as a good example of how self-service can be deployed to support a branch-led strategy.

While most banks operate a universal customer strategy (where all branches are aimed at all customers) some are pursuing a more segmented approach, for at least a share of their outlets. An interesting example of this is UniCredit Bulbank in Bulgaria which has spotted a need to accommodate an increasingly powerful and financially savvy women's sector. The bank has opened a dedicated women's branch and separate zones within other branches, all with their own distinct branding.

It emerged in January that the former head of the business continuity at Lloyds Banking Group (LBG) was suing his ex-employer for £1 million in lost earnings. Stephen Clements told a tribunal he was forced out of his job because he blew the whistle on 'shocking' failures in the bank's IT systems. He alleges there was a cover-up at the bank as the problems were so severe they would have cost £200 million to repair and caused significant reputational damage.

In a submission to the Central London Employment Tribunal, Clements, 51, claims that two-thirds of the bank's systems were not subject to resiliency tests, leaving "very serious gaps in our ability to recover critical IT systems." He says senior management told him to "burn the paper" on his report and "never bring it out again." Four months after calling senior management on the failings, Clements quit his post when the bank raised the possibility of transferring him to another role because of his age and the desire to replace him with a woman. LBG denies the allegations.

Retail banking had one of the highest social media marketing spends last year, but this will only increase incrementally in 2012 and 2013. In the face of customer apathy, the sector is currently more cautious than others in its assessment of the importance of Facebook et al. That's according to new research commissioned by Pitney Bowes Software and conducted by Vanson Bourne. This compares social media marketing trends among marketing directors with consumer attitudes to social media marketing across Australia, France, Germany, the UK and the USA, covering seven business sectors. Fifty three per cent of marketing decision-makers in retail banking say that social media will grow in importance as it becomes more rooted in customers' lives. However, 34 per cent are of the opinion that it will only apply to certain areas of their organisation's markets or business units. Such caution is well-placed given that most marketers' enthusiasm is not matched by consumers' views of social media marketing. Only a quarter use social media to follow and keep up-to-date with certain companies or brands, while most are predominantly on it to keep in touch with friends and family (78 per cent). Facebook is the most popular and trusted social media site, followed by Twitter and Google+.

IN BRIEF

• Intelligent Environments has unveiled Interact, an integrated platform for digital financial services. This enables organisations to deliver financial products and services across all digital channels, platforms and devices, whilst providing a consistent, seamless and intuitive user experience. The company says it has already signed contracts to deliver the platform to two European banks.

• Aviva's driver behavioural app has launched on the Google Play app store following a test phase last summer. The Aviva Drive app records a motorist's driving style, covering their acceleration, braking and cornering. At 200 miles, the app will give the motorist an individual driving score, which will be used to calculate any personalised discount they have earned, up to 20 per cent off their premium.

• Integritie has launched SMC4, pitched as the world's first social media content management tool. Financial organisations can utilise it to engage with stakeholders and customers through Facebook et al in accordance with guidelines outlined by the FSA, SEC and FINRA. The tool also enables measurement of impact, engagement, reach and ROI of social media marketing initiatives.

• Sixty four per cent of IT and IT security practitioners report that their banks have suffered at least one DDoS attack in the last 12 months, according to research by Corero Network Security. The survey of 650 IT and IT security practitioners at 351 banks also revealed that 78 per cent believe DDoS attacks will continue or significantly increase in 2013. Forty eight per cent said their banks had suffered multiple DDoS attacks in the past 12 months.

2013 FStech Awards latest

The deadline for entries has passed and the shortlist has now been finalised

Barclays, RBS, Lloyds Banking Group, Credit Suisse, Temenos, Monitise and BT are among the companies shortlisted for the 2013 FStech Awards.

Categories include: Best Use of Social Media; Best Use of IT in Retail Banking; Data Governance Project of the Year; Best Use of Online Services; Technology Provider of the Year (both UK and rest of world); Cloud Computing Innovation of the Year; IT Team of the Year; Payments Innovation of the Year; and Compliance Project of the Year.

The Awards will take place on Wednesday, 17 April at the London Lancaster Hotel. Now into its 13th year, the event recognises excellence and innovation in the field of information technology within the UK and EMEA financial services sector. "Congratulations to all the companies who made the cut. It's a really strong shortlist. Once again there are many great examples of cutting edge technology suppliers and financial institutions making innovative and effective use of technology in such areas as social media, mobile banking, payments, retail banking and data governance. I'm looking forward to meeting with the judges to decide the winners, although it will be no easy task, and to the big night in April," says Scott Thompson, Editor, FStech.

RBS, Lloyds Banking Group, Deutsche Bank, Bank of America Merrill Lynch, Hastings Direct, Barclaycard/Orange, eToro and BT Unified Trading over the BT Radianz Cloud were among the winners last time around. At the 2012 FStech Awards, over 400 of the financial services sector's best and brightest descended upon the Lancaster Hotel to find out who had won what, let their hair down and enjoy the evening.

The 2012 Awards was a sell-out.

2013 is shaping up to be the biggest and best event yet. We look forward to seeing many of you on the night as we once again celebrate the innovative, fast moving financial services technology sector.

View the shortlist at: www.fstech.co.uk/awards/shortlist.php

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2013 FStech Awards: shortlist announced
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Social media innovation at FStech Awards

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[1] Based on IBM testing and documented in IBM System x® Virtualization Server Consolidation sizing methodology. IBM Flex System x240 supports 2.7X more Peak Utilization Virtual Machines (VMs) than previous generation BladeCenter® HS22V.

[2] Based on IDC white paper "The Economics of Virtualization: Moving Toward an Application-Based Cost Model," Michelle Bailey, November 2009, http://www.vmware.com/files/pdf/Virtualization-application-based-cost-model-WP-EN.pdf

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IN BRIEF

• RBS is the first UK financial institution to launch the V.me by Visa digital wallet. An initial trial for the RBS and NatWest wallet is currently underway, before a full roll-out in the spring of 2013. Bank of America is also in the process of piloting the service to its online banking customers.

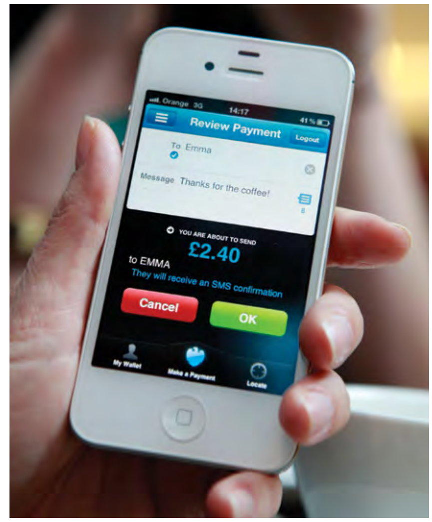
• According to research issued by Auriemma Consulting Group (ACG), 71.7 per cent of UK credit cardholders already use social media and usage is increasing daily amongst younger and higher-income customers. But only 13.8 per cent are subscribed to their credit cards issuers' Facebook page. Furthermore, some 68 per cent of the cardholders subscribed had not yet interacted through the channel.

• Bacs has launched a Direct Debit Control Centre Android app. This allows users to list all their Direct Debits together along with payment dates, amounts and details of what they're for. Payment date reminders can be set up and the app also features a monthly overview screen, which instantly shows the total amount of direct debits in place for that month, together with a summary of how much is left to go out. Users can also group their direct debits into categories.

• CGI Group and Monitise have joined forces to offer mobile money solutions to banking and payments companies using the latter's technology platform. The alliance between the two companies combines Logica's, now part of CGI Group, IT and consulting services, payments expertise and local market knowledge in Europe with Monitise's mobile money capabilities. There will be an initial focus on retail banks in the UK, Benelux, Nordics, Germany and France.

Going for payments gold

Barclaycard, Barclays, HSBC Merchant Services and Skrill are among the companies shortlisted in the Payments Innovation of the Year category at the 2013 FStech Awards



In the running: Barclays Pingit.

Barclaycard is shortlisted for PayBand, a silicon NFC wristband which produced impressive results at the Barclaycard Wireless Festival 2012 by driving more contactless than chip and PIN transactions at point of sale and with 93 per cent of users saying they were open to a fully cashless festival.

Barclays has been recognised for Pingit, Europe's first P2P service for sending and receiving money using mobile phone numbers.

HSBC Merchant Services is in the running because in 2012 it became the first UK acquirer to fully roll-out an in-house solution for merchants to accept UnionPay cards, making Chinese consumer card spending in the UK easier. It worked closely with business partners, developing the necessary software and hardware to enable Chinese consumers to pay the same way they do at home.

Skrill is nominated for Skrill 1-Tap, which provides customers with a simple way of sending money to their favorite merchants with just a tap of their phone, tablet or desktop device. Merchants can offer customers the opportunity to pay for goods with one tap on any device, rather than having to re-enter login details or credit card information.

Also shortlisted are Banca Monte Paschi/SIX Payment Services, CashFlows, CQR Payment Group and OmniPay. In November 2012, Banca Monte Paschi Belgio launched the world's first PaschiCombo card, a dual Maestro (debit) and MasterCard (credit) display card with added contactless payments and e-commerce functionalities. SIX provides the payments processing technology behind the card.

CashFlows has developed an online financial service known as the CashFlows Account. This is pitched as the first of its kind in the industry and has been designed to save businesses valuable time and money by consolidating banking and credit and debit card processing services into a single integrated account.

CQR Payment Group is behind Kalixa, an e-wallet linked to multiple devices (card, online and mobile) offering consumers one account, one wallet, one way to pay, anywhere, anytime, anyhow. It offers two critical advantages for the consumer: total control over their money and travel benefits. And last but not least is the OmniPay multi-currency processing platform which aims to provide a single global integrated end-to-end solution for all required countries, regions, channels and currencies.

When deciding upon the winning entry, the judges will be looking for a demonstration of innovation in the payments space with information on the issues leading to development, how the solution aims to meet the financial services sector's needs, with details of performance and evidence of how the end consumer has benefited from implementation.

The winner will be announced during a gala dinner at the London Lancaster Hotel, taking place on Wednesday, 17 April. To view the full Awards shortlist, visit the 2013 website at: www.fstech.co.uk/awards/shortlist.php

talking point

Hot in 2013. Financial sector technology trends for the year ahead

Big Data will continue to be a strong force and managing the deluge will be aided by cloud offerings.

Maria Nottingham, chief marketing and PR officer, Compass Plus: "Mobile banking was one of the most talked about topics in 2012 within the financial service technology community. Mobile is establishing itself as an important banking channel and I expect that the number of people using a mobile phone to access banking services will continue to grow in 2013. However, I believe that it will not become *the* banking channel as many industry commentators have argued. Furthermore, there is a risk that it will not continue to grow at the current rate and adoption may slow faster than expected unless two important challenges are overcome.

Firstly, the consumer experience on a mobile phone needs to be optimised. Small screens are hard to read and small keyboards are prone to error. This is OK if a consumer is texting or browsing the internet, but a big issue if you want to manage your money on the go. Security, or rather the lack of security, is the second challenge. In 2013 we will see the type of security issues that plague the PC world move to mobile. At the moment the majority of consumers are defenceless against security threats, with less than a fifth of smart devices running any antivirus software according to Juniper Research. Fraudsters will begin to capitalise on this lack of protection, leading to a sharp increase in mobile banking security breaches. As a result, financial institutions will rethink the nature of mobile banking, and inevitably services will need to be limited to basic functions in order to safeguard users without security software.

Security threats and customer experience issues will reduce the utility of mobile banking services and consumers will still go online, make a call or visit a branch to perform certain tasks. It is vital therefore that financial institutions treat mobile banking as part of an integrated channel strategy. 2013 should be a year of balanced investment in technologies that deliver a better banking experience to the customer."

Olivier Vonet, CEO, Orange Business Services - Trading Solutions: "In 2013 we can expect to see much wider usage of the cloud in a bid to boost efficiencies, whether it is public or private. Big Data will continue to be a strong force and managing the deluge will be aided by cloud offerings. In our private lives we have already seen digital technology dramatically change the way we live and this year we will continue to see these next generation technologies flow into the working environment. The iPhone for example has dramatically changed telephony and internet services with its mix of connectivity and innovative ergonomics. These types of digital offerings with touchscreens and apps will enable traders to benefit from efficient communications tools which put them ahead of the competition. The success and widespread use of these types of new technologies inevitably leads to the emergence of new standards. Vendors must place human behaviour, practice and expectation at the heart of product development to meet trader needs. In the industry we will see the increased usage of ETFs or passive investment instruments in asset management accelerating changes in the buy side business model. Lower margins will lead to continued concentration which will impact the sell side with regards to flow intermediation and research based brokerage."

Alan Laing, VP EMEA, Acronis: "The rapid uptake of virtualisation in financial institutions has led to the technology becoming increasingly widespread and commonplace. It's no longer about whether organisations are using virtualisation but about what is it doing for their business? Virtualised environments must ensure data is on hand and accessible so it can be delivered instantly, anywhere and on demand. When IT is highly available and accessible, it becomes almost invisible, like a utility, as the user becomes accustomed to guaranteed availability."

Flexible working

FStech brings you the highlights from its latest roundtable, held in association with IBM

Mark Evans: The title for this evening's discussion is 'Bring Your Own Device, Cloud, Security and the Way Ahead'. So to kick things off, I'm going to hand over to Simon Gale from IBM who will define the flexible 21st century workplace for us.

Simon Gale: The best place to start is the key attributes. The key ones to assign to the flexible 21st century workplace would be first and foremost flexibility. Let me be a bit more specific and clear up what I see as a mismatch of understandings around this: flexible and mobile. For me a mobile worker is something very specific, someone who works while they are mobile, whereas a flexible worker is someone who is able to work when and where they need to work, that might be at one of your corporate offices, in a Starbucks or on the train, for instance. But they are two different things. In order to have this flexible workplace you have to allow people to get at the systems and data which are fundamental to allowing most people to do their jobs today.

ME: And that's where Bring Your Own Device (BYOD) comes in.

SG: Yes. Secondly, access must be possible for a broad range of devices, whether it's through your own or through a device given to you by your company, the days of standardising, giving everyone the same model of laptop, are either gone or they are rapidly disappearing in an awful lot of organisations. I come from a financial services background so believe me I don't underestimate the challenges in moving away from that. But we are moving away from it. So it's a case of when, where, what? To back all this up, there are some unavoidable changes that need to be made in the datacentre to the network, a shift in network traffic when you inevitably increase your use of Wi-Fi vs Ethernet. What you also need to think about is how you meet the challenges of whenever, wherever and whatever in terms of access to systems data, because typically that has been built in the certain knowledge it will be accessed by the Ethernet connected laptop or desktop PC running Windows XP, locked down in the following fashion with the following applications loaded. If you take away those certainties you have to replace it with some other certainties elsewhere in the stack. So the implications for the IT department are a shift in network traffic, a shift in the way we provide systems and data and last but by no means least some changes in your approach to security, because the old ways probably aren't going to work anymore.

Marcus Watzlaff: Total perimeter protection has to go or be somewhat mitigated against the need for me as a user to be able to work in London, New York, Zurich, Hong Kong on the basis of at some point a standard build and at some point a customised build as I need to see customised views of my desktop. That's your view of a 'flexible' worker, so what's a mobile worker? I don't get the second part of the equation.

SG: What I was trying to do was shift the conversation away from too much of a focus on the word mobile and move it to flexible, because to me enabling someone these days to be a mobile worker is more about enabling connectivity, the 3G connection and so on. Or offline working so that person can work as I did today on the train into London. There's a big focus today on mobile workers and really 90 per cent of them are flexible workers, they want to work somewhere, but that somewhere isn't always the same place.

MW: So wherever I lay my hat that's my home. If my HQ is Munich or Singapore, I should see the same thing as I see at home.

SG: Not necessarily.

David Chan: I would dispute that. You don't need the standard build, you need access to the applications.

Attendees:

Mark Evans, Publisher, FStech
Simon Gale, CTO workplace services, IBM
Rob Forde, security consultant, IBM
Andrew Havis, content enablement - GTS marketing & communications, IBM
Marcus Watzlaff, capital modelling director, Catalina Holdings
David Chan, CIO, BAV Group
Rob Handicott, chair, BCS Financial Services Group
Eno Agbor, CEO, Private Equity House
Security officer at a European bank
Russ Stewart, head of continuity safety and security, KPMG
Tony Clark, CEO, BAV Group
Richard Norris, IT director, Cullum Capital Ventures

MW: But most strategic decision makers need to see something that they can talk about to a regulator wherever they are in the world.

SG: One of the key aspects of this flexible workplace is that we have to move away from the idea of a standard build. What most people need to see to do their job is pieces of information, that's what it boils down to. The fundamental thing is that the flexible workplace moves away from giving everyone the same build wherever they are to giving everyone the necessary systems and access wherever they are. So it changes the paradigm.

Rob Handicott: Somebody absolutely has to take the responsibility in terms of controlling the availability of the applications and the data. Being mobile brings a huge risk of being in places where other people can drop into the same Wi-Fi.

ME: We're talking about the FS sector here and that creates a whole new level of issues. I'd particularly like to explore the controls and regulations around this area, any particular problems, what's on your agenda?

DC: The issue is a paradigm shift, it's not so much about the applications, it's about the information or the data as there are certain classes of data you wouldn't want anybody to have willy nilly. It's a real challenge for the enterprise architects, there are certain data classifications.

ME: The difference here between human factors, whether you use it in Starbucks etc, and the actual infrastructure, particularly about the pros and cons of managed services. Are you happy to have everything outsourced to a third party supplier, for instance?

Eno Agbor: No, not really. As a consumer of cloud-based, outsourced services, it varies from case to case. We're seeing the digitisation of security, there are quite a lot of implications in terms of regulation and employee rights, a lot of complex issues which have been thrown up by mobility and the flexible workplace.

ME: Is there an argument that a company like IBM would be in a better position to help companies make that transition, they have the staff in place, they understand the regulations and so on.

MW: In terms of a One Stop Shop (OOS) for data, IBM would be the company that covers the multitude of your systems. You want the same level of security wherever you may be working so it does lead you to an IBM sort of solution.

Security officer at a European bank: Surely the issue is not just what the supplier can do, before you have your supplier you must have your security infrastructure, your processes, once you're sure that works then technically there shouldn't be anything stopping you from going to an outsourcer. The key with outsourcing is having regular meetings with them and making sure they are managing things properly.

Rob Forde: Certain outsourcers will go part of the way in order to provide a service and that may be adequate for company x or company y but it might not meet your own requirements. So it's also about finding the right partner.

Security officer at a European bank: I see the benefits of an OSS, it can enhance and improve your processes.

SG: Can I just take the managed services aspect and slightly redirect it? What fascinates me, asking this of those who sit on the opposite side of the table to me, so to speak, when you look at a number of IT areas we are in a period where there are some fairly significant and rapid changes occurring, whether it's cloud or BYOD. Is there a case for looking at managed services in the context of them being applicable where that period of rapid change is occurring, because internally IT departments seldom have a significant enough headcount and expertise to keep up with that change. But actually what you are doing is using someone, a provider, to handle that period of time for you with a view to when stability is achieved maybe that's when you start doing it yourself.

DC: If you believe that the external business model environment is ever going to be stable again, forget it. Unless you're in a very, very niche market, the turbulence is going to be there. Technology transformation is coming through, we're getting maturity of services through the cloud, but this stuff is never going to settle down. It comes down to a simple concept: business as usual, changes to business as usual and strategy. If you can define a business as usual process then you can ask yourself, am I better off doing it myself or can someone do it in a better way for me? For me as a CIO I wouldn't want to run service management. I'd prefer to outsource it as it's not high value, what I'd want to run is the enterprise architecture, the investment in new projects.

Russ Stewart: Total perimeter protection, when you get 100 per cent security, there's zero per cent collaboration. I'm always interested in the question: whereabouts on the curve is appropriate for the FS industry?

Andrew Havis: It is a trade off. If you have too much security people won't be able to access your systems. If you don't have enough, people will be able to do their jobs but all your data is out in the open. It's about finding the sweet spot.

RS: There's another dimension here, the human factor, we have to trust people to a certain extent and have the tools to monitor the situation.

MW: But isn't that a HR job?

DC: If you position yourself as a person who is only interested in managing the technology, then you're missing a trick. You can't marginalise yourself and say it's a HR issue.

ME: The word that has been used most tonight is security. Monitoring and control, we haven't yet explored that. I'm surprised that hasn't come up more as it's clearly a major issue.

Tony Clark: Look someone in the eye and say to yourself, do you trust this person? If you don't trust them, don't employ them.

ME: Yes, but while some banks aren't as big as they used to be, they're still pretty big with lots of employees. How do you look everyone in the eye? It's a case of looking at the analytics side of this. Empowerment is a good word in this respect. Let's talk about that.

TC: 2012, Skype, Webex, Gotomeeting, you still can't beat face to face, because what are we doing here tonight?

DC: Monitoring and control, you can actually monitor without control.

MW: The breadth of every job, including the CTO/CIO, can be very wide and cavernous and I think you won't see the woods for the trees, so I would suggest that we put something together along the lines of, everyone in the C Suite should be doing their jobs, your chief of HR should be doing the monitoring, I can't see the case for outsourcing. I think the CTO/CIO's job is to set out the ground rules then go about an end to end data mapping process whereby people know what the ground rules are, there's something of an acceptance for risk. I love the idea that you can control everyone's use of data but you can't. We should be harnessing a flexible workplace scenario that enhances innovation and so on without over the top security.

ME: Let's do a straw poll. Imagine you're a CIO of a large organisation, would you actually be happy having managed services?

TC: I'd go for a hybrid.

Richard Norris: I think hybrid is always the right way.

SG: Inevitably when you look at security it's always going to be a hybrid, because internally within the organisation you ultimately have the responsibility.

RN: I think security is a complete red herring. What you have to do is turn it on its head and say, what do we need to provide our customers? We need to provide a flexible workplace to be able to do what they want to do to generate income for that business. What security wrapper do we need to put around it which is good enough to make that work, inside the regulator's guidelines because they're only guidelines at the end of the day, so you've signed off an element of risk. At a previous FStech roundtable a security consultant said they could punch a hole through anything that's out there and ultimately if someone wants to get data from an organisation, there's a way to do it.

MW: You need to make sure that the accessibility and flexibility remains, especially when you're taking over a company.

TC: If you're a company that starts off with a few people and grows to 500 plus, for instance, how do you manage the security, trust and empowerment that goes with that?

RN: You put the right applications in place and scale it.

SG: Part of the idea is looking beyond the purely technical to solve the puzzle and that includes the HR element. In order to get to this flexible workplace, you have to bring the different parts of the organisation together in a way that hasn't been done in a while. I would suggest that, from an IT point of view, it last happened when the internet hit us. Most FS organisations' knee jerk reaction to the internet was to lock it down and gradually that changed and we saw different parts of the organisation working together.

DC: There's another challenge for those in IT. There's a mindset among many IT directors/CIOs that this is a machine and I can impose some rules and put a strategy together to achieve a steady space. I think we're in a different world now, an evolutionary world, you need to develop the ability to work collaboratively in an evolutionary world. We need to start looking at it as ecosystems. The IT piece is a species within the ecosystem.

RN: If we're in that evolutionary stage then the connected device doesn't matter in the future because everything will be delivered as an application online so the strategy changes, all you have to worry about is the security protocol at the supplier end and how you give people access to those applications. And I've seen that evolution happen over the last five years. All these things already existed, they're just moving forward.

Security officer at a European bank: It's a cultural issue. In every organisation you have the business and then there's IT. It's all segregated. In reality they should consider IT to be thin air, it's just a medium to send information. If they took the ownership of the data they manage and talked to the specialists of the thin air, so to speak, then maybe they would be able to manage security and the data in an appropriate manner. But that involves a culture change.

DC: It's collaborative. You can't afford to split between HR and IT and so on. We need to bridge the gap between the business and the IT.

MW: You can't protect against that one rogue employee.

SG: You end up stifling the business.

RS: You can take proportionate mitigation.

MW: Remember I said rogue employee, so how can proportionate mitigation work against that?

RS: There are ways, initiate monitoring because another employee suspects something.

Back to BYOD

ME: Bringing the focus back to BYOD, what I'm interested in is the particular issues the FS sector is going to have, you're not going to stop people having business and personal contacts on the same phone, for instance. You can't go backwards.

Security officer at a European bank: You will have restrictions from other countries, employment laws etc. In the UK we will bear the brunt of it before everyone else in Europe.

MW: The CEO of Aon said recently, we're moving to London, partly because we can do business with everywhere in the world and partly because it's about being open but open to a degree, you can't take laws to the nth degree. You have to have a standardised perspective of looking at what constitutes flexibility.

TC: We're living in a global economy constrained by local laws. Discuss.

Security officer at a European bank: If you do the job right, you can empower your organisation in your region by aligning yourself with the local laws etc.

MW: The Aon chap's conclusion was headquarter in London because it's a bellweather state, it doesn't have completely inflexible labour laws.

RH: On the issue of compliance and regulation, certainly the major benefit that comes from mobile and flexible working is that you've got big cost savings as a result of a presence in London. From a security perspective, if you enable a workforce you've got a lot of your DR taken care of as it's already activated. The Olympics was a good example of how companies can successfully manage all of this, with many FS organisations letting their employees work from home.

SG: It's interesting you mention the Olympics. IBM basically closed its central London office for the entire period of the Olympics. And we were only able to do that because of the previous investment we'd made in the area of flexible working.

MW: Whereas in New York a lot of FS companies have closed due to Hurricane Sandy and we've seen business continuity issues in what is a major financial centre.

ME: I'm intrigued by IBM being the only ones who have put a 100 per cent flexible working scenario in place. I don't think anyone else around the table would claim that, would they? Could you summarise the day to day advantages and what the problems, if any, have been?

SG: I don't think there are that many shortcomings with it. But certainly in the UK, IBM would say the experience has been an overwhelmingly positive one.

RF: Yes, I'd agree. From my own personal experience, I'm a typical mobile or flexible worker, I've got an iPhone, an iPad, a laptop, all three of them access corporate networks in some kind of way but two of the devices are mine. In order for me to

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take on the decision to say it will make my working life better if I can access these applications on this device, I had to take a bit of a hit in that I have to put a 10 character password into my phone and I know if my daughter gets the password wrong a few times in a row, the password will be wiped. So those are the things I have to accept if I want that flexibility. Take a step back to five or so years ago, I can remember signing similar acceptance policies regarding intranet usage at other companies I've worked for.

SG: If you flip it and look at the corporate experience, then I think there are two parts: the flexible working part has been almost overwhelmingly successful, it allowed us to close the Southbank offices during the Olympics and make huge savings in real estate costs. On the BYO front I would argue with anyone who suggests there is an immediate financial benefit associated with that. Our experience of BYO is positive in respect of employee feedback, satisfaction, productivity, flexibility etc etc. The one thing we didn't achieve is cost savings.

RS: For me 21st century working is not just about mobile working, it's about how you utilise office space. One of the downsides for me is the absence of human contact.

DC: A previous place I worked at, we crammed everyone in offices above Smithfield but we made sure there were couches, we made sure there were table tennis tables and so on because what we appreciated was the juxtaposition of people doing different things.

ME: I think the central point of flexible working is you can have other options to that. I'd like to touch on legacy systems. There aren't that many new banks around and there's a reason for it. It's a barrier to flexible working. It's a no brainer, it's going to happen. But what is stopping FS companies from doing it right now?

EA: Perception. Every big organisation has a lot of legacy risk and there's a challenge around managing new tech and processes. It's all about risk management in financial services, new ways of preserving value. There's also a large human element here.

RS: There's another positive driver on the horizon, a war over talent. I'm not sure what generation we're onto now, generation y or z, but they will be attracted to this kind of working.

DC: They ask questions such as, you mean I can't use social networking? When my son graduated in 1999 he decided not to work in the city because he didn't like the culture.

RF: If we talk about culture, I've been working in IT security for around 15 years, and culture and change is something which has been in and around security going back to the middle ages. People used to build castles with square turrets and then somebody invented gun powder and then they had to come up with round turrets. There was a requirement to change and evolve their defences and the same thing is going to continue to happen with security. It's never going to stand still.

SG: You talk about generational issues, I've got a godson who has just entered the workplace and his attitude to these things is completely different to mine at the same age. If when I first started work at Lloyds Bank and they'd told me I needed to turn up with own PC, it wouldn't have happened. His attitude is, if your employer said you couldn't turn up with your own device, he would go somewhere else.

DC: The millennials are qualitatively different in terms of how they view the world.

AH: The old way of thinking is, Facebook encourages people to waste their time. The new way of thinking is, let's embrace it and actively encourage the benefits of using it while still making sure we have certain controls in place.

RN: That's OK when you're working for an organisation like IBM, but in financial services the regulatory regime that goes around that as to how you interface with your customers, you have to be very careful about how you give advice.

ME: We're coming to the end of our discussion. I think we've covered a number of key areas during the roundtable so thanks to everyone for their contributions this evening.

"There's a big focus today on mobile workers and really 90 per cent of them are flexible workers."

People on the move

Vernon Hill

Metro Bank has announced the appointment of Vernon Hill as chairman. As founder and vice chairman, Hill was instrumental in Metro Bank's launch during July 2010. The bank currently has 15 stores open in London and the south east, over 130,000 personal and business accounts, and plans to grow to 200 stores in the Greater London area by 2020.

VocaLink

VOCALINK
safer payments, smarter partner

Payments provider VocaLink has announced three senior hires. Nick Millar joins as strategy and customer insight director, Jim Wadsworth as product development director and Phil Harrison as commercial director, alternative payments. All three report to Paul Stoddart, managing director of strategy & business development.

Mark Pumfrey

Liquidnet, the global institutional trading network, has appointed Mark Pumfrey as head of EMEA. He is responsible for overseeing and growing Liquidnet's European business with an immediate focus on identifying new sources of actionable block liquidity, providing asset managers with access to its full product suite and adding new members to the network.

Nigel Turner

Financial outsourcer, HML, has appointed Nigel Turner as chief commercial officer. He has responsibility for developing HML's relationships with existing clients, as well as the generation of business with new clients. His role also includes the development and implementation of new product and marketing strategies. Turner joins the company from Logica.

Edward Ho

Edward Ho has joined Fundtech as president and chief operating officer. His responsibilities will include enhancing the company's position in transaction banking. He was previously executive vice president and general manager of the capital markets division at Misys. Prior to that, Ho was the CEO and president at IQ Financial Systems.

Craig Doyle

Online payment provider, Skrill, has appointed Craig Doyle as SVP of sales and marketing. Doyle spent almost a decade in various roles at payment solutions provider Ingenico. Most recently he was managing director of the Northern European region, VP of marketing and solutions for Europe and an executive committee member.

Andy Chrismas

Datacentre and communications solutions specialist, Node4, has hired Andy Chrismas as its new cloud sales manager. He will develop Node4's cloud strategy to provide services for the SMB and enterprise space, and to enable the reseller channel via the company's partner programme. He joins from Magirus, where he worked with the likes of VMware, Cisco and EMC.

Coen van Breda

Proxama, a provider of NFC mobile wallet and mobile marketing technology, has announced the appointment of Coen van Breda as its chief financial officer. He also joins Proxama's board. van Breda, who has worked at KPMG and Goldman Sachs, will be leading the company's financial programme for growth, especially in the North American and European markets.

Coming up

More and more financial services organisations are fully committing to open source software. That's not the whole story, however, as Marek Handzel finds

Sometimes it can be hard to work out if a popular trend is down to people acting like a bunch of lemmings, or if it's a great example of the wisdom of the crowd in action.

IT managers in the finance sector would argue that they have followed the latter when it comes to their collective use of open source (OS) software. And it's not hard to see why. The banks' mass migration from Solaris to Linux-based servers, and the adoption of database management systems such as mySQL, has resulted in cost savings, peace of mind and good performance.

But such 'simple' parameters are beginning to be stretched as in-house IT teams have begun to choose OS as their weapon of choice in the application space. "Internal software development is the hidden area of OS use in banks, and possibly the one with the highest impact," says Les Spiro, CEO at Tick42, the market data and trading solution provider.

"This is an area where the openness of the software is the driving force in its internal development. Banks and hedge funds have a large number of highly skilled developers producing proprietary software, and they are very keen to not reinvent the wheel. They therefore want to use a wide range of OS development libraries and frameworks," he says.

What this means in practice, says Spiro, is that developers are fussy. They need constant access to the source code, as they're paranoid about bugs caused in third party libraries that they can do nothing about in the middle of the night. They also require the ability to modify the code, and check whether or not it has any restrictions built into its use. This in turn dampens demand for major support contracts, since the developers are committed to supporting their own software.

But this could pose two problems for organisations. Firstly, it leaves their IT exposed to no single 'back-up' help in the form of one third party developer and secondly, it means added expense.

New ideas

Kosta Peric, head of innovation at SWIFT's Innotribe, says that the industry is creating answers to avoid slipping on these banana skins. He picks out two examples: OpenGamma and Allevo. OpenGamma uses the OS approach to provide a risk analytics platform to financial institutions. Kirk Wylie, the start-up's CEO, came up with the idea while working in risk and front office technology in the financial space. "My job was building generic infrastructures, but infrastructure for which there wasn't a viable commercial offering," says Wylie.

"With financial services firms looking for cost reductions in every part of their operations, it seemed absurd that most of their IT budget was spent on building and maintaining expensive in-house systems that didn't hold any proprietary value to the company. Trading and risk analytics systems are plumbing; as long as it works you shouldn't notice it. So why should every firm build their own from scratch? Why shouldn't there be an OS solution out there available to all?"

Allevo, meanwhile, has grown under the same premise. The Romanian-based software company took the big step of placing its flagship product FinTP (a financial transaction processing platform) in OS, with the hope of attracting customers and moving from being a software seller to a support provider.

Instead of viewing it as a danger, Allevo views the integration of OS in back office systems as an opportunity to keep pace with technology. "Why shouldn't every bank out there, doing the exact same thing in the back office systems, use the same payment application?" asks Allevo's CEO, Sorin Guiman.

Safe and secure?

Security issues (particularly in scenarios where OS is mixed into various development and application stages) have been played down by developers for some time. Peric, for one, says that use of OS in many cases raises security levels, rather than the opposite. "One of the main advantages of OS is that any security issue is transparently known and can be collectively and rapidly solved by the community developers, making the application at least as secure as the proprietary one," he says. "Thus the mix of the two cannot hurt more than mixing any type of software."

Tick42's Spiro agrees. He highlights the fact that many companies now use OS cryptography packages to implement security. "One of the attractions of these open packages is that many eyes have reviewed the source code. In terms of cryptography libraries, the banks are not first users and gain comfort from the widespread use of these products in the wider web-based environment," he says.

From a code developer's viewpoint this may well all be true. But last time anyone checked, banks, investment houses, and the rest, are still manned by people. And it's the human factor that needs to be considered, says John Salmon, head of financial services at law firm Pinsent Masons. "I've acted for clients in the past where a pretty junior guy says 'well I found this OS thing and downloaded it and included it in the software' without anyone knowing about it," he says.

"The big banks and financial services institutions do have large IT teams and one of the things that they have to be very aware of is their own staff. They have to know that OS can't just be accessed and used."

Then there is the regulatory picture in which the sector has to frame OS use, once it is in place, says Salmon. This could have a knock-on effect on just how creative in-house developers can really get in the long run.

As part of the Data Protection Act, all companies have to have appropriate and adequate security and technical measures in place. "So from a financial services perspective you don't want a code out there that makes you insecure," he says.

Add to that the FSA's hard line on 'appropriate systems and controls' and it's easy to see IT teams having to scale down OS use or at the very least having to put it through some sort of checklist or stress-testing models to satisfy senior management.

Further problems can arise down the food chain. So even if direct use of OS is very well controlled, a supplier could be exposing the bank through their own products.

"The usual process with this is that there's a standard warranty in most of these contracts that says to the supplier 'you will not use OS'. If they suddenly say they are, then a lot of alarm bells go off and there's due diligence, and checks going on, and people are automatically really worried about it," says Salmon.

"The problem with OS is that it just means so many different things," he adds. "You've got to do your homework on it."

Increased take up

Nevertheless, OS is on an upward trajectory. Given its attractive costs savings and practical benefits – as part of the wider web ecosystem any operating issues are transparent and can be collectively and quickly fixed – financial service companies are taking a closer look.

Tomas Nystrom, senior director at Accenture, says that the growth in OS usage is almost inevitable. "If you look at this industry, it's quite tech savvy and companies look at the best functions out there and have a 'best-of-breed' mentality – so a mixed environment, with more OS, is more common," he says.

With the rise of Big Data and NoSQL, an added impetus also exists for more OS implementation. "Financial services are finding themselves involved in the traditional cycle of software use," he says. "First it is proprietary, then it becomes well understood and then becomes OS."

Plus, he adds, they have the expertise to stay on top of it. And so stay well clear of that cliff ledge.

Talking heads

Dan Wagner, chairman and CEO, mPowa

***FStech:* How did you get into the sector?**

Dan Wagner: I left a London-based advertising agency in 1984 to start one of the first online databases of newspapers, trade journals and periodicals. I had no idea what I was getting into, but was convinced that technology would change libraries from being unwieldy repositories of paper to computers elegantly accessing databases online. Having set up the first online information service 10 years in advance of the internet, I had to move the company I founded, M.A.I.D., to the US for it to really take off, but just 10 years later it went public on the London Stock Exchange valued at £120 million.

***FStech:* Who has been the biggest influence on your career?**

DW: Two friends who both started in business on their own at early ages. One was Julian Richer who set up Richer Sounds and for whom I worked for a while. The other started off with a market stall selling books and became a worldwide expert on antiquarian books. Both of them showed me that if you believe in yourself, you can make things happen.

> "My last online banking experience was very good. I am using the Barclays mobile banking application on my iPhone and the experience is extremely slick"

***FStech:* Who in the sector inspires you and why?**

DW: I can't really think of anyone who does.

***FStech:* Which IT professional do you most admire?**

DW: Larry Ellison, who founded Oracle, and the wonderful Bill Gates, both for his business achievement and for his philanthropy.

***FStech:* Is there anything that you dislike or that frustrates you about the sector?**

DW: I dislike the way many IT businesses trade on the ignorance of their customers by taking longer and charging more than necessary. I have been in technology my whole life, and I fail to see why technology should be any different to any other product or service in this regard. There is a standard of service, and a level of value for money, below which no provider should decently fall.

***FStech:* What technology can't you live without?**

DW: The internet. I am one of those people who are constantly connected and are unhappy going offline. The internet gives me access to everything, both for work and for play, and most importantly it does so on the move. This also chimes with the worlds of my customers and the consumers they serve. It is a world in which mobility means greater efficiency as well as greater opportunities for satisfaction of both personal and business goals.

***FStech:* How do you relax?**

DW: By watching Arsenal football club, although I must say recently they have been playing so erratically that watching them is becoming a rather less relaxing experience!

***FStech:* What was your last banking experience both online and on the High Street and were they positive experiences?**

DW: My online banking experience was very good. I am using the Barclays mobile banking application on my iPhone and the experience is extremely slick. My latest retail experience was poor. I have been a customer of Marks and Spencer for 40 years and they still do not recognise me when I am in one of their stores (but do when I shop with them online). This is something mPowa is looking to change, not just by making the payment itself mobile, but also by making the entire wealth of customer information recorded on our e-commerce platform available to customer-facing staff in store on a smartphone or tablet.

Making the move

The news of Barclays' move to Linux for some of its software development is exciting to hear, but, asks Tristan Rogers, CEO, ConcretePlatform, does this homegrown approach really work for internal enterprise working practice?

Moving to Linux for application development for products like Pingit makes a lot of sense for saving in OS licensing costs and speed to market, and it is also key IP for Barclays' customer service proposition. As such, Barclays can be very effective when it comes to this kind of B2C development. However, can this same approach to application development work with internal B2B systems? Software development and licensing from the likes of SAP, Oracle and Microsoft is largely built on 30 year old principles that pre-date the pervasive use of the internet. Furthermore, the charging mechanisms in place often prove counterproductive to creating collaborative ecosystems within the modern enterprise. I can therefore understand a progressive CTO deciding to migrate away from vendors that choose to charge in this way. However, modern enterprise working practice is not a challenge to be taken lightly. The enterprise today still relies on the coordination of many staff in many locations, using many different forms of communication to deliver information and carry out processes between people and teams. When an enterprise's people and processes work harmoniously, staff productivity is at its highest, as information flows and wasted time and duplicated processes and information are therefore reduced. By comparison, when the enterprise suffers from breaks in communication and a lack of visibility of process, staff productivity is at its lowest, as the enterprise provides a disparate and inconsistent working environment. Whilst the blame for the latter cannot be entirely laid at the door of an enterprise's IT infrastructure, most professionals will be able to recount numerous examples of "IT roadblock" where files cannot be accessed, systems are difficult to use and collaborative working with team members through electronic means amounts to email and a dusty Sharepoint team site. IT leaders may think that these tools are to blame and move away from email, team sites and a Meccano approach to internal systems based on Windows or Oracle OS, but what would they move to instead?

In parallel, increasing numbers of enterprise staff have also taken to exploring and utilising an increasing number of cloud applications that are being developed and marketed by a new breed of software vendor: the venture-backed SaaS start-up. These firms typically take a consumer style approach to developing and marketing horizontal software solutions that are simple to adopt and use. As a result, they are easily picked up by staff who are fed up with slow moving, difficult to use enterprise IT solutions, when file sharing, project management and community knowledge sharing is needed.

Today, the enterprise IT landscape is increasingly peppered with applications like these and it's fair to say that in most cases they prove a security and governance headache to central IT. And when things come to a head, IT either squashes the small team's usage of said application, or (as is the hope of the vendor) they become adopted by central IT as sanctioned software. I believe the latter to be a pipe dream, and the reality is that, at best, the IT team, having successfully squashed the use of the application in question, then consider building a solution of their own. But this is flawed logic. Too many of these start-ups don't understand the complexities of the enterprise and take an overly simplistic view of process. Therefore, if an IT department copies their approach, they will end up with their own decentralised systems that do not scale to the needs of the enterprise they serve. Despite these new SaaS firms not understanding the enterprise, they do at least have a dedicated (and paid for) account management team that looks after any business with a pulse. For any staff member of an enterprise, they will know that IT support can be challenged, with slow moving tickets to problems that need solving immediately. Can an internal, non-profit making IT department ever compete with a commercial software business? Today, Linux, Amazon EC2 and Force.com make cloud deployment of software accessible to IT departments (albeit, in different ways) and I believe we will see many press releases over the coming years of enterprises that have "harnessed the cloud" to the benefit of business productivity. But scratch beneath the surface and in many cases we will be witnessing the display of the Emperor's new clothes.

IT departments are still pursuing the authoring of software as the ultimate validation of their existence. This is because the software establishment has made it their business to sell to the IT executive – thereby empowering them with the "decision" to upgrade software in the enterprise – not as a way of providing them with complete, business ready solutions, but as a way of providing them with frameworks that need building before deployment instead. When was the last time you thought a Sharepoint site was great? This is primarily why most enterprise software is under par; it takes a lot of time and end user knowledge to really understand what the customer wants, and an IT department is never sufficiently resourced or worldly wise to create solutions that address the market needs of a customer. And whilst I still think that B2C development is a good focus for enterprise IT teams, I remain highly dubious of internal teams tackling the fabric of enterprise working practice.

Going forward

Scott Thompson has been busying himself asking leading industry players for their take on key 2013 FS tech trends. Here, then, are 13 stand out predictions for the year ahead, taking in the likes of Big Data, the cloud, DDoS, BYOD, social media and m-payments

2012 was a year of negative headlines, budgets under pressure, job losses, trigger happy regulators, hefty fines, stagnant economies and creaking legacy systems hampering business and creating deeply unhappy customers. Does 2013 threaten more of the same and what will be the key technology trends within the FS sector?

2013 heralds the 'app-ification' of financial services

"The financial services market is in a state of upheaval driven by changing consumer behaviour fuelled by technology innovation. In 2013, these forces will be manifested in the 'app-ification' of financial services as nimble and disruptive players exploit the channels offered by mobile and internet technologies to challenge traditional industry behemoths. Consumers behaviour will change as they are presented with an array of competing financial services that are easy to access using new technology. App-ification will create more scope for innovation and open up new opportunities, but will also give rise to a generation of ruthless, mobile-oriented, tech-savvy consumers who will expect services to work first time or they will move to a competitor. At a macro-level, the app-ification trend will also play a major role in driving increased consolidation. Smaller, innovative start-ups and single capability companies will be acquired by bigger players looking to accelerate geographic expansion, drive innovation and extend their service portfolio. However, it is my belief that the majority of this consolidation is aimed at boosting business value rather than meeting end-consumer needs. The market is littered with numerous ideas and technologies that have been forgotten after acquisitions. Any application developer will testify to the fact that if you don't focus on consumer needs and get it right first time then the service will struggle to succeed." Ed Chandler, CEO, CQR Payment Group

The rise of mobile and Apple in the financial sector – IT departments not prepared for the demand in BYOD

"Apple's traction in the financial sector rapidly expanded during 2012 and it continues to accelerate. During 2012 it became clear that social end users now want access from any device to the corporate network – iPhone/iPad or Android. Social users found their own solutions, such as Google Drive and Dropbox for sharing corporate files, putting IT departments at risk of losing control and losing relevance by not responding to the demands of their end users." Alan Laing, VP EMEA, Acronis

Customers will evaluate cloud/hosting providers more ruthlessly as Big Data increases pressures to be compliant

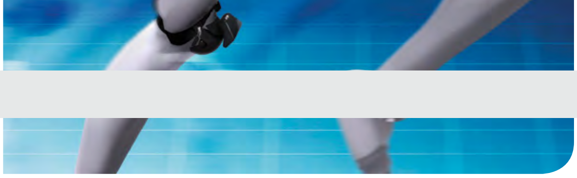
"The financial sector has always been subject to data retention and compliance regulations. However in 2013 these increasing pressures to be compliant with data retention, data management legislation and best practice will see customers evaluate cloud/hosting providers more ruthlessly. Cloud and hosting providers must be able to securely and efficiently store and manage data to the level that the financial sector requires." Alistair Mills, CEO, Six Degrees

The old order changeth?

"2013 is shaping up to be the year where the banks may lose their prized possession of being the primary processor of payments. Many other organisations are jumping on the bandwagon; retailers, internet companies and mobile telecomms operators all producing different mobile wallet technology. NFC will continue to be a great technology for data sharing but will not be a key player in the payments space due to the inherent security risks. 2013 will be the year where mobile payment gets some real traction. I predict big increases in the prevalence of mobile PED's for small/mobile business secure card payments as the cost and ease of use of these devices/applications makes them acceptable for the millions of small businesses that today rely on cash and cheque payments." Huw Thomas, managing director, PMC

Mobile/contactless payments: challenges and opportunities

"Smart devices have called for more attention to mobile payments, but it's worth noting that the "hype" needs to be taken at face value. Yes, mobile payments will shape the future of the industry, but market entrants and technology brands will not have enough in their arsenal without partnering with established players. We have already seen this from the likes of Samsung and Visa collaborating on mobile contactless payments during the Olympics, and we expect to see more activity like this in 2013 to drive further innovations. Another critical development set for 2013 is the production of NFC-enabled cards and terminals. Despite initial interest a few years ago, not many



consumers realise they have cards with in-built NFC functionalities, which has halted the progression of contactless technologies overall. Nevertheless, this knowledge deficit will fall during 2013 as more companies lean towards contactless payment systems, the most recent being the London bus network which is kick-starting UK adoption." Philippe Eschenmoser, head of business consulting, SIX Payment Services

DDoS will become more visible as a business risk

"Distributed Denial of Service (DDoS) has become a familiar term to many more of us over the past year. The mainstream press coverage of the attacks from Anonymous; our increased appreciation of the broader spread of motivations behind attacks; and the simple fact that many organisations have now experienced attacks have seen to that. Ideologically motivated attacks are often in the press, but many other attacks are motivated by extortion, the need for a distraction (from other criminal activity e.g. data theft) and revenge; DDoS is even being used now as a competitive 'weapon' in some markets. There can be no doubt that DDoS attacks pose a significant threat to the availability of our internet services, and as we have become more reliant on these services for our business continuity the risk of an attack having a major business impact has increased. An increasing number of organisations now rely on the internet to sell their products, offer their services, process transactions or to access cloud-based data and applications. An attack can be very costly if we are not prepared. In light of this, DDoS is starting to be considered alongside other threats to our business continuity (such as power failure, physical security etc.) and the awareness within organisations is broadening. The tools our finance teams use to model risk are starting to incorporate cyber threats, and CISOs are being asked to quantify risk and plan accordingly. The availability of our internet services is becoming as important as the confidentiality and integrity of our data." Darren Anstee, solutions architect team lead, Arbor Networks

'Digitally Native' banks on the rise

"2013 will see a host of 'Digitally Native' banks start to take market share from traditional retail banking institutions. Unlike vertically-integrated 'Old Finance' institutions with high fixed costs, these 'Digitally Native' challenger banks are built from the ground combining the philosophies of bank 2.0 and social 2.0.

Banks such as Fidor Bank, Movenbank and Simple are designed for the digital consumer: they focus on design led user experience, transparency and simplicity. Simple, for instance, offers sophisticated mobile applications giving customers access to a full range of banking services on their iPhones, enabling users to easily track their expenditure, disposable income and saving goals on a single screen. Fidor Bank provides banking services for the social generation; interest rates are dictated by its number of Facebook likes and a single interface shows all your holdings from precious metals to virtual currencies like World of Warcraft Gold. Movenbank is the first bank designed to be used on your mobile phone with sophisticated analytics which will allow customers to track their spending against their usual patterns as well as allowing them to modify behaviour based on instant feedback

Digitally Native banks have extremely streamlined business models. They have very low fixed costs, are not lumbered with legacy IT systems, have few employees and usually no physical branches. Some firms like Movenbank and Simple do not even have risk capital: they use other institutions' banking licences. They are not real banks as such but offer a banking experience for what is becoming the only part of the consumer banking process that matters: customer interaction. Some of these Digitally Native banks are already successful. Simple only recently launched but has on-boarded 50,000 customers and has another 250,000 on its waiting list. Fidor Bank has 250,000 live customers but operates on just over 30 employees. This spectacular growth is set only to continue in 2013 and traditional institutions will need to keep a continuous look over their shoulder, if they are to keep pace. In particular, the ability of these new institutions to acquire customers at the fraction of the cost of their larger competitors is likely to be a seriously disruptive force in the industry." Udayan Goyal, co-founder, Anthemis

Know your customers 2.0

"From the perspective of customer management, the two main systems and data challenges facing retail financial services companies is a new version of that old requirement of knowing your customers. The next big thing for banks is to ensure that they collect the data needed to tell them whether the product that they would like to sell to their customers is really needed by them. The sales of packaged bank accounts to customers who were not proven to need every element of the package does not conform with what the regulator sees as best practice. Data must be collected on what other insurance and related products the customer has, and on whether they qualify for insurance under the terms of policies. This data and conclusions drawn from it must be made available at the point of sale or purchase.

For life and pensions companies, a related but different challenge is that posed by the Retail Distribution Review. Over the next decade or so, millions of customers will orphan themselves by deciding that they no longer wish to pay a financial advisor for advice, often because the amount they have invested is not that large and does not justify serious expenditure on advice. They will either turn to a web/call centre-based company that has cracked the problem of offering cheap, high quality advice based upon customer-entered data, or buy direct. In either case, the onus for data entry will fall upon the customer, so life and pensions companies will need systems which ensure that the data is of the right coverage and quality. Otherwise there will be a long tail of problems associated with claims and/or realisation of investment. An increasing tendency to outsource pensions and investment administration may be observable as providers realise that their

job is to produce good products under good brands, but administration can be left to the experts." Professor Merlin Stone, research director, The Customer Framework

Total Data

"While "buzzword" themes and technologies such as Big Data, cloud, mobile/NFC etc will undoubtedly lurch forward during 2013 and generate more columns inches than the size of the next large bank Libor/AML/<fill in the blank> fine, my key theme for the year is something far less new or trendy. It has been around since, well, forever; forms the very fabric of every bank and financial services organisation, whether they realise it or not; and I've even mentioned it once already. Yes…data. Not just Big Data, but good old common-or-garden business data. In Reply we talk about Total Data. To state that data is important (note the capital "D"!) is in some ways a truism. But how many banks really treat their data like the key corporate asset it is? Yes, you will of course have strict access controls and a beautifully-crafted set of policies in place. But do you really know what you have? Where it all is? What it all means? Who does what with it? How good it is? Or what value you could get from it? In parts, maybe. But on a scale of 1-10? Banks who genuinely at senior level "get" the importance and potential of their data and are effective in driving forward both the business and IT changes required to not only improve data quality (assessing, improving and maintaining), governance (successfully implementing across business and IT, not just having a shelf-ware framework) and architecture (joined-up, across organisation and channel boundaries, and real-time (ish) where it needs to be) will without question reap the rewards. Who knows, they may even start to give customers the service they crave, turn a decent profit and as for the next requirement for an XYZ regulatory report: sorted!" Simon Barrows, director of financial services, Glue Reply

More and more rules

"The year ahead will see increasing and unpredictable regulatory reform, creating pressures for agility in aged IT landscapes. Take living wills for the protection of client money and assets as an example. To meet the demands for living wills, the systems used for storage and retrieval of client documents are insufficient and those terms of business are often not reflected accurately in downstream systems due to manual entry. What follows is a large strategic programme to address legal document storage, increased automation in client on-boarding systems, and building interfaces to feed client data downstream into disparate operations systems, many of which are legacy prompting application decommissioning and migration to reduced number of newer, more flexible systems. This is but one example of the size and breadth of change programmes underway in financial institutions that are striving to protect their regulatory risk exposure." Lucinda Szebrat, managing principal, Capco

Mobile and cloud challenges

"With worldwide mobile tablet sales reaching 120 million last year, it is inevitable that a growing number of people will use their mobile devices, smartphones and tablets to access their bank accounts 'on the move' and mobile banking will become the 'norm' for customers to manage their money. Retail banks will be more focussed than ever on making life as easy as possible for their customers, giving them different options and apps to manage their accounts. With this changing landscape, comes a commitment to ensuring that online security is as watertight as possible, especially in light of the increasing number of cyberattacks experienced by banks. Customers may step away from online banking if they doubt a bank's security and news of an IT mishap can have horrendous applications for an institution's reputation. Although cloud computing is well-established in other industries, it is relatively new to financial services and we predict that this will be a growth area in 2013. However, at ADD we believe there is a still a big distrust in the cloud, and banks will need to approach this development very cautiously. They will be looking for safe and secure ways to back up their data and to ensure that they find the best solutions for them and their companies." Julie Pickersgill, operations director, Advanced Digital Dynamics (ADD)

Big Data heating up

"Banks are increasingly shifting towards real-time and predictive analytics to help them analyse vast amounts of data. This could unearth regulatory compliance and security-related issues, enhance customer experience and improve the processing of trade and banking transactions. Companies that strive to deliver excellent customer experiences won't just sit on Big Data. The successful banks will be able to integrate complex data mining and predictive algorithms into internal and external process workflows across multiple channels, and make Big Data personalised. What's more, an increasing number of banks will be empowering their customers with on-demand, visually-rich and easy-to-use reporting tools.

We will hopefully see other Big Data IPO candidates similar to software provider Splunk emerging in the next 12 months. However, competition from Oracle, Google, Microsoft, IBM, VMware and other large corporates to acquire niche Big Data players remains fierce." Aksana Pekun, managing director and UK head of technology, Altium

Spotlight on Microsoft in 2013

"The technology giant is preparing a host of promising new systems for release in 2013 including Exchange 2013, SharePoint 2013 and Lync 2013. Coupled with the industry's high expectations for the new Surface platform, the year should be Microsoft's." Robert Rutherford, MD, QuoStar Solutions

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Q&A

Olivier Vonet, Orange Business Services - Trading Solutions

FStech: **Could you tell us a little about yourself, your career history and role at Orange Business Services - Trading Solutions?**

Olivier Vonet: As CEO of Orange Business Services – Trading Solutions, I head up a company which hosts more than 1,300 customer sites and services with 40,000 traders across 50 countries. Within this role, I'm managing 15 subsidiaries around the world that provide solutions dedicated to the financial community including voice trading, electronic trading, compliance solutions and services. For two years prior to my current role at the company, I was COO, overseeing strategic management and operational insight of global business development operations. I have also been head of global operations and professional services where I re-engineered the production system, introducing modern manufacturing techniques and extending network coverage, multiplying the professional services revenues by three. I joined Orange Business Services – Trading Solutions in 2005. My background is firmly in telecoms and trading. My career began at France Telecom, where I held the role of VP of marketing and support for internet and transmission. I was responsible for a product line of 15 international and French domestic products. Prior to this I was marketing director for bandwidth products where I led the marketing group and managed the product line. During my time at France Telecom I was also product manager for backhaul and submarine cables and a business development associate in the US.

FStech: 2012. How was it for Orange Business Services – Trading Solutions?

OV: 2012 has been tough but we have managed once again to expand our business in different areas. For example, we have more than 3,000 positions of our multi-media turret, Open Trade, installed worldwide and more than 2,000 members within our trading community. Like everyone, we are well aware of the business transformation the industry is seeing in response to the drive for regulatory compliance, reduced costs and increased efficiency. We pride ourselves on continuing to deliver support for our customers anywhere, anytime in response to the key industry requirements. The European FSA mandate to record all phone conversations, landline or mobile, is a perfect example of this. While this is an onerous requirement, it forces technology adoption that can be transformative. It is the path to truly flexible trading communications protocol and we have created an offering which meets client demand. In addition, the recent super storm, Sandy, in New York, demonstrates more than ever that businesses have to be prepared for the unexpected. We provide onsite support to our customers at all times of the day, helping them to get back to business as quickly as possible in the event of disruption. In a volatile world, business continuity planning is essential and should be anticipated by all financial institutions.

FStech: What are the key issues impacting the trading solutions sector going forward?

OV: We are faced with new yet familiar challenges. These include attracting new business, improving customer experience, boosting profitability and of course realising cost savings. Given the changes in the financial services industry around regulation, compliance and technology, I think compliance is the main challenge for corporate and investment banks (CIBs). If you look at the top four priorities of a CIO, including managing new business demand, tackling Big Data, implementing a coherent cloud-based strategy and dealing with market globalisation, all of this will be impacted by one thing: compliance. This will be a key focus this year for many organisations.

FStech: This is a truly challenging era for traders. We're seeing market turbulence and increasingly complex regulation. How do you see 2013 panning out in terms of technology investment?

OV: CIBs remain in heavy cost-control mode, with flat IT spending growth in 2012 across all regions and only banks in Asia-Pacific planning to increase spending in 2013. European banks remain highly focused on costs, with banks looking to control spending growth across all business function areas. Certainly, with the Dodd-Frank regulation in play, the agenda for North American CIBs remains dominated by risk and compliance requirements and this will remain an investment area. As a trading solutions provider, Orange Business Services – Trading Solutions is also investing in these sectors to ensure robust and secure solutions for our customers including trading platforms, compliance solutions and analytics.

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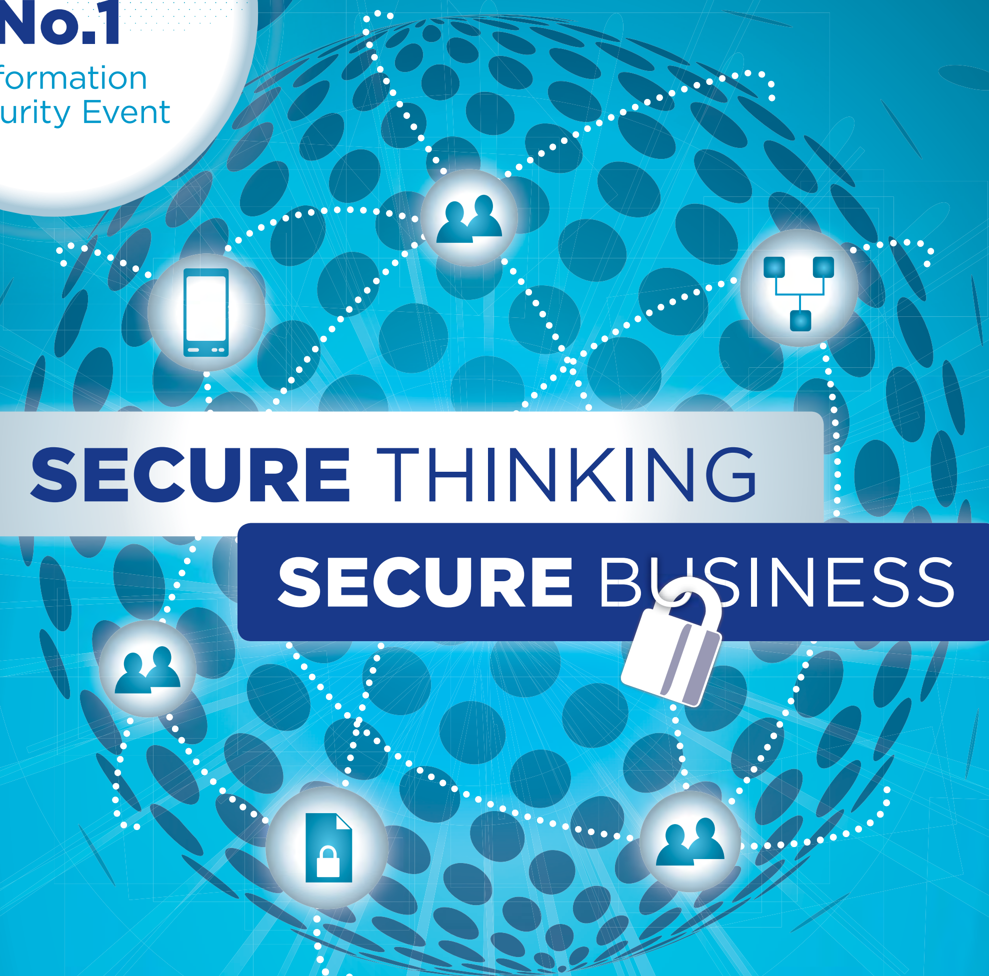

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Why should you care about call recording?

Steve Haworth, CEO, TeleWare, discusses the FSA mobile call recordings requirements and outlines the work his company is doing in this area and also some revealing research it has carried out

29 per cent of organisations have not yet deployed a solution to meet the FSA mobile call recordings requirements, according to a recent TeleWare survey conducted by FStech

The financial sector regulatory body requires that all telephone calls relating to trades should be recorded, archived and retrievable by authorised staff as required. Text messages also fall under the latest regulations. Secure, easy to use and cost-effective, the TeleWare solution helps meet regulations on mobile call recording without the complexity and risks associated with third party mobile software. Over 60 per cent of SIM-based mobile call recording in the finance sector of the City of London today uses this solution.

However, many firms are missing a key business opportunity as they only consider call recording as something that needs to be done to meet regulatory requirements.

Recording a mobile call is only the first step. For the information to add value to the organisation it needs to be used to inform business decision making and to protect reputation. People have recorded fixed line calls for many years but few do anything useful with the recordings. In fact, the general view is often that analytics is an overkill being pushed by vendors rather than driven by a business need. This view is limiting the possibilities of the organisation.

The financial services sector is regulated in a way and to a degree that is seen in almost no other market sector in the world. The aim of the recent call recording regulations is to check on whether customers are being treated fairly or whether firms are complying with best-execution requirements. Underlying this, however, is the need for firms to be able to reconstruct intelligently not only the situation around a single trade but the whole, overall picture of what was happening in its customer-facing operations, involving all media.

Stitching together all the elements of a trade to prove that there has been no wrongdoing is made easier using call recording. And, with the negative reputation of the financial sector, it has never been more critical for a firm to be able to prove its efficiency and that there is no wrongdoing. The growing requirements for an international approach and the new recording regulations being introduced by the Dodd Frank regulations from the States begin to impact everyone and the need to record every call for litigation mitigation is paramount.

Companies focusing in this area, such as BT, as well as vendors like TeleWare, have to step up to the mark and be aware that the regulatory requirements are difficult and time consuming for IT managers to handle and the many elements that a trader needs to take into account only makes this harder. We, in the industry as the mobile communications experts, need to get better at helping our financial service customers meet their challenges and save them time rather than pushing new, and often unwanted, product features. We need to talk to our customers, listening and making a commitment to go on a journey with them. The journey will enhance the public view of the finance sector and through the use of call recording empower it and provide proof of capability and concern for its customers.

We have already helped investment, wholesale and retail banks as well as insurers. Feedback from customers that have taken up the BT/TeleWare solution has been extremely positive. They love the fact that it works first time, is easy to implement and involves no call delays. But 29 per cent of organisations have not yet deployed a solution to meet the FSA mobile call recordings requirements, according to a recent TeleWare survey conducted by FStech. BT, working with associates such as TeleWare, will continue to guide and ease clients in this field.

Foot note: * FStech/TeleWare/BT Survey October 2012

Mobile Calls Recording for FSA Compliance

Business Challenge

- To remain compliant in an increasingly compliance-driven marketplace
- To give staff the flexibility to conduct business when and wherever needed
- To prove to the regulators that users are compliant whilst in the UK or travelling abroad

Solution

- A solution that allows staff mobiles to be used as usual with no change in the user experience
- Fully hosted, based on monthly recurring charges
- A secure and fully encrypted cloud-based solution for voice calls and texts

- Available through TeleWare Accredited Resellers, including BT and BSL
- Already adopted by 35 major banks
- TeleWare has over 60% of the SIM-based installations for FSA compliant mobile call recording

Benefits

- No change to the user experience, no training required
- Works on any mobile phone
- Enforces compliance, even when users travel abroad
- Access to recordings via a web portal anywhere in the world

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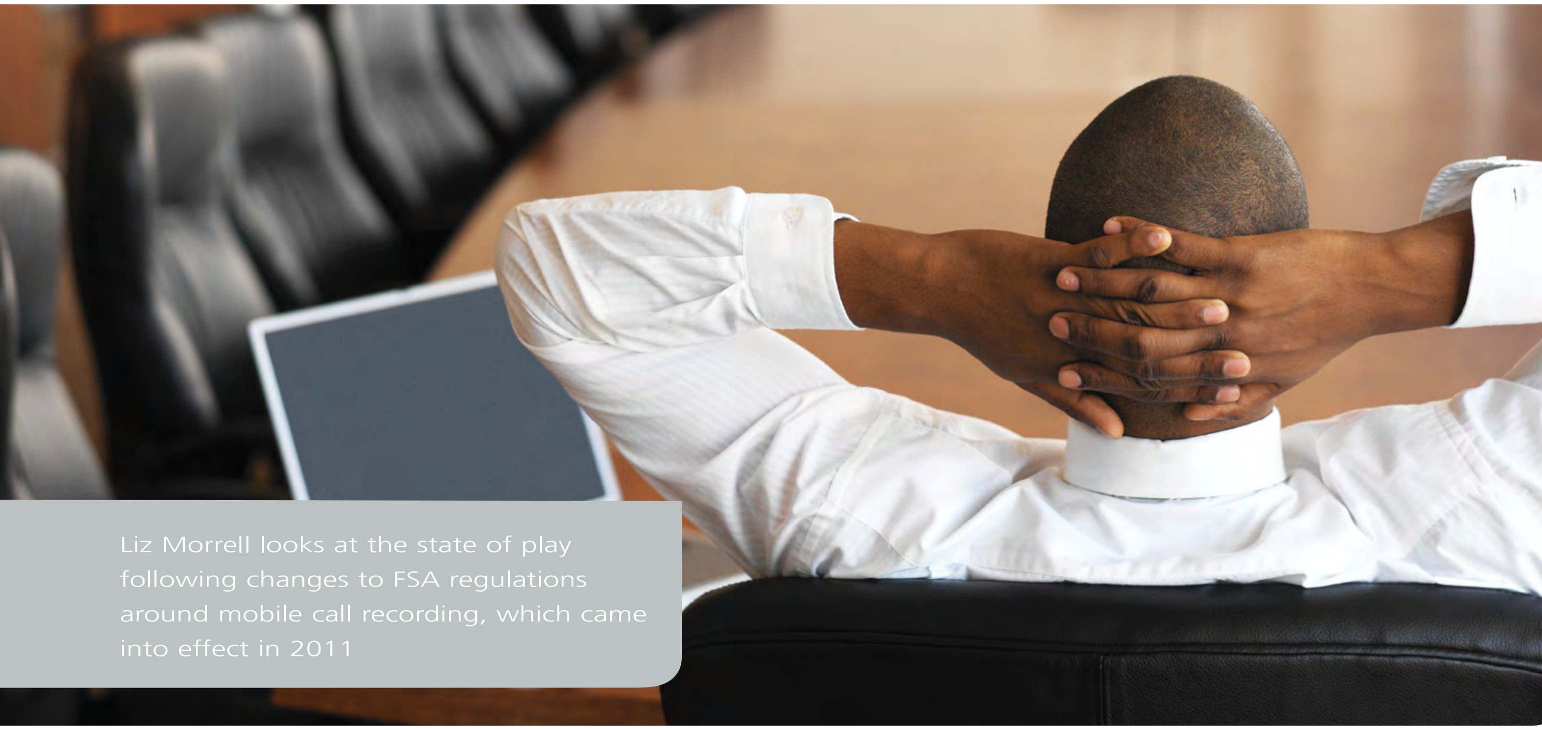

Liz Morrell looks at the state of play following changes to FSA regulations around mobile call recording, which came into effect in 2011

Lack of action

Since November 2011 it has been a mandatory requirement from the FSA for all calls to and from mobile phones to be recorded for anyone dealing with financial trades. The new requirement was designed to help to prevent insider trading in the finance industry by closing a loophole that existed whereby previously, although financial firms had to tape fixed line calls, the same legal requirement wasn't in place for any calls made or received on a mobile phone. This was simply because when landline recording was introduced four years ago in March, it was felt that there wasn't the technology available at the time to do the same for mobile phones. Yet experience of the last year or so shows that poor compliance to the requirement is still down to the fact that the technology wasn't good enough on introduction.

The requirements specified that financial firms take "reasonable" steps to record any conversations that were made on a mobile that related to financial transactions such as those in the bond, derivatives, equities and financial commodities markets. "Introducing the new rules added an extra source of voice and electronic communication evidence, which can be used to help us counter the key priority of market abuse and increase the probability of successful enforcement," says a spokesman for the FSA. "The new rules will also contribute to our wider effort to promote cleaner markets which should, in turn, enhance market confidence."

Financial firms were then required to store those conversations for six months either on the handset or remotely. The change was expected to affect more than 16,000 financial firms although some experts say the reality was this was only estimated to target around 25,000 actual handsets. And yet according to a survey published late last year by FStech and TeleWare nearly a third of firms have not yet complied with the regulations. Neil Hammerton, CEO at Natterbox, believes around 60 per cent of the market is compliant at present. "That is a surprisingly low figure considering that the ruling was brought in 14 months ago."

Lesley Hansen, global marketing director at TeleWare, says that part of the problem is a lack of action from the FSA. "So far the FSA hasn't shown any teeth so financial organisations don't have any feel for how important they think it is."

Embroiled in its own high profile changes the FSA says it can't yet say whether anyone is being investigated for non-compliance even though it is more than a year since the changes came into force. "We typically let firms bed in new systems before we take any action. We constantly supervise firms to check their systems and controls are adequate but we can't say yet if, through our supervision, we are investigating any firms or if we will take action," says its spokesman.

Worryingly the survey also showed that, of those that had complied, 53 per cent had done so simply by banning the use of mobile phones for business in the workplace. For Robert Simpson, vice president global financial compliance at Verint, this isn't a satisfactory long-term solution. "We live in a multi-channel world and the financial trading floor is no exception. In a fast-moving industry like financial services, where huge sums have been invested in technology to reduce latency and increase the frequency of trading, banning a mainstream technology such as the mobile phone puts financial institutions at risk of throwing the baby out with the bath water."

Harry McDermott, CEO at Hudson & Yorke, believes it is an even more fundamental problem than that. "It's not a solution because the mobile workforce is critical to competitive advantage."

Low compliance levels are perhaps hardly a surprising state of affairs, according to Steve Cobley, managing director at Retell. "It's a costly exercise in many cases and very challenging as far as choosing the correct technology. There are also security implications i.e. some companies want the recording on site which is more cost-effective and perhaps more secure. Others have gone for hosted, off site, which is a monthly cost, on-going, but need to be assured that the site is secure."

Tim Furmidge, head of product management at BT Unified Trading and BT Radianz, says a big stumbling block is the fact that it infringes on the user experience and therefore individuals can be resistant to its introduction. "Other than being compliant, there is no functional upside for the trader. Their mobile device is often seen as a very personal thing and as such having it recorded is seen as more intrusive than their desk phone or dealer board."

Immature technology

As mentioned earlier, a major factor for the lack of introduction was the fact that the technology just wasn't up to the job "We have not had a major financial market around the globe deploying mandatory recording technology before and as such the technology was not mature technology that could simply be dropped in and work," comments Rik Turner, senior analyst, financial services technology at Ovum.

"Banks complained that many of the companies offering these solutions were start-ups, with little or no track record. These companies were not always seen as reliable, and often lacked the resources to undertake major "big bang" implementations at large financial institutions. Providers were unable to scale up to meet demand across the industry, leading to waiting lists for implementations with the deadline approaching," says Hudson & Yorke's McDermott.

Natterbox's Hammerton believes the problem was that the early solutions were application-based. "Upon the introduction of the ruling, most organisations opted for an app-based solution. However, this later proved to be both troublesome and time-consuming for IT departments due to the ability for end-users to circumvent the app, completely defeating the purpose of introducing the solution. It meant that financial institutions were left non-compliant and open to prosecution."

There were also problems of connection times with delays whilst recording kicked in. "For financial organisations these problems could be catastrophic, for example with the potential to create missed opportunities in trading scenarios," says Glyn Owen, portfolio manager at Damovo UK.

Simpson agrees that the technology didn't have the smoothest of introductions but says that sight mustn't be lost of the original goal. "That is to increase confidence in the integrity of the markets, that integrity is critical to the efficiency and transparency of financial markets."

He adds: "The challenges that banks face in using this technology are significant, but far from insurmountable. The installation and support issues associated with any technology that is new to the vendor as well as the purchaser are slowly being overcome, particularly as the second generation solutions based on the mobile networks and fixed mobile convergence approaches are introduced."

McDermott agrees that today's SIM solutions are now more stable: "The industry has come a long way in 12 months and the new breed of solutions is much more effective. The recording is tied to the SIM card rather than an on-device app, removing the issues of handset compatibility and call setup delays."

As a result many are now re-evaluating their solutions and Furmidge believes there are a number of reasons for this. "Some have deployed application-based solutions and the user push-back has been too high (thanks to long delays and failing calls which have been common) whilst others have deployed "voice only" solutions and now need to find something to cover SMS as well," he says.

For others he says it is simply the second phase of a pre-declared two-phase plan. "Phase-1 get Compliant; Phase-2 get Elegant."

Turner says it is up to the mobile operators to step up to the plate and offer a SIM-based recording service that can be used universally. Vodafone is rumoured to be planning this.

Despite the lack of action so far from the FSA, the reality is there is no getting away from the need to comply in the long-term. "They are being naive if they thing it will go away. They are putting themselves at risk not only from litigation from the FSA but also the customer," says TeleWare's Hansen, who points out that, as with the recording of landline conversations, the recording of mobile interactions can also be used for improving training and as proof of conversations with customers.

And she notes that the increasing sophistication of the technology is also proving beneficial with the ability now for some to record and then email conversations. "The products have come a long way and are now a useful tool rather than just being FSA compliant."

Whether the financial organisations agree will become evident over the next few months.

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Clock's ticking

With the deadline for US tax authorities to start collecting data on US taxpayers overseas accounts now less than a year away, financial institutions are being urged not to leave implementation until the last minute. Paul Golden reports

The Foreign Account Tax Compliance Act (FATCA) was enacted by the US Congress in March 2010 and is intended to ensure that the country's tax authorities obtain information on financial accounts held by US taxpayers, or by foreign entities in which US taxpayers hold a substantial ownership interest, with foreign financial institutions.

In January, the US Treasury Department and the Internal Revenue Service (IRS) issued comprehensive final regulations implementing the information reporting and withholding tax provisions for foreign financial institutions under FATCA. They also stated that the start date of 1 January 2014 would not be extended again (having previously been pushed out from this year), reinforcing the view that US tax authorities consider the transition period provides sufficient time for financial institutions to develop necessary systems.

Yet a survey published by risk, fraud and compliance solutions provider Detica NetReveal in December 2012 found that 44 per cent of the financial institutions surveyed were still evaluating the impact of the legislation.

This comes as no surprise to Dan Murphy, COO at Fenergo, who observes that despite finalisation of dates by the IRS, some organisations have been reluctant to kick off a project internally due to their belief that either the regulations are going to change again or that change will be initiated by an inter-government agreement.

"Larger organisations seem better prepared than smaller organisations, but they face a far bigger challenge in attempting to identify US indicia, beneficial owners and address multiple jurisdictions, while smaller organisations have greater visibility of their customers but may not have the resources available to implement a FATCA solution in a timely manner."

Tier one banks have generally completed their impact assessment exercises and are just waiting for the regulations to be finalised in order to complete the organisational and system

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changes, while tier two and three banks have commenced their awareness projects and are now in the process of identifying what is needed in order to comply with the regulations, says Colin Camp, managing director products & strategy Dion Global. "Other firms within the finance industry such as brokers, fund managers and insurance companies are typically lagging behind when it comes to understanding how FATCA will affect their business."

On the buy-side, there is an assumption by some organisations that fund administrators will provide them with a solution, observes Ian Chester, commercial director Erudine. "Rather than divert resources away from compliance generally, we see resources being put into other compliance projects with tighter deadlines: EMIR, Dodd-Frank, CASS, Basel III. This isn't an assumption of further FATCA delays, but more about juggling priorities in reaction to the deferment already announced."

Mark Benzing, investment accounting and compliance consultant DST Global Solutions, agrees there is genuine concern that the significant volume of global regulation will result in resources being deployed away from FATCA to areas that are already more clearly defined and have a more imminent timeline.

But the fact that a further six months has recently been added should not be interpreted as a sign further delays will be forthcoming, warns Davide Ferrara, partner CSC. "Rather, it should be seen in the context of the IRS minimising the potential for 'excuses' when the deadline comes. The US is not (as relaxed as) the EU when it comes to applying this type of regulation."

According to Jon Asprey, vice president strategic consulting Trillium Software, many firms recognise that there will be challenges in the level of data they hold but few have undertaken a detailed assessment of the work to be done.

"The real challenge is that there has been uncertainty due to the delays in the release of the regulations. This has caused a number of firms to wait until the regulations were finalised before preparing extensively. Assuming further delay in FATCA and postponing projects would be a very dangerous risk to take in light of the potential penalties for non-compliance."

Devendra Bhudia, VP product management GoldenSource, reckons the main challenge is the ability to understand and prepare for the finer details of the regulation, such as varying jurisdictional terminology and legal frameworks.

"Timeframes and issues around data ownership across multiple business units internally also present important challenges. The demands of FATCA have exposed gaps within the financial sector's processes and approaches to managing reference and customer data sets effectively within a framework of consistent terminology."

Data improvements

On the upside, Andrew Whitton, partner enterprise risk services Deloitte, believes the act represents an opportunity for financial institutions to improve the quality of the data they hold on their clients in a number of ways:

- If companies improve their data on individuals whose balance exceeds $1 million they can reduce the amount of enhanced review so there is an economic benefit
- If companies improve their data around areas of ambiguity, potential indicia could be seen as not being indicia, which produces economic and customer service benefits
- On-boarding systems will make additional data (such as place of birth) mandatory rather than optional
- It represents another reason for improving a company's 'single customer view' and thus maintain FATCA status once for a customer
- Through the act of remediation it would be sensible for institutions to capture the additional information they were missing, again improving the quality of data.

"The compliance programme should be functionally expandable and serve as a basis for any current or future initiatives around risk and compliance," says Bhudia. "The fact the client data may come from multiple systems provides the opportunity to not only add additional attributes, but also normalise and cross validate what is held across systems."

Firms have known for some time that the client data that they hold is not as 'clean' as they would like, adds Camp. "Using intelligent tools to bring this data together, cleanse and then make it available for interrogation goes a long way in solving FATCA and client classification requirements."

Rather than just fix the 'FATCA issue', some organisations have already commenced 'KYC+' projects designed to cover this and other regulatory issues such as CASS and AML, while improving the overall quality of client data and systems, explains Chester. "This can involve other major changes. For example, it could be an opportunity to cut future costs by decommissioning legacy solutions and moving data onto new or existing alternative systems."

Ferrara describes FATCA as a 'call to arms' on data management and especially customer data. "In short, it will require financial institutions to have their data the way it ought to be in the first place, if they have neglected to get it in order up to now."

Murphy suggests that due to the nature of the inter-government agreements being put in place, it is only a matter of time before other countries undertake similar exercises to identify their citizens and originations operating outside the domestic jurisdiction with a view to increasing tax revenue. "Organisations who recognise this will seek to classify their entire customer repository and not just focus on US clients and will harvest significant return on limited effort as new tax classification come into force."

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Big questions

Basel III represents the biggest regulatory change that the banking industry has seen for decades. So, what impact will the new regulations have on the sector? Why does the process of implementing them continue to be mired in controversy? And how can technology help institutions meet their many responsibilities? Andrew Williams reports

In an effort to create a more stable financial environment, the Basel Committee on Banking Supervision (BCBS) introduced Basel III in 2010 to enforce strict capital requirements and increase 'risk weighting' on banks from the year 2015. As Robert Hammond, head of European client and dealer sales at MarketAxess explains, a new Liquidity Coverage Ratio (LCR), announced in early January, also expands the list of eligible high-quality liquid assets (HQLA) that can be easily converted to cash 'to meet the liquidity demands of capital requirements and provides more clarity on liquidity requirements.'

In essence, says David Renz, director of the risk advisory practice at SunGard, Basel III is a project to 'ensure that banks will be much safer in terms of both capital and liquidity reserves.'

"Additionally, it also marks a revolution in so far as new policy instruments are introduced, namely macro-prudential regulation to stem the tide should a credit-bubble emerge," he adds.

In order to implement the international standards on bank capital and liquidity recommended by the BCBS in Europe, the Capital Requirements Directive was issued by the European Commission in July 2011. According to Tom Riesack, managing principal at Capco, as well as reflecting the Basel III capital and liquidity proposals, the 'CRD IV package' also includes new proposals on sanctions 'for non-compliance with prudential rules, corporate governance and remuneration.'

Impact on financial sector

In Hammond's view, Basel III arguably has 'wide-reaching implications for the global credit markets,' particularly since it 'reduces the ability of banks to hold risk-weighted assets as they need to prepare to meet increased capital requirements.'

"This has restricted broker-dealers' abilities to make markets, with the impact of reducing credit market liquidity and turnover," he says.

Meanwhile, Renz points out that both capital and liquidity are 'highly precious goods,' meaning that it is 'inevitable' that businesses will get 'less profitable due to more stringent regulation.' However, from his perspective, the amount that profits will drop 'depends heavily on the industrial structure of the

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banking sector and the amount of de-leveraging that is going on in an economy.'

"In highly fragmented markets, powers for re-pricing are severely limited, hence the financial sector's profitability suffers due to regulation's extra burden. In less fragmented and less competitive markets, the drag on profitability can be less pronounced, particularly if and when pricing power returns to banks against the backdrop of a continued slump which strengthens banks' competitive positions vis-a-vis the customers," he says.

Riesack also predicts that another major impact on banks will come about as a result of the 'vast array of calculations, processes and organisational changes' that must be put into place to 'ensure adherence.'

"The effort banks have to put in is tremendous and the complexity of the accord makes it a very real possibility that implementations could go haywire. In the current regulatory environment this will surely come with a huge fine," he argues.

So, has the design and delivery of the regulations been a smooth process? Given the challenges that lie ahead, and the recent seeming relaxation of the liquidity standards, Renz thinks that it is 'perhaps too early' to arrive at a final conclusion.

"Overall, I reckon given the extraordinary situation we are in, adjustments to the Basel III process are warranted, particularly in the liquidity space, where the upcoming standard is partially distorted by monetary policy in many countries. So from this perspective the relaxation is a bit of a chimera, to my mind it merely reflects the adjustment to prevalent economic realities," he says.

Apart from the inevitable political tussle, Renz believes that financial institutions are 'right to question certain points in the new standards' and he predicts that it is 'all but inevitable' that Basel III will have unintended consequences, 'be it on credit markets or in the markets for highly liquid assets or in the money markets.'

"I suppose as experts in these fields, banks do deserve to be heard. At the same time, if regulators and bankers jointly seek to inspire confidence in our financial systems, not delaying or watering down the reforms ought to be firmly in their sights," he says.

For Riesack, it was only natural that after the financial crisis regulators would act more aggressively to further their agenda and Basel is 'no exception.' However, 'with all the effort that has been put into the rulemaking process' he questions why delays have begun to occur at 'such short notice.' In his view, this is down to several reasons, including regulators' reluctance to 'diminish' the efforts already made by banks to adhere to the upcoming guidelines and the fact that the lobbying efforts of the financial services industry 'were intensified last year.'

"Obviously the BCBS has heard the voice of the industry and is accommodating certain demands as can be seen by the recent changes to the application of the LCR," he says.

"We think that Basel III has its virtues but comes with a high degree of effort on the part of banks, which in times of diminishing returns will have an additional detrimental effect on banks' profits," he adds.

Role of technology

Riesack says that financial services technology firms can help banks to achieve 'complete adherence' to Basel III rules in several ways, including activities such as risk modelling, data aggregation and distribution, 'preferably via a single data source,' as well as through the 'change and enhancement' of regulatory and management reporting. However, on a more cautionary note, he warns that all IT effort is 'in vain' if 'correspondent changes to the organisation and the process landscape are not put in place in step.'

Meanwhile, Renz says that technology is necessary to fill in all the new regulatory reports that regulators are dreaming up 'in ever shorter intervals.' Moreover, he argues that because Basel III is such a 'fundamental challenge to banking in so many ways,' it is 'all but inevitable' that technology must live up to this new reality.

"To provide an example, again from a liquidity perspective, filling out the report is all fine. Yet at the same time, what will liquid asset buffers contain eventually? Bonds, hardly the investment of choice in a world where interest rates will rise one day. To ensure adequate liquidity levels even in a world of rising interest rates, solutions which allow banks to project the LCR into the future are an absolutely necessary tool," he says.

For him, the hedging of these risks will require significant investments in risk and trading technology, particularly given the likely changes in the markets and the fact that banks will have to fulfil 'innumerable collateral requirements' to move markets to a secure footing.

"Basel III and regulatory reform is not just a reporting exercise, but really contains so many business elements on which organisations partner with their clients to ensure long-term success," he says.

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All the rage

Glynn Davis goes beyond the Big Data hype and finds some genuine substance but also a lot of potentially damaging bandwagon jumping

Just take a look at the statistics. Big Data could add over £200 billion to the UK economy over the next five years, according to the CEBR, create 50,000 new jobs, and there are now 98 per cent of chief financial officers in the UK believing that data is more important than it was five years ago, according to SAS.

Everything about Big Data is big, including the hype. Paul Alexander, chief executive at Beyond Analysis, who previously worked in a senior role at Dunnhumby, says: "I'm not a fan of the term. Just as with CRM, people are jumping on the bandwagon. The term is being bandied around by vendors who are simply making money from data storage solutions."

He believes this is creating some "inertia" among financial services firms who are being led to believe that they need big systems to address the Big Data conundrum. "They are getting stuck with this big and emerging problem whereby they are collecting data simply because they can."

The problem here, according to Alexander, is that companies are being distracted by the mass of data and the multitude of wondrous things they could potentially do with it, whereas they should be purely focused on "outcomes" from using the data that make the firm money.

"Tesco was not overwhelmed by the thousands of things it could do (with data from its Clubcard loyalty programme), instead it had a 'hot list' of 10 priorities that were all financially focused," he says.

The positives

Despite the over-hyping of Big Data it has undoubtedly had the positive effect of putting significant attention on data, which the financial services industry has failed to fully recognise and utilise in the past. Alexander suggests that despite launching many co-branded credit cards the industry "failed to realise that it was (effectively) sitting on loyalty programmes" with each card generating masses of valuable customer data. He says they have at least now "woken up to the value of data."

In fact, such has been Big Data's impact on raising awareness of data that SAS has calculated some 20 per cent of businesses have now assigned a financial value to their data assets, including a specific line on their company's balance sheet.

To some extent the hype dates back to a McKinsey report published in 2011 that talked about the enormous benefits that could be gained from using Big Data. It has also been whipped-up by the established IT vendors who regard it as a marketing opportunity.

However, the issue is that they have not necessarily been geared up to deliver effective solutions. This might be partly down to the fact Big Data at this early stage of its life centres on open source – with the distributed file system Hadoop sitting at the heart of the action, with its ability to hold lots of data at low price-points.

It has been difficult to offset the hype by citing examples of firms benefiting from Big Data because they are being secretive about it as they regard it as a competitive advantage. But behind closed doors things are taking place with some of the more progressive firms, according to Alexander, including RBS and Barclays who he says are "quite far down the track" with using Big Data.

Steve Farr, product marketing manager at Tibco Spotfire, says risk management is a big driver of Big Data usage, along with the use of customer insight to up-sell and cross-sell products in an intelligent manner because there is a strong focus on avoiding exposure to defaults.

Cost control is also being focused on, including the area of fraud prevention where Big Data is used to spot emerging trends before they become a major problem. Farr says these activities highlight that data has moved from the IT department and its use is now business-led.

He cites marketing departments becoming more scientific in how they sell products in order to mitigate both low margins and defaults. And although the likes of compliance departments are able to function with just trading floor analysis, Farr predicts there will be increased pressure on them to pull in data from other sources in order to make more informed decisions.

The expanded scope of data sources now includes unstructured forms such as video and sound (that Hadoop is particularly adept at handling), which have mushroomed in volume through the rise of social media usage.

Although Farr says there is a focus on Big Data in terms of large volumes and a great variety of sources he suggests the velocity (analysing in real-time) aspect has been rather overlooked and believes this will play an increasingly important role in the financial services industry, especially in the area of fraud.

"You can build a sophisticated model that requires lots of different data sources, but you then have to throw transactions or trades at it in real-time in order to get an answer back. Even in customer service centres the customer expects an immediate response," he says.

That resources are being thrown at using data more productively is good news to Alex Kwiatkowski, research manager for EMEA Banking at IDC Financial Insights, who says Master Data Management has been a problem for 20 years and the profusion of unstructured data has simply added to the issue.

However, he believes there is still a great deal of "persuading" to be done before many companies make the leap and fully commit to undertaking the operational changes necessary to utilise the myriad data sources that they now have at their disposal.

Kwiatkowski suggests the likes of Oracle, IBM and SAP have recognised the technological aspects of Big Data but now need to sell it to financial services firms, which is a challenge: "It's a difficult sell because BI (Business Intelligence) and analytics solutions have already been bought so they (senior management at financial firms) are asking why they need to buy more. They need to understand it is no longer fit-for-purpose with all the unstructured data now flowing around."

He likens the banks to icebergs in the speed at which they move, suggesting they are always at the planning stages: "They do a study for tens of thousands of pounds but when it comes to the point of needing to spend seven or eight zeros..."

The deciding factor behind many firms taking the plunge will be when they see evidence of rivals gaining competitive advantage from putting data more central to their business activities. It is also a useful exercise to see how other sectors are using Big Data – particularly those that have large customer databases such as the utilities, telco and travel industries.

This will be the point at which Kwiatkowski says the financial firms might well accept that they have a problem – "and banks are not good at that" – with how they are using data, which will be a good starting point for them to take affirmative action.

Such action is certainly necessary because he believes that whereas growth in previous eras has been driven by the implementation of good ideas, the revenue increases in the future are more likely to be generated by the effective use of data.

If this is the case then it is imperative that financial services companies look beyond the hype of Big Data and simply regard it as data – big or small – and are then able to utilise it to their advantage. Failure to do so will be potentially dangerous because it is likely that a rival will be doing just that.

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businesssystems

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T: 0800 458 2988
W: www.businesssystemsuk.co.uk
E: sales-mgr@businesssystemsuk.com

Brought to you by recording specialists Business Systems, Market Detect is a cost effective, customisable, real time data analytics tool incorporating Complex Event Processing (CEP) technology. Designed to detect market abuse and minimise trading risk whilst ensuring compliance, it intelligently collects and analyses news feeds and organisational data to uncover and present hidden patterns. It's one of the first surveillance systems available on a hosted pay-as-you-go basis or as an on-premise solution implemented onsite.
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The financial services sector is under constant pressure to reduce cost, consolidate IT systems, and search for higher margin. Perforce enterprise version management solutions help development teams keep projects in compliance and on schedule. With Perforce, IT and the business work in concert on important digital assets, including software code, documents, multimedia, spread sheets, images and more. Over 100 financial services organisations, such as NYSE Euronext, Deutsche Bank, Moody's, and SunGard, use Perforce to develop compliant, secure enterprise applications.

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Worksmart Technology is a Mitel Managed Services Specialist Partner providing One Voice hosted communications, mobile communications and collaboration solutions throughout the UK. With its head office in London, Worksmart Technology has been providing innovative and customer-focused IP based communications services since the year 2000 and offers the complete range of desktop telephony services, call management and recording, mobile, audio and web based conferencing and collaboration solutions, with flexible monthly rental terms and outstanding customer service.

For more information go to **www.worksmart-uk.com info@worksmart-uk.com 0207 921 8900**

Coming up

15-17 April: Data Governance Conference Europe and Master Data Management Summit Europe 2013
Location: London
Website: www.irmuk.co.uk/mdm2013/

16-18 April: TradeTech
Location: London
Website: www.wbresearch.com/tradetecheurope/Home.aspx

17 April: 2013 FStech Awards
Location: London
Website: www.fstech.co.uk/awards

23-25 April: Big Data 2013
Location: London
Website: www.thebigdatashow.co.uk

23-25 April: Infosecurity Europe 2013
Location: London
Website: www.infosec.co.uk

10-12 June: Enterprise Architecture Conference Europe and Business Process Management Conference Europe
Location: London
Website: www.irmuk.co.uk/eac2013/

26-27 June: 2013 Cloud World Forum
Location: London
Website: www.cloudwf.com

16-19 September: Sibos 2013
Location: Dubai
Website: www.sibos.com

23-25 September: Business Analysis Conference Europe 2013
Location: London
Website: www.irmuk.co.uk/ba2013/

23 October: 2013 Retail Systems Awards
Location: London
Website: www.retail-systems.com/awards

14 November: FStech/Retail Systems Payments Awards
Location: London
Website: www.payments-awards.com

FStech roundtables

FStech hosts a number of exclusive roundtables throughout the year, which are free to attend for financial IT professionals.

Recent topics under discussion have included cloud computing, outsourcing IT, datacentres, retail banking and IT security.

For further information on our forthcoming roundtable events, contact Rebecca Reeves at: rebecca.reeves@fstech.co.uk. Or on: 020 7562 2417. For sponsorship enquiries, contact Sonia Patel at: sonia.patel@fstech.co.uk. Or on: 020 7562 2430.

Got an event to publicise? Send the details to Scott Thompson, Editor, *FStech* at: scott.thompson@fstech.co.uk

Further information on industry events at **www.fstech.co.uk/events**

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FStech awards 2013

FStech Awards: Shortlist Announcement

17 April 2013, Lancaster London Hotel

Congratulations to the finalists and thank you to all who have entered this year!


We look forward to announcing the winners at the glamorous awards gala dinner on the 17 April 2013 at the Lancaster London Hotel, Hyde Park. The FStech Awards gala dinner and awards ceremony is the networking event of the year and we are delighted to announce our host for the evening will be actor, comedian and writer Miles Jupp. We look forward to seeing you on the night. Early table booking is recommended.

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See who made the shortlist:

www.fstech.co.uk/awards