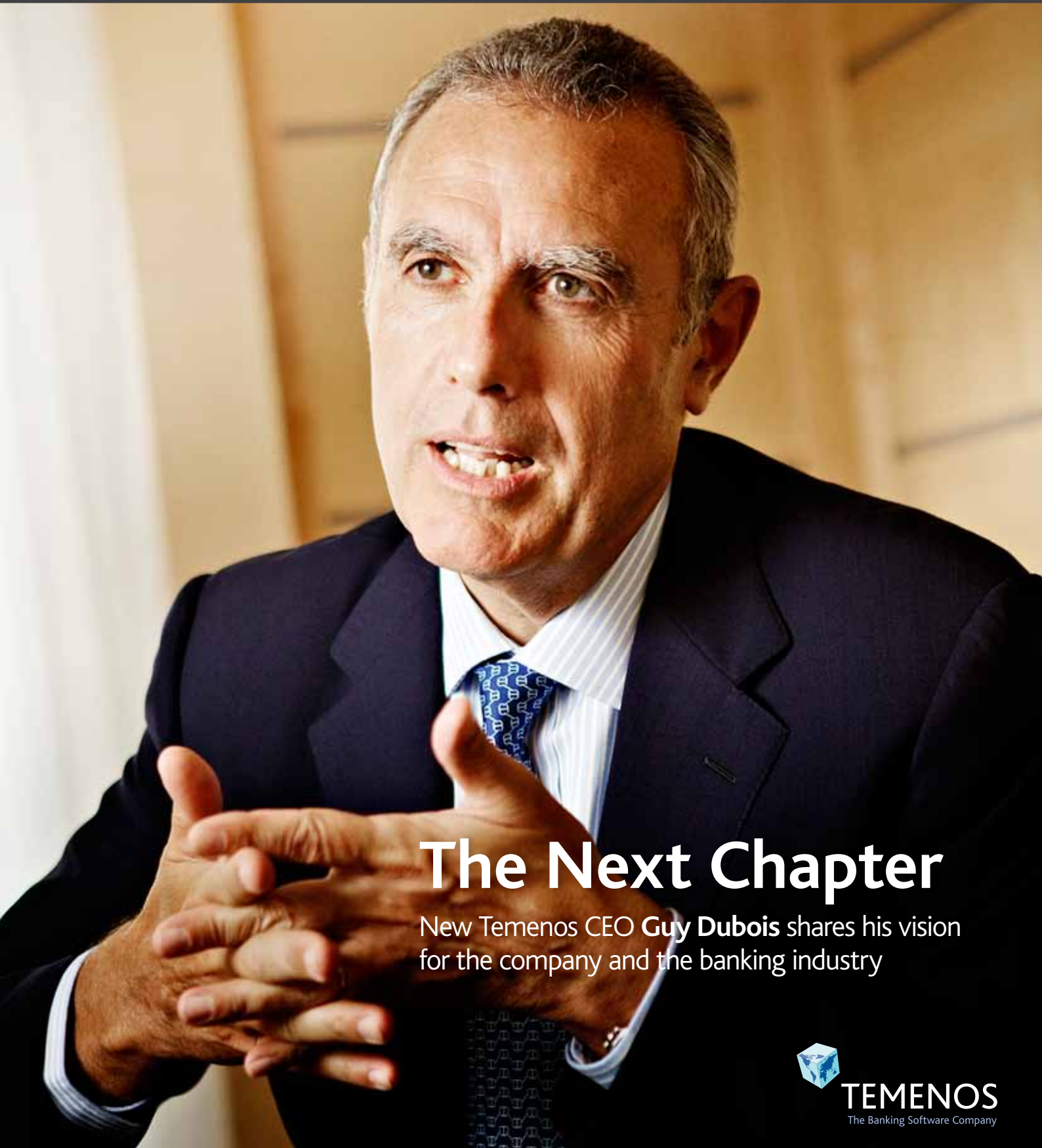


# TemenosNews

Issue 25 September 2011



## The Next Chapter

New Temenos CEO **Guy Dubois** shares his vision for the company and the banking industry



**TEMENOS**  
The Banking Software Company

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Microsoft's Bindia Hallauer focuses on banking in the cloud



# AutoFORM Document Management

Allows staff to spend time with customers...

not with the filing cabinet



Photos

Signatures

Documents

Made **Visible** from TEMENOS T24

With AutoFORM Document Management



“ Fast, on-screen access to customer documents direct from TEMENOS T24 is critical to our ability to offer prompt, attentive, customer service. ”





# Welcome

I am pleased to welcome you to the latest edition of *Temenos News* now with an updated design, consistent with our new online platform for the global banking community – *Temenos Online* (see page five for more details). It is an exciting and challenging time for the banking industry and we have plenty of thought provoking commentary in this issue.

As corporate bankers seek to improve their working capital provision, Chris Skinner of the Financial Services Club shares his thoughts on the role of data management in this process, and our own corporate banking expert Darryl Proctor discusses our product plans and how they help meet the needs of the global corporate banking community. We also have a guest article by renowned anti-money laundering expert Jeffery Robinson, exploring how banks should be dealing with the continued growth of 'dark' money in offshore banking havens.

As global markets experience their biggest upheaval since 2008, private wealth management firms are facing a welter of new laws that require them to conduct more detailed investment profiling. We look at how investment profiling can enable wealth professionals to better serve their clients.

Keith Waterman explains how our business intelligence (BI) suite, Insight, has gained new depth in customer analytics and operations capabilities with our recent acquisition of BI specialist Primisyn. We also feature a case study on the benefits that Temenos' enterprise wide risk management solution Insight Risk Intelligence is delivering to USB Bank in Cyprus.

Product planning is a crucial part of our success at Temenos and Mark Winterburn looks at the key elements in our planning process, with a particular focus on how it enables us to meet customer needs. Also on the subject of how our solutions make a difference to our customers, Ben Robinson explains how banks can get the most out of their IT spend with packaged core banking systems.

Our resident mobile expert Phil Sorrell explores the opportunity open to banks in developed markets to offer advanced mobile banking services and the role of technology in achieving this. We have a case study on what happened when uniBank in Ghana embraced the mobile channel with our mobile banking solution, ARC Mobile. There is also comment from Microsoft's cloud expert Bindia Hallauer on how the public cloud is bringing banking to the unbanked.

Mark Gunning signs off this issue with an overview of results from our annual Temenos customer survey. It will come as no surprise to many of you that the overriding issues facing banks at present are the need for compliance with new regulations, customer retention and increasing competition. We hope to continue to bring the industry solutions that address these and many other needs going forward.

Enjoy this issue of *Temenos News*.

**Helen Ritchie**, Marketing Director and Editor Temenos News, Temenos

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The Temenos Community Survey

## Two New Private Wealth Management Clients

Two banks in Europe have adopted Temenos' private wealth management solutions. German independent private bank Bankhaus Main will implement Triple'A Plus as its new portfolio management platform to meet increased client demand for information and enhance transparency and client service levels. Triple'A Plus' portfolio management and analysis functionality will enable wealth managers to perform more detailed analysis and evaluations of cash flow, revenue and performance.

Jost Weil, CEO, Bankhaus Main Asset Management, commented: "Triple'A Plus offers us in-depth functionalities in portfolio management, complex analysis tools and high-quality reporting, which fulfils our current and future wealth management requirements."

Jean-Michel Hilsenkopf, Managing Director, Temenos Private Wealth Management, said: "More than 130 private banks in over 30 countries have selected Triple'A Plus as their portfolio management system of choice to empower wealth managers to better serve their clients. We are delighted to add Bankhaus Main to this list as our third Triple'A Plus client in Germany of this size."

Leading Polish brokerage house Dom Maklerski BZ WBK (DM BZ WBK) has gone live with Temenos' WealthManager front-office platform in just seven months. The integrated, end-to-end wealth management solution combines relationship management, advisory and portfolio

management functionality whilst fully supporting the Polish language and enabling comprehensive risk profiling.

Tomasz Kaczmarek, Managing Director, DM BZ WBK Strategy & Development, explained: "WealthManager has been fully integrated with our back-office and fund systems to give our advisors a 360° view of clients and their portfolios. This allows us to holistically manage our clients' financial needs and improve our overall service offering with full wealth management services to our high-net-worth and mass affluent customers."



## New T24 Developments For All Three Temenos Technology Platforms

New developments on all three major Temenos technology platforms (Oracle, IBM and Microsoft) continue to broaden the choice and benefits for a wide range of banks that run T24.

Temenos confirmed the availability of T24 for Oracle Exadata Database Machine at this year's Temenos Community Forum (TCF) in Lisbon. A high performance benchmark conducted using Temenos' real-world banking simulation of 25 million accounts on a full rack Oracle Exadata Database demonstrated the ability of the Exadata platform to comfortably support the highest banking volumes for T24. Temenos will offer clients Oracle hardware, including Oracle Exadata pre-configured to support their T24 implementation.

Stephen Boyle, Group VP, ISV and OEM Alliances at Oracle, commented: "By running T24 with the Oracle Exadata Database Machine, customers can derive high levels of performance, while lowering risk and total cost of ownership for Temenos customers."

Also at TCF, Temenos introduced T24 Enterprise Java Edition (T24E) on IBM's System z. The new Java- and component-based version of T24 is designed for use by the world's largest banks. Temenos shared the results of a major

benchmark illustrating the performance of the new product running natively on IBM's System z servers. The solution allows IBM mainframe users to migrate from legacy core banking systems in a risk controlled manner. IBM has granted T24E Java Edition certification for the IBM Banking Industry Framework for Core Banking Transformation.

As part of its cloud strategy for the global microfinance community, Temenos has implemented T24 on the Microsoft Windows Azure platform in a network of five Mexican microfinance institutions (MFIs), which went live in May 2011. This represents the first live instance of core operations being run on Microsoft Windows Azure.

"The infrastructure investment around cloud technology being made by Microsoft and Temenos leverages the strength of Temenos' global market position and focuses on achieving a common goal: the transformation of the microfinance sector," said Murray Gardiner, Director, Microfinance and Community Banking, Temenos.

"Together, Microsoft and Temenos are helping to lead the transformation of financial services for the 2 billion people living on less than \$2 per day," said Simon Witts, Corporate Vice President, Enterprise & Partner Group, Microsoft.

## African Bank Transforms FX Operations with Temenos

Kenya's largest privately owned bank has implemented Treasury Trader, Temenos' front to back office treasury solution. Treasury Trader will provide Commercial Bank of Africa (CBA) with real time links to the market, together with a wide range of risk, planning and analysis tools. Treasury Trader's complete integration with T24 will also enable enhanced straight through processing and a company-wide view of market and credit risk.

The bank also considered offerings from Acumen and Thomson Reuters before deciding to partner with Temenos. A joint implementation team made up of CBA and Temenos experts implemented the platform in nine months.

"In the current economic environment, all banks are seeking to increase the capacity, efficiency and ultimately the profitability of their treasury operations. STP technology plays an important role to achieving this by enhancing the cost-effectiveness of staff all the way from the front to the back office", commented David Helps, Product Manager, Treasury, Temenos. "We are delighted to welcome CBA as our first live Treasury Trader site".

## Serving Africa With Deloitte

Deloitte South Africa and Temenos have announced a partnership agreement under which Deloitte will provide consulting services for Temenos core banking implementations across Africa. Temenos already has several global alliances with the consultancy.

Roger Verster, Head of the Financial Services Industry Sector at Deloitte, remarked, "Temenos has considerable experience in successfully delivering banking software implementations in South Africa and throughout Africa. We are confident that this partnership will become increasingly attractive to the financial services players on the continent." He added that Temenos and Deloitte would offer African clients the opportunity to 'bolt on' a range of specialised banking software solutions to augment their existing core systems.

"Clients will benefit from the Deloitte/Temenos alliance through the ability of both companies to bring together local market insights and regulatory understanding with a high level of service on banking IT requirements," said Keith Stonell, Regional Director, Temenos.

## Recognising Excellence

At the 2011 Temenos Community Forum in Lisbon, the company launched the Temenos Customer Awards. The awards are designed to recognise and celebrate the achievements of Temenos' clients and partners in delivering business value through the application of packaged core banking software. Temenos was delighted to announce the winners: North Shore Credit Union (Product Innovation – The Application Of T24 For Market And Competitive Differentiation); Metro Bank (Excellence In Customer Service); JP Morgan Chase (Best Use Of Model Bank); Techcombank and Nordea (Improved Efficiency); Bank Muscat (Improved Risk And Control Management); Microsoft (Partner Innovation Award); NDC (Partner Project Of The Year); EFG International (Chairman's Award).

### NEWS IN BRIEF

#### Temenos Launches New Online Platform For The Banking Community

Temenos has launched a new online thought leadership platform for the global banking industry. Temenos Online is designed to give enhanced access to fresh information on a wide variety of banking focused topics and act as an industry resource for those with an interest in global banking issues and trends. The platform will feature opinion pieces, white papers, research reports and videos by both Temenos experts and leading business figures including our partners and key industry analysts. It will offer a collaborative forum on which to discuss key banking trends and developments.

Those who have already registered for Temenos' existing online services will be migrated to the membership database of the new platform.

To gain access to Temenos online please visit [www.temenos.com/temenosonline](http://www.temenos.com/temenosonline).



Temenos Online

#### ARC Mobile For Metro Bank

Metro Bank is to implement Temenos' mobile banking solution ARC Mobile as part of its broader customer channel strategy from the end of 2011. The implementation will allow the bank to deliver a larger set of products and services via a secure mobile channel.

Aisling Kane, Chief Operations Officer, Metro Bank, said: "ARC Mobile will give us a flexible, secure mobile solution so we can extend our services and put Metro Bank in the pocket of every customer. Temenos' support of the latest range of smartphone handsets was a key factor in our decision to select ARC Mobile."

ARC Mobile now has a major presence on four continents.

#### Business Intelligence Acquisition

Temenos has acquired Canadian business intelligence (BI) software company Primisyn, for an undisclosed price. Primisyn is the leading provider of BI and profitability solutions and services to the Canadian credit union (CU) market. Its Simplus Enterprise Suite (Simplus) is a modular BI solution designed and certified on the Microsoft platform.

Temenos will integrate Simplus into its existing BI solution, Insight. To learn more, turn to page 14.

# Looking To The Future

## New Temenos CEO Guy Dubois spoke to Temenos News about his hopes and plans for the company and the banking industry

**G**uy Dubois only took over as Temenos' CEO at the beginning of July and yet his passion and energy seem to have already become a part of the company's fabric. In between meeting with employees, customers, partners and investors on his whirlwind tour of the Temenos world, Guy took some time to share with *Temenos News* his initial observations and outline his vision for the future.

**Temenos News:** Guy, thanks for taking the time to talk to us today – you're on quite a tight schedule!

**Guy Dubois:** You're right! But, you know, it's been a wonderful experience. I was so excited to join Temenos and so excited about the opportunity that we have at this company. Meeting with our customers, our partners and our people all over the world has only stoked that fire.

**TN:** You join Temenos at a time of great change and new challenges in the banking industry. What evidence do you see of that change as you meet with people in different parts of the world?

**GD:** Over the past few weeks, I have had the opportunity to speak with customers all over the world, from Britain to Bangkok, from Switzerland to Singapore to South America. And they have all told me that, frankly, they are preparing for life in a new world. Our customers believe that this new world will require a new way of thinking to manage new market characteristics. They already see increased and multi-form competition from other sectors like retail, from new market entrants with new operating models and from advances in technology and communications. How should Barclays or Credit Suisse or Santander compete with Tesco? How should they compete in a world where you can scan a barcode on the screen of your

“ **End-to-end customer centricity to maximise customer value. Aggressive innovation to give our customers access to the tailored solutions that they need to deliver success. And consistent, predictable delivery to accelerate time-to-value. Those are my immediate priorities** ”

iPhone to pay for coffee at Starbucks? Our customers recognise the growing demand for a broader range of tailored and flexible products designed to meet the evolving needs of increasingly sophisticated customers. They know that recent market events will change the regulatory landscape, and that increased capital requirements will put pressure on margins and make rapid return on investment a prerequisite for every project.

We are entering – indeed, we are already in – a period of transformation and we must all prepare for the new banking paradigm.

**TN:** These are challenging times for our industry, then. How do you see the role of Temenos in that new banking paradigm?

**GD:** Challenging times, yes – but exciting times too. Temenos enters this new world with sound fundamentals. Our customers have also spoken to me about the strength of Temenos products, and their support and the confidence they show is deeply gratifying. We have a strong base of over 1,500 loyal customers, we employ the best talent in the industry and we have productive partnerships with established industry players.

Of course, dynamic markets demand that we continuously evolve and adapt our business, and that is what we will continue to do. Charles Kettering, one of the great innovators of our time, said that 'no one would ever have crossed the ocean if he could have gotten off the ship in the storm'. The changes we see in our world today are driving transformation of the banking industry, no doubt. But change creates opportunity – for our customers, for our partners and for Temenos.

My vision for Temenos is to embrace this change and to be at the centre of this new world. That means extending innovation and product leadership so that our solutions become the standard for banking industry transformation. That means working closely with our partners to establish a powerful ecosystem with the strength and breadth of capability to accelerate customer value. And that means being at the heart of our customers' strategies for growth and profitability and being a core part of their success.

**TN:** You have been at the helm for less than two months. Have you identified your immediate priorities and how will your strategy change the way we see Temenos?





Established banks such as Credit Suisse face competition from new entrants to the banking market, as well as traditional rivals

**GD:** If a week was a long time in politics for Harold Wilson then, for me, two months is a very long time in the software industry! As well as meeting with our customers and partners, I have also spent a lot of time with my management team. We have already defined our immediate priorities and we have established a number of strategic initiatives.

My first priority is to align all of our functions to ensure end-to-end customer centricity. Our success is built on the success of our customers, and so our over-riding objective must always be to accelerate and maximise customer success. And that means joining up every part of our business with the customer in mind. We will optimise the mix of on- and off-shore facilities to provide a development and support infrastructure that follows the sun with timely, quality execution. From product design, solution deployment and user support to organising customer events, developing our people and even raising invoices, everything we do must be done to ensure that we deliver the very best customer experience.

Evolving market requirements and rapid technology innovation have dramatically increased the range of applications and platforms required to support banks' strategies for growth and

profitability. The complexity that this creates leads to increased cost, increased risk and increased deployment lead times. My second priority, therefore, is to enable our customers' transformation programmes by extending Temenos' product leadership with a programme of aggressive innovation. We have a significant investment plan over the next five years to deliver on a suite of market leading, innovative solutions. We will bring new products to market, but we will also increase the accessibility of those products through a componentisation strategy. This strategy will mean our products fit all of our customers, irrespective of their size, within their existing infrastructure and investment, and with a speed of deployment that will accelerate their return on investment.

We will translate that innovation into customer success through a process of predictable, consistent solution deployment. Our customers operate in many different markets, across many different territories and based on many different operating models. Nobody knows Temenos like Temenos, but we recognise that we cannot provide all of the answers all of the time – the key is to work with the people who have the answers that we don't have. My third priority, therefore, is consistent delivery

that leverages both our own services organisation and the breadth and depth of our partner eco-system. We will accelerate our customers' time-to-value, and take the uncertainty out of solution deployments.

End-to-end customer centricity to maximise customer value. Aggressive innovation to give our customers access to the tailored solutions that they need to deliver success. And consistent, predictable delivery to accelerate time-to-value. Those are my immediate priorities.

**TN:** Let me finish by asking you to look into the future. It's five years from now, and you are sitting in your office in Geneva. How will you know that you have been successful at Temenos?

**GD:** You know, I have a very reliable crystal ball and I can see the future! We will have been successful because we will have enabled sustainable transformation of the banking industry that brings value and security to industry stakeholders – the banks, their customers and the wider financial community. The banking industry is at the very heart of global economic prosperity and security. Temenos will be at the very heart of a new banking paradigm.

**TN:** Guy Dubois, many thanks for your time.

**GD:** It was my pleasure.



# Automating The Investment Profile

By **Lynne Landau**, Product Manager for Private Banking, Temenos, and **Thibaut Jacquet-Lagrèze**, Strategy Product Director, Temenos

**P**re financial crisis, investment profiling was simplistic, limited to understanding a client's risk tolerance and agreeing on a trade-off between risk and expected return. Conservative investors would be offered a few investments with a predictable return, whereas more aggressive or long-term investors would be offered more risky investments. An investor aiming for a good balance between security and risk would be assigned a combination of investments in safe, fixed values (bonds) and shares.

These investment strategy classifications served as a proxy for risk tolerance while often using simple volatility to quantify risk. The crisis showed flaws in this approach, since strategies to avoid volatility did not necessarily limit downside risk and many pre-crisis models didn't account for the market extremes that occurred. The crisis could not protect all conservative investors. The sudden change to the credit risk of banks and governments and the related ratings turned low risk investments high risk overnight.

High net worth investors are now much more engaged in their finances and are moving assets to firms that demonstrate a more integrated approach. Determining an investment profile is not a one-time task; customer needs must be monitored, reviewed and reassessed consistently. Life changes such as a divorce often change investment goals and the clients risk tolerance. Customers often have multiple investment goals, such as

retirement and children's education. Each carries a different risk tolerance.

To meet these requirements, wealth management firms need a complete picture of a client's goals to understand what principal must be protected (house, business etc.), what portion of assets can be exposed to market risk and what assets might be set aside for aspirational risks where the client is taking concentrated bets to move his or her life to the next step, to grow wealth. Assets should be split by capital protection, market and aspirational risk, with each type of risk assuming its own asset allocation. Important goals can be managed separately with protected assets invested in safe bonds or money markets, with 'nice to have' goals invested in a more risky portfolio.

During the last few years, governments have introduced new regulations to protect consumers. Worldwide, there are new ground rules regarding the conduct of wealth managers. Anti-money laundering rules and enhanced know-your-client rules, along with more stringent cross-border banking and tax transparency rules, are increasing the cost of regulation. These new laws also call for more detailed investment profiling.

For example, under the Markets in Financial Instruments Directive (MiFID) banks must obtain information about a client's financial situation, investment goals and knowledge and experience as an investor when providing investment advice. Information must be accurate and enable the investor to understand

the risk and type of investments offered. MiFID II takes this further by ensuring the advisor is qualified to recommend asset classes such as derivatives to clients. In the US, the Dodd-Frank and Consumer Protection Act proposes to bring greater public transparency and market accountability to the financial system and give investors important protections. The UK's Retail Distribution Review (RDR) requires a shift in traditional business models and pricing from product-based commissions to fees for advice.

These rules place large administrative overheads on wealth management firms. Using software to register and manage investment profiles helps automate regulations and compliance rules and reduces the cost of implementing them. The system supports the proposition of a relevant investment strategy and asset allocation for the different subsets of the client's assets, blocking the sale of inappropriate products. Information is processed automatically to suggest a risk profile and the output of the process is stored in a database for documentation purposes.

Accurate customer data capture is key to identifying lifestyle and aspirational changes. Modern software allows wealth managers to track changes in client needs and risk aversion and anticipate the impact on the risk profile and investment strategy. Any significant changes will then lead to a full reassessment of the investment profile and asset allocation. Software can also be used to set automatic limits and alerts to enforce legal and client constraints, generate a structured investment proposal or rebalance a portfolio.

Automated investment profiling can help wealth management firms implement and enforce new rules while qualifying and classifying clients more appropriately and introduce controls based on detailed profiles. A streamlined and disciplined approach to profiling enables financial institutions to understand, reflect and document clients' overall needs and goals more systematically. Wealth Managers can then focus on value added services and more effective investment strategies to improve the customer experience.

# Anti-Money Laundering: Why It Matters

By **Jeffrey Robinson**, author of *The Laundrymen*, *The Merger* and *The Sink*

**T**he rise of anti money laundering legislation in the United States was based on a very simple idea: that the illicit drugs trade is a business and, like all businesses, in order to survive it needs cash flow and reinvestment. Governments and law enforcement agencies have long argued that if there was a way to cut off the traffickers' cash flow and ability to reinvest, they would go bankrupt and a bankrupt business would mean no product on the streets.

In keeping with this premise, in 1970, the United States Congress passed the Bank Secrecy Act, which grandfathered the anti-money laundering business by requiring banks, credit card companies, life insurance companies, money service businesses and securities brokers to report all cash transactions over \$10,000, as well as all other cash transactions that the institutions themselves decided to be 'suspicious'.

Out of that came the requirement to 'know your customer (KYC)'. By 1992, a few new and improved money laundering laws had been added, and KYC was all the rage. It was a bandwagon that everyone jumped on because no one was willing to risk being left behind at the parade. Especially because the government was taking attendance.

And yet, still, the streets were awash with drugs. One estimate had it that \$100-\$300 billion in dirty money was circling the earth looking to get clean. Some of it was tax evasion, some of it was corporate and political corruption, but the bulk of it came from drugs. By 1997 the figure had increased to \$300-\$500 billion. And a few years after that, the number was increased again, this time to \$600-\$700 billion.

Today, it is almost certainly in excess of \$1 trillion. Horrifyingly, that

“ No one wanted to be found holding onto Osama Bin Laden's savings account ”

represents a mere 10 per cent of the wealth hidden offshore. In other words, offshore banking havens are today giving harbour to around \$10 trillion, which is a hugely powerful 'dark force'. Still, throughout the 1990s, very few people saw dirty money in these terms. Instead, as the AML music droned on, a number of influential people in the financial world began asking, "Why are we bothering?"

Inside boardrooms in New York and London, Paris and Brussels, Tokyo and Sydney, men in suits were looking at the cost of complying with the ever-increasing burdens placed on them. Newspapers were reporting even more drugs pouring onto our streets than before. And KYC was being seen as a disruption to the business of making money by moving money.

Granted, it was increasingly difficult for a Colombian calling himself 'a distributor of agricultural goods' to walk into a bank with a suitcase full of used \$20 bills. And, yes, some banks found themselves facing prosecution for not fully complying by having the right



training programmes in place. But, for the most part, AML forced the good guys to get better at working their way around the regulations, and forced the bad guys to get better at disguising their cash flow and reinvestment.

For some bad guys, laundering money was no more difficult than hiring lawyers to 'plausibly deny' to bankers that their clients were criminals, and to 'plausibly acknowledge' to those same bankers that the money in their privileged clients' accounts was perfectly clean. The so-called 'gatekeepers' – the very people being called on in legislation to help stop money laundering – were the same people who stood to profit most by not stopping it.

Then came 9/11. In the confusion that followed the attacks, governments redirected a massive chunk of law enforcement assets towards terrorism. The entire New York office of the FBI, for example, did nothing else. Find terrorists, they were told. And for the FBI in New York, no other crimes mattered. At the same time, politicians worried that if the war on terrorism meant pulling cops off the local beat, then street crime would increase and that could turn into an election issue. So while the left hand was hunting down Al Qaeda, and the right hand was protecting Granny from having her purse stolen, there were no hands left to work all the crimes in between.

A gigantic no man's land was inadvertently created where extortion, truck hijackings, counterfeiting, cigarette smuggling, human smuggling, grand theft auto, illegal gambling, illicit arms dealing, cybercrime, corporate corruption, political corruption, bribery, tax evasion and a million different types of frauds, were given such low priorities that they were, for the most part, ignored.

Washington now decided – and Western governments blindly followed suit – that by using the money laundering laws, they could also follow the flow of terror dollars. It was a false premise. Generally speaking, terrorists don't launder money, because terrorism is a cash business. However, as mistakes

**Billions in dirty money was circling the earth looking to get clean**



often do, heading off in the wrong direction produced some unforeseen positive results.

With terrorism on everyone's minds, the financial world gave more than lip service to the hunt for dirty money. No one wanted to be found holding onto Osama Bin Laden's savings account. Suspicious accounts were frozen and many offshore loopholes were shut. In the States, the Patriot Act, for all its controversial components, forced financial institutions to take government determination seriously or expose themselves to criminal penalties and, importantly, reputational risk.

In Britain, the Proceeds of Crime Act 2002 redefined money laundering and increased the burden on all businesses – not just traditional financial institutions – to report. Throughout much of the world, legislation and treaties that singled out Politically Exposed Persons gave fair warning that if you got caught sleeping with dictators and despots, there would be consequences.

Accordingly, in the wake of 9/11, companies all over the world took to reporting 'defensively', throwing everything that might be deemed even remotely suspicious into the pot. Rather than get fined or prosecuted for not complying, they flooded the authorities with so many transaction reports that they, literally, ground the investigatory process to a standstill.

Ironically, 'defensive reporting'

created a colossal money laundering intelligence database that, one of these days, will reveal who's been doing what with whom. This is where the cops will eventually start to find the extortionists, truck hijackers, counterfeiters, smugglers, arms dealers, cybercriminals, tax evaders, corrupt corporations, corrupt politicians, corrupt governments, and fraudsters.

That said, more and more, I hear gatekeepers complaining that while they spend so much time and so much money on reporting, they get nothing back. More and more I hear weary gatekeepers grumble about 'compliance fatigue'. More and more I hear them ask, "Does it really matter?"

I would claim there is only one answer – definitively yes. It matters because reputations are at stake. It matters because lives are at stake. It matters because we live in a world of ever expanding contradictions. We live in a world of laws based on a 17th century definition of jurisdiction, overseen by an 18th century model of jurisprudence, enforced by a 19th century model of law enforcement and governed by a pre-digital 20th century world of politically motivated regulations.

It matters because if we do nothing, if we give up on this because we've convinced ourselves that it doesn't matter, then the 21st century will belong exclusively to the criminals. And we will have no one else to blame but ourselves.

# The Future State Of Corporate Banking



By **Chris Skinner**, Chairman of the Financial Services Club

In recent years, banks have devoted significant resources to improving their supply chains and working capital provision. Going forward, these services will increasingly be enhanced by real-time information and enhanced procure-to-pay services. A crucial determinant of banks' success will be effective use of data.

Working capital efficiency has been a fundamental focus of the corporate and financial world over the last decade, mainly because inefficiency in the supply chain process is leaking over a trillion dollars a year. Emerging market economies in particular have been unprepared for global trade. Lack of standards, infrastructure and integration have meant that most interbank transfers have taken place electronically, supported by layers of paper-based wrapping (letters of credit, bank guarantees, invoicing and cheques).

For most of the last decade, there has been a focus on improvements to the supply chain of corporates through information services that banks could deliver over and above pure trade finance. E-invoicing developed as one example of such services across the Nordic markets in the mid-2000s. By the end of the decade, most countries had implemented some form of service. Interoperability has become a core topic during the decade, and the developments in XML, SWIFT MX messaging and the ISO 20022 standard are expected to enhance the ease with which correspondent banks can work together with their corporate customers.

Since 2008 banks have had to focus on liquidity risk, which has driven a move away from pure supply chain automation towards real-time risk reporting. This scenario is far more complicated than purely a focus upon risk, however, because the real issue for the banking world today is uncertainty.

There are two big tectonic plates of change in this regard: the 'push' movements reflected in the political and economic sphere and the 'pull' drivers of a combined social and technological shift.

## Drivers Of Change

While the banking world in the developed economies of Europe and America imploded in 2008, Asia has continued to thrive and China has sustained near double-digit economic growth year-on-year. The result is that Western countries have been grappling not only with a major downturn in trade and commerce, but also with a massive redefinition of their banking system.

The uncertainty this brings is best illustrated by the emerging rules on Over-the-Counter (OTC) derivatives. Regulators and policymakers were staggered in 2008 to find

“ Those banks that act now to create appropriate data management and processing capabilities will be those that dominate corporate banking in future ”

that the OTC derivatives makers were valued at around \$700 trillion when the crisis hit. None of this was being tracked or traced effectively, leading to systemic risks which need to be managed amidst varying interpretations and rules (the USA defines the rules in a different way than Europe does and the rules themselves are ambiguous).

These are difficult and confusing definitions that are still being formulated and this means that banks, whether they focus upon consumers, corporates or institutional investors, repeatedly find their businesses re-regulated, revised and redefined. This has left some banks unable to plan because of the lack of certainty in their operations. One obvious example of this has been small to medium enterprise (SME) funding and credit, with banks saying they are willing to lend but are experiencing no demand, whilst the business world believes the banks are not lending because they have tightened their credit risk rules too far.

The truth is that the banks got into trouble because their credit policies were far too loose during the build up to the crisis. This resulted in markets that were falsely inflated through debt-driven demand and, now that this bubble has burst, the deleveraging of debt is going to take many years to overcome.

On top of this, America and Europe are experiencing the biggest test of monetary and economic change seen since the Great Depression. This is evidenced by the debate in America about pushing through the debt ceiling of \$14 trillion, whilst the sovereign debt crisis in Greece, Italy, Ireland, Portugal and Spain is pulling Europe apart.

The theme of 2011 for these economies is 'austerity', and the austerity measures are biting hard in the wallets of consumers and the balance sheets of business. Shrinking demand and rising costs, combined with inflationary pressures, is seeing many retail businesses close. All of this is

occurring against a backdrop of banks' attempts to improve credit quality.

The sovereign debt crisis is a reflection of economies that are near bust. For example, Greece has now seen its second bailout in June 2011, and there is already conjecture that a third would pull the Eurozone apart. The uncertainty is immense and it is hard to be confident in decision making as a bank or a corporate.

### Social And Technological Factors

On a more positive note, the world has changed in one other fundamental way: connectivity, via the combined technologies of mobile and internet. In Africa, for example, Kenya has benefited from the M-PESA mobile payments service delivered by Safaricom, a division of Vodafone. Previously in Kenya, money could only be transferred by physical transport of cash. By 2010, just over three years after its launch, 20 per cent of Kenya's GDP was moving through M-PESA. Around half of the adult population use the service, and Safaricom has effectively become the biggest bank in Kenya. M-PESA has expanded into Iran, Afghanistan, Tanzania, South Africa and other countries.



Strategically oriented banks are looking at how to use corporate data to deliver value-add information services to their corporate users in real time

At the other extreme, mobile internet smartphones, combined with social media and networking, are also revolutionising finance and commerce. The Apple and Android markets are seeing an amazing uptick in data volumes through apps, and apps are also redefining finance thanks to micropayments.

Take the example of Angry Birds, an app game that started on the Apple iPhone store and soon became a hit across the internet. In eighteen months, Rovio, the firm that developed the game, saw \$75 million in revenues from the game, which typically costs 99 cents or less to download.

Virtual currencies are another important new trend. Driven by gaming, these currencies can, over time, become core currencies of commerce. We have seen this in China with the QQ currency of Tencent and in Second Life with the Linden Labs dollar.

But the best example of how virtual currencies are being commercialised today is Facebook. Facebook Credits were launched in 2009 and are used in gaming worlds such as Farmville and Cityville, run by a firm called Zynga, which became PayPal's biggest merchant account within just one year of operation, thanks to Facebook's critical mass and real-time viral networking.

### Competitive Strategies

So what are the lessons for corporates and banks looking to avoid stagnation? It's not enough to continue with procure-to-pay automation strategies, supply chain automation programmes or e-invoicing and interoperability implementations. What makes the difference for successful banks is a belief in differentiation through innovation. These banks, particularly the major global transaction banks, are looking to leverage data for differentiation, because they understand that data is the fundamentally raw asset of finance today.

Businesses like Amazon, Apple, Google, Facebook and Zynga are built upon the organisation, management, mining and leveraging of user-generated data. Similarly, strategically oriented banks are looking at how to use corporate data to deliver value-add information services to their corporate users in real time. While real-time data is not valuable in and of itself, it gains value if it can assist the corporate in cash flow forecasting, foreign exchange hedging, supply chain efficiency and leveraging their working capital.

So in the face of all the challenges banks face, it is all about the data, and banks must provide the best possible analysis of data to take advantage of this fact. Those banks that act now to create appropriate data management and processing capabilities will be those that dominate corporate banking in future.

This article is based on a roundtable session facilitated by Chris Skinner at the Temenos Corporate Banking Forum in July 2011.



# The New Dawn Of Business Intelligence

By **Keith Waterman**, Global Commercial Director, Insight, Temenos

**T**emenos successfully entered the business intelligence (BI) market in 2008 with the acquisition of Lydian Associates and the launch of the Insight BI solution suite. The company has garnered a strong reputation in BI among the T24 banking community, with more than 100+ banks now choosing its Insight Financial Intelligence (BI) solution as their platform of choice.

Since then, Temenos has been busy extending the technology. In 2010, the Insight team integrated Temenos' existing risk management solution, T-Risk, onto the Insight platform and launched its new offering, Insight Risk Intelligence in May this year. More than 50 banks are contracted to deploy the new solution.

Now no stranger to acquisitions in the BI market, Temenos has again bolstered its offering with the acquisition of Primisyn, a leading provider of BI solutions for the Canadian financial services sector. This will extend Insight by offering clients customer intelligence and operational intelligence modules, which will be available to T24 clients before the end of the year.



“Facilitating a deeper understanding of customers' performance and behaviour so that banks can identify their most profitable customers and offer them more targeted products”

Banks today regard customer retention and competition as two of their three biggest challenges\*. A larger and more diverse competitive landscape, coupled with an increasingly savvy and more demanding customer is forcing banks to compete more effectively through succinct customer profiling and targeting. BI helps banks achieve this by facilitating a deeper understanding of customers' performance and behaviour so that banks can identify their most profitable customers and offer them more targeted products. Insight's new capabilities will enable chief marketing and operations officers to conduct advanced customer analytics, client segmentation, product pricing and operational analysis to better understand each individual customer.

In addition to these new enhancements, Temenos has been busy working on developing Insight for non T24 users. Historically, the suite was

offered to banks that already ran T24, but Temenos recognised the need to take the solution to the wider banking community and has launched Insight Pathway. Doing this has opened up the market for Temenos and taken the benefits of its BI solution to the wider banking community, particularly tier 1 & 2 banks, which predominantly run on legacy platforms, yet want to implement componentised solutions to acquire the benefits of modern technology as a means to compete more effectively.

This is evident in Temenos' first Insight Pathway taker, Scotiabank, a Canadian Tier 1 bank which has opted to implement Insight Pathway as its BI platform of choice.

Analysts suggest that BI will be a transformational technology because of the way it can provide on-demand and real-time analysis of financial and risk performance, customer profitability and segmentation, and operational efficiencies. It is no longer about data and data warehousing, it is all about timely access to the right data, measuring and analysing business performance and empowering the end user. Banks are demanding more pre-packaged BI applications instead of costly data warehousing.

Advanced, pre-packaged BI solutions like Insight are specifically designed with banks' BI requirements in mind. It takes approximately 90 days to install an Insight module and because the pre-packaged modules work out of the box, the total cost of ownership is lower than solutions that have to be built from scratch and subsequently maintained.

Temenos is now delivering cutting edge BI capabilities across risk, financial, customer and operations so any bank can take not just its first steps on the path of business transformation, but can leap ahead rapidly.

\*Source: Temenos Community Forum Survey, June 2011



# Ready To Tackle Corporate Banking Challenges

By **Darryl Proctor**, Product Manager for Corporate Banking, Temenos

**T**oday, the global corporate banking landscape is awash with diverse trends in different regional pockets. Active engagement with our international community of corporate banking clients gives us an acute understanding of these trends which forms the foundation of our visionary roadmap for T24 For Corporate Banking. In order for our technology to address specific local and global sector developments, the client has to sit at the heart of this process.

To highlight the diversity of trends globally, we need to draw on some regional examples. Asia Pacific shows an increased demand for supply chain finance (SCF). While in North America, small to medium sized enterprises (SMEs) need more sophisticated financial tools. In Europe, financial directors want better management information.

Such wide ranging requirements are fuelling the need for advanced technology to help banks address these market changes and meet increasing demands from their clients.

So how is Temenos evolving its offering to help banks achieve this?

## APAC – The Surge Of SCF

In Asia Pacific, clients are increasingly asking banks for business knowledge around SCF. T24 already contains a good level of functionality and Temenos has a detailed roadmap for adding comprehensive SCF support to enable banks to consolidate a client's full trade cycle, all accounts and cash balances, historical and forecasted data around deposits and loans. Recently, industry analysts such as Celent have noticed an increase in the need for delivering true SCF. Whilst competitor solutions only overlay cash management on top of trade finance, the Temenos proposal delivers a complete SCF solution.

## North America – The Birth Of A New Sector

In North America a separate SME sector is developing in its own right and these businesses appear to have fallen in a gap between banks' retail and commercial banking divisions. This means that if an SME requires more than the limited scope of retail banking products, its bank often can't move it to the commercial banking division because it's considered too small or the bank's systems are too compartmentalised – often both are to blame, leaving the customer inevitably frustrated.

Banks running T24, by contrast, can bridge this gap with one platform on which to run all corporate and retail banking operations. Banks can therefore seamlessly offer a suitable subset of the corporate banking products to SMEs to meet the needs of this emerging sector at a suitable price point. It's simply a matter of exposing appropriate functionality in the catalogue so the client gets a consistent level of service and an extended range of products.

## Europe – Banking On Channels

Broadening bank channels has become a prevalent trend in the European corporate banking market, as more corporates are leveraging these channels as a convenient way to communicate with their bank. This places an increased expectation for banks to be channel agnostic.

As part of our medium-term roadmap, all T24 corporate banking functionality will be channel independent. As well as accessing these features via the internet, corporates will access them via the mobile channel, taking the full capability of tablets into account, with proper apps to offer more than mobile phone authorisation capability.

Provision of information has become another priority, with more clients asking: "what information do you have about my business and what information can you give me back to help me run my business better?" Clients expect a certain type of user experience as well as depth of functionality. Temenos is working on the tools to help banks get closer relationships with their clients through giving out more information through the most convenient channels.

## The Tier 1 Technique

The legacy systems market houses large tier 1 and 2 banks whose heads begin to hurt when talk turns to core systems replacement. Systems complexity and related risk are huge barriers in the business case for overhauling IT in pursuit of the flexibility and operational efficiency gains that are vital to successful banking today. Temenos' response to this understandable reluctance is born from our 18 years of experience of working with these banks. We now offer T24 on a componentised basis – T24 Enterprise (T24E) - which enables large banks to exploit the benefits of modern core banking software in a much more manageable way.

On the corporate banking side, Temenos is looking to componentise related functionality such as trade finance, corporate lending and cash management as we continue to develop our new tier 1 and 2 offering.

It's exciting times in corporate banking and our strategic, customer-centric roadmap reflects this and will ensure that our clients have the technological expertise at their fingertips to capitalise on the wide ranging sector trends and opportunities that are unfolding.



**Mark Winterburn**, Group Product Director, Temenos

## Product Planning For Customer Success

Since joining Temenos six months ago, I have spent a lot of time meeting customers and Temenos staff around the world, and talking to product managers and industry analysts about how we can continue to place customer success at the heart of our product development strategy. Each year we invest around 20 per cent of revenues into research and development, an industry leading level of investment which is vital to ensuring we provide our customers with the functionality and technology they need to be successful in today's highly competitive environment. In order to do this, it is crucial that this investment is correctly targeted to enable them to meet their customer needs.

There are several ways in which we ensure that we understand our present and future customer's requirements in order to effectively identify and develop our products.

The time we spend with our customers is key. At Temenos, we always encourage our customers to tell us what we're doing well, and what we can do better and we have developed new ways of enabling them to do this. For example, our meetings with customers at this year's Temenos Community Forum (TCF) led to the development of Temenos customer advisory boards. These are designed to give existing and prospective customers an opportunity to discuss requirements and allow peers in the industry to explore ideas together; they are more strategic and thought provoking than traditional user forums and enable us to listen to what our customers need.

We have also introduced a visual requirement capture tool called Axure which is very helpful in customer meetings by enabling us to design a prototype solution in real time, creating a much richer product experience for the customer.

A significant amount of our investment and development at Temenos is aligned with specific customer requirements. For example, we have worked closely with a major global bank to develop a solution to meet the demands of the new Foreign Account Tax Compliance Act.

Alongside addressing individual customer requirements, Temenos dedicates a lot of time developing solutions that address broader banking needs which affect most if not all of our customers today. For example, we are doing a lot of work to develop our channel architecture, working to introduce new ways to offer our customers a seamless experience across channels.

Our product managers, technical specialists and business analysts are all vital to ensuring we deliver the right products for our customers by providing deep skills within each of our

“ As in all aspects of our product planning at Temenos, everything we do is underpinned by our customers' success ”

product areas. Many of our team members are ex pre-sales, so they are very knowledgeable about our products and have spent many years engaging with our customers. Our product managers also communicate regularly with leading industry analysts such as Forrester, Ovum and Gartner to keep abreast of important trends, which helps to directly inform our development strategies.

Partners are another crucial cog in Temenos' product development cycle. Our close collaboration with Microsoft led to the development of a cloud solution for the global microfinance community. Together with Microsoft, we now offer T24 on the Microsoft Windows Azure platform to deliver a solution that meets the needs of the microfinance community as well as other banking sectors.

Acquisitions also help to enhance our offerings in certain areas. Our recent acquisition of Odyssey has added important new functionality to our wealth offering, including innovations such as the Design Studio, a service developed by our private banking team to offer our customers an improved developer experience. The acquisition of FE Mobile and subsequent launch of ARC Mobile has added important functionality that our customers want and need to be able to offer; this investment in the mobile channel will deliver a broader mobile banking experience going forward.

New devices bring with them the promise of unprecedented computing power and rich customer experience and it's not surprising that banks want to offer these advantages to their customers. We are already using the iPad to demonstrate our products, and mobile solutions are in high demand, as witnessed by the strong interest in the Android app solution we demonstrated at TCF.

And as in all aspects of our product planning at Temenos, everything we do is underpinned by our customers' success and our ability to deliver innovative, advanced products to ensure they remain at the top of their game.



**Ben Robinson**, Head of Strategic Planning, Temenos

## Tackling The Productivity Paradox

In most industries, higher IT spending leads to higher efficiency. The exception is banking, where growth in IT spending has historically failed to translate into correspondingly higher levels of productivity growth – a phenomenon known as the 'productivity paradox'.

In our view at Temenos, the 'productivity paradox' exists because banks concentrate IT spending on internal development and maintenance. There are several pieces of quantitative evidence for this, including the almost perfect inverse relationship between industries' levels of IT spending and their relative spend on packaged software applications.

Banks normally choose to prioritise internal IT investments because they believe that developing systems internally confers a source of competitive advantage or they are unwilling to take the financial and operational risks of changing IT platforms. However, the need for banks to reconsider their approach to IT investment is becoming more urgent.

Firstly, banks that use modern third-party core banking applications can gain significant competitive advantage. Data from *The Banker – Top 1,000 Banks 2010* show that 76 per cent of the 100 fastest-growing banks run third-party core banking solutions.

Secondly, given pressures such as higher capital requirements, increased competitive intensity and diminishing customer loyalty, we believe all banks should invest in new technology as a way of protecting and improving return on equity (RoE).

There are four key ways in which third-party core banking systems can help raise RoE.

The first concerns extracting value from acquisitions. Based on our research of M&A transactions over a 10-year period, very few deliver value. This is because they fail to realise the desired level of cost synergies, particularly as regards IT and back office rationalisation. Banks

running third-party software fare much better and are able to consolidate systems and support to deliver higher efficiency.

Third-party core banking software enables banks to move easily into more profitable parts of the market. Since banks will seek to position their businesses into the most profitable segments, the key to executing this strategy is to act effectively and quickly. Third-party systems help by enabling banks to launch new and differentiated products and services

faster than their peers.

Modern third-party core banking systems can also allow banks to increase asset yield from existing operations. For instance, by giving a bank a complete view of its customer, the bank can deliver differentiated services, creating loyalty and, ultimately, allowing it to extract a higher net interest margin. Similarly, if the bank is able to use this complete customer view to run more sophisticated credit scoring, this will lead to lower levels of non-performing loans and ultimately higher returns on assets.

Lastly, a modern third-party system can enable a bank to cut its costs. Generally, the cost savings arise from hardware and software maintenance consolidation, from reductions in staffing levels of both IT and back office employees, and from an increase in accuracy and productivity of remaining staff. And the reductions can be significant – Temenos customers have experienced savings of up to one third of operating costs

Nonetheless, taking a third-party core banking system is unlikely in itself to bring the desired increase in returns. Also key is the way the software is implemented and operated. A Temenos customer study found a number of best practices for deriving the maximum value from Temenos software, such as high investment in training, running the software in a hub, limiting the level of customisation and adopting the model bank processes.

In 2009, we used data from *The Banker – Top 1,000 Banks* to show a significant differential in profitability between Temenos customers and non-Temenos customers (those running legacy software or applications from another vendor). We found that banks using Temenos core banking software displayed a 7.2 points lower cost-to-income, a 62 per cent higher return on capital and 54 per cent higher return on assets than non-Temenos customers.

We have now followed up with analysis using *The Banker Top 1,000 Banks 2010* data, which showed again a strong gap in profitability. Temenos customers, for instance, enjoyed an 8.6 percentage points lower cost to income ratio (compared to 7.2 points the year before).

To learn more about 'Tackling the Productivity Paradox', a full white paper authored by Ben Robinson can be accessed here: [www.temenos.com/Tackling-The-Productivity-Paradox](http://www.temenos.com/Tackling-The-Productivity-Paradox).





By **Phil Sorrell**, Director for Mobile Banking, Temenos.

## Mbanking: Building A Mobile Strategy

**T**he role of mobile communications for financial services has evolved at different levels in different markets to serve a multitude of customer and market needs. Although emerging economies have seen important gains from mobile, developed economies have not shown the levels of wholesale adoption that many commentators had expected. So how can banks address the issues preventing growth and create real value from this channel?

Consumers are increasingly using their handsets for a multitude of functions such as gaming, music, GPS, email and social media. This is most evident in the youth market: recent research has identified that over 62 per cent of young people use their mobile handset for internet browsing and 40 per cent regularly access social media via this channel.

Shoppers are using their mobile devices to compare prices at competitive online retailers or scanning bar codes with their phone cameras, or signing up to have discount coupons sent to them depending on their physical location. The end result is payment at a point of sale and analysts expect wide adoption of contactless payment via near field communication (NFC) enabled mobile phones.

The mobile trend is nowhere near as advanced in the financial services industry, however. The mbanking services on offer have to date been basic in design, commonly offering limited transactional data. With their expectations raised by their experiences in the retail sector, today's customers want the ability to conduct all their banking business across any bank channel.

Advances in mobile network technology, combined with consumer adoption of advanced smartphone handsets, present banks with an opportunity to deliver enhanced mobile services to their customers. According to Gartner, between 2009 and 2010 smartphone sales grew 96 per cent, and smartphones accounted for 19.3 per cent of overall mobile phone sales. A recent report from Juniper Research indicates that mobile banking will become a 'must have' when opening a new bank account and that mobile devices will begin to replace credit cards.

These sophisticated handsets powered by new technology allow consumers to access a wide range of media and services, including banking. Mbanking services already successfully introduced by banks include customer alerts via SMS messaging technology. Increased network speeds and reduced latency (waiting for connection) have dramatically improved the potential for a far richer customer experience. Touch screens make it easier to use more sophisticated apps

“ The widening ownership of sophisticated handsets provides a catalyst for mass market mbanking adoption ”

and browser-based services. Tablets and netbooks, close cousins of the smartphone, add to the numbers of 'always on' devices available.

One way that banks can serve the new mobile-savvy generation of customers is to satisfy their demand for high levels of security. Mobile is not automatically a highly secure channel but, with the right technology, is capable of delivering higher levels of security than the internet-based equivalent. Banks can exploit this and provide the safest and most convenient way for customers to access and manage their accounts.

A key advantage of the security that can be achieved with mobile is the elimination of extensive password and personal data checking that is necessary on a browser on a computer. A mobile phone with a highly secure application communicating over an untrusted network still doesn't expose the content in the transmission. Apps can securely store personal details, removing the need for users to repetitively enter information, thus enabling a truly 'mobile' experience. Encryption technology can be deployed to protect sensitive data should the handset be lost. Banks can play a crucial role as mcommerce becomes part of the mainstream by enabling retail customers to make secure payments with their phone as they do now with their debit card and chip and pin.

The opportunity now exists for banks to take an active role in providing a mcommerce access point for their customers and providing services that can drive the adoption of mcommerce in the everyday lives of their account holders. The widening ownership of sophisticated handsets provides a catalyst for mass market mbanking adoption and represents an opportunity for banks to extend their role beyond that of a provider of a basic banking channel.

Temenos is working with its mobile banking advisory council to address the opportunities and challenges faced in creating value from this dynamic new market. We are convinced that, by leveraging their position of trust, banks can lead the mcommerce revolution.



**Bindia Hallauer**, Chief Technology Strategist, Worldwide Financial Services, Microsoft

## Bringing Banking To The Unbanked

**F**inancial products and services are prerequisites to creating conditions for sustainable economic development in emerging markets. However for the majority of the population in emerging markets and the developing world, particularly countries across East Africa, South East Asia and Latin America, gaining affordable access to finance is still a significant challenge. Without having the IT infrastructure or resource to support conventional banking, financial services companies operating in these regions need to embrace mobile phones, simple interfaces and overcome issues such as low bandwidth and low latency.

Over the last few years, Microsoft has invested billions of dollars in infrastructure that software vendors can leverage to offer back-office core banking and electronic channels at a fraction of the cost of traditional bricks and mortar infrastructures. As a result, sophisticated 'managed services' can now be afforded by very small local institutions. For credit unions and micro banks in particular, the Microsoft Windows Azure cloud computing platform allows them to buy into modern banking technology without having to invest in the usual equipment or people traditionally required. This means that services such as peer-to-peer transactions, agency banking, electronic funds transfer, cards, clearing, remittances and any other payments system supported by core banking platform providers can be made available on a pay-as-you-go basis. For larger banks, cloud computing lowers the cost of delivering services to the unbanked.

In recent months, one of the most exciting developments for Microsoft has been our collaboration with Temenos to bring core banking functionality via the cloud to banks in Mexico. By redeveloping its core banking platform T24 to run natively on Windows Azure, Temenos is now able to offer its customers access to comprehensive, powerful and flexible banking functionality with an advanced and scalable architecture via a software-as-a-service model. This development not only makes Temenos the first technology provider in the world to take a complete banking system to a public cloud environment, but puts into practice the real value cloud computing can bring to the financial world.

The approach that we're taking with Temenos is significant because it will enable microfinance institutions to leapfrog their

competitors by cost effectively developing new services, and bringing them to market quicker. No longer will banks need to over-order or seek additional computing resources, because the scale of the Windows Azure cloud platform allows high volume workloads processing to be consumed on demand. By shifting the burden of IT onto the cloud, this innovative solution is enabling banks in emerging markets to concentrate on providing low cost banking services to the unbanked.

With the availability of enterprise-level banking systems and associated technologies in the cloud, any finance institution anywhere will be able to have access to modern core banking functionality without the cost and other barriers usually associated with this technology. With only a browser, service providers can access enterprise-level software without having to actively manage it. This means that a small microfinance institution does not have to buy and manage a hardware stack capable of running the software, nor deal with the associated attendant costs, overheads and complexity involved.

Cloud computing has the capacity to completely change the financial services landscape. We have the ability to lead the industry in opening the financial services market up to many tens of thousands of microfinance institutions and their millions of customers. With the Microsoft Windows Azure cloud infrastructure, we believe that we can lead the transformation of financial services for the more than two billion people living on less than USD \$2 per day.

Cloud computing also presents the opportunity for the microfinance industry to channel the advances made in the Microsoft smartphone and tablet technology to broaden its reach to a wider cross-section of customers globally. The world of tomorrow is about a smart cloud talking to smart devices. These trends are likely to extend to larger, more established financial institutions in more developed markets too. There are literally billions of people that can be serviced by large multinationals if the product and the price are right. These products cannot use traditional delivery channels (mail, branches or call centres) as the margins are too small. The only way to deliver them is by using sophisticated, reliable and low cost IT – and that is where cloud computing comes into its own.



# Seamless Upgrade To Compliance

**U**SB Bank (USB) is based in Nicosia, Cyprus. It has 16 branches and provides a wide range of services, including electronic banking to 20,000 retail customers, both business and private. USB was recently acquired by BLC Bank, which has 34 branches in Lebanon and is itself part of the Fransabank Group.

USB has been a user of Globus and subsequently T24 core banking since 1998, implementing most of the T24 modules in stages. "Seeing the progress of T24 gives us confidence," says Loukia Loukianou, Manager Information Technology at USB. "It's a stable environment and Temenos has always solved our issues and given us support."

This established relationship paid dividends in autumn 2010 when the bank's legacy risk management software proved so unreliable that it threatened to cause delays in submitting compliance reports to USB's supervising bank, the Central Bank of Cyprus.

USB's immediate challenge in October 2010 was to make sure that, by December, it was able to quickly and efficiently output compliance reports, such as COREP (a standard report required by the European Banking Authority), in order to submit them on time and thus avoid penalty fines. "There was also the reputation of the bank at stake. Other banks in Cyprus could report on time but USB couldn't," explains Loukianou.

In the meantime Temenos had extended its business intelligence (BI) offering with risk capability, Insight Risk Intelligence, which offers three modules:

Asset and Liability Management (ALM) provides a wide range of advanced and comprehensive liquidity and interest rate risk analytics and reporting, including balance sheet modelling, stress testing, duration and liquidity gaps reporting.

Regulatory Capital provides



**Implementing Insight Risk Intelligence has saved time for both business users and IT support staff at USB Bank**

advanced credit, market and operational risk management capabilities, enabling banks to analyse exposures and accurately calculate regulatory capital to meet full Basel II compliance and assist in the journey to Basel III compliance.

Market Analytics provides banks with a wide range of analysis tools including VaR (Value at Risk) engine, yield curve modelling and pricing tools so they can extend and improve their analytical capability. It is underpinned by a powerful reporting engine which delivers granular and more valuable report generation.

USB decided that the Regulatory Capital module was the best solution to meet its compliance requirements, began the implementation in October 2010 and, after a smooth transition, went live in December. The bank outsourced to Temenos Consulting, with two members of the USB IT team (one full-time T24 developer and one part-time MS SQL developer) overseeing the project.

During one week in October a Temenos consultant gathered the information needed to model USB's system at Temenos' development centre in Chennai. During November a Temenos team of three replaced USB's existing risk management solution with Insight Risk Intelligence, using Microsoft SQL Reporting Services to create flexible reports, and finally testing and validating the solution.

Back in Cyprus, Temenos installed the tested (without any customisation) environment in just

two weeks and it went live in mid-December, ready to run the December reports. Temenos' consultancy team provided some local customisation for Cypriot regulations so that USB can switch between 'non-Cyprus' and 'Cyprus' parameters.

Subsequently Temenos delivered training to USB staff. "After preparing the reports for two months we got used to the procedures and now it's a piece of cake," says Loukianou. USB can now deliver compliance reports over a two-day period, including revisions based on business user feedback.

Insight Risk Intelligence is also a source of useful management information and USB's accounting department produces reports around capital adequacy for the senior management of the bank.

"You never know what regulations are going to come out of the blue," says Loukianou, adding that she is confident that the flexibility of Insight Risk Intelligence means Temenos can quickly address compliance with Basel III and anything else the regulators come up with.

Loukianou's initial assessment is that implementing Insight Risk Intelligence has saved time for both business users and IT support staff. It has saved money because IT support staff can be redeployed to more useful work. The threat of financial penalty has been removed since USB's compliance department now logs on to the Central Bank of Cyprus server and delivers its reports on time.

# Customer-Driven Mobile Platform

**U**niBank (Ghana) Limited (uniBank), has implemented ARC Mobile to deliver the customer-driven mobile banking and mcommerce services at the heart of the Ghanaian bank's growth strategy. Based in Accra, it serves personal banking and small and medium sized enterprise (SME) customers. Its first decade in business resulted in a number of 'best bank' awards for customer care, growth, corporate banking and advisory services.

In 2009 the bank embarked on a five-year corporate strategy which seeks to position it as a major player with a nationwide presence. It is also preparing for Ghana becoming an oil-producing economy.

While uniBank has some branches, it has also relied on its telephone and electronic banking services. It also offered customers a limited, hosted third-party mobile service which was constraining growth. The bank's strategy for mobile banking and mcommerce seeks to grow its customer base and simultaneously address threats from other banks and third-party payment providers.

"We are a growing bank but there are 28 other banks in the market. In a competitive environment we have to marry technology with market opportunity," says Rev. Edward Randolph-Koranteng, Head of Electronic/Multichannels and Transaction Banking at uniBank and currently Special Assistant to the CEO "We realised that we couldn't compete at brick and mortar branch

level so clearly we are looking at different channels."

Currently, customers typically have to drive to a branch or an ATM to get account information or to conduct a transaction. Because of the high cost and limited fixed line penetration, internet banking in Ghana is only a useful banking channel for the corporate sector. uniBank therefore identified mobile as the banking channel to win customers by closing the service and quality gap.

To meet the customer service challenge, uniBank began to re-evaluate and re-prioritise its mobile strategy, choosing to implement ARC Mobile as a best fit for its multi-channel vision, with risk management a major deciding factor. "We are using ARC Mobile, which is integrated with T24. It's our own environment so we have security," says Randolph-Koranteng.

Outsourcing accountability for risk to the incumbent third party service provider was unacceptable to uniBank. T24 and ARC Mobile integration also offered a single point of contact with ensuing benefits in reduced business support costs. The implementation took 40 man days over a six month period with a joint team of uniBank consultants, local integration partner TextGenesys and Temenos.

ARC Mobile provides a secure way of making payments, which uniBank has immediately put to use by allowing its customers to directly top up mobile phone accounts from their bank account. Previously, this involved paying for a top-up code, or similar

**"We realised that we couldn't compete at brick and mortar branch level so clearly we are looking at different channels"**

token, to be redeemed separately.

TextGenesys has used the secure software interfaces in ARC Mobile to create links to mobile operators. This is a first step to mcommerce and demonstrates how uniBank can develop new revenue streams. With six network operators active in the Ghanaian market, uniBank knew that there would be business opportunities for the first bank operating in this space.

The uniMobile service, built on ARC Mobile, provides customers with many more SMS alerts and actionable information. uniBank can create its own alerts and notifications and the current service offers over 30, in contrast to the four previously possible. Interactive SMS and XHTML-based payments are also enabled.

As well as providing access to rich information about their accounts, uniBank is helping customers with notifications of events such as salary payments, cheques clearing and when payments on loans are due.

These initiatives have yielded a 20 per cent increase in the bank's customer base within the first six months of launching uniMobile.

"It's exciting for customers to have these services," says Randolph-Koranteng. "They will respond to a bank that is able to exceed expectations."



**uniBank (Ghana) Limited (uniBank), has implemented ARC Mobile**



# Tracking The Trends

By **Mark Gunning**, Global Director, Banking Solutions, Temenos

## The annual Temenos Community Survey reveals much about the pressures our clients face. This year's results pinpoint regulatory demands, customer retention and increasing competition

It has always been important to us at Temenos to know what our customers are thinking and we are constantly in dialogue with them to understand this. Every year, at the Temenos Community Forum (TCF), we have the opportunity to survey our customers to identify the key issues that keep them awake at night. This annual Temenos Community Survey yields fascinating insights into the prevailing global banking challenges, investment priorities and industry trends. This year, we canvassed 190 banking executives across a range of banking sectors in 71 countries, which uncovered the following insights:

### Biggest Banking Challenges

Regulation continues to pose the greatest threat to banks as more and more compliance requirements are born out of the economic crisis. For 24 per cent of respondents, the cost of compliance represents the biggest challenge to their businesses. This perception is shared evenly across all segments, tiers and geographies, indicating that new regulations such as Basel III are expected to impact heavily on their businesses.

Coming a close second in terms of stress this year, customer retention is exercising 23 per cent of banks as their biggest challenge, up from 17 per cent in 2010, as banks face the risk of losing their increasingly fickle customers to nimble, better placed or cheaper competitors. The challenge of retaining their best customers is felt most by almost a third of private banks and larger institutions. There is consistent emphasis on this across both emerging and developed markets.

With 18 per cent of respondents citing competition as the biggest threat facing the industry, compared to only 12 per cent in 2010, this is clearly a major issue for banks across the globe. These banks see the biggest sources of additional competition coming from new entrants, existing large incumbents, overseas entrants and peer-to-peer services. In terms of geography, peer-to-peer services represent a bigger threat in the developed world (17 per cent vs. 13 per cent). Surprisingly, new non-bank entrants are seen as a bigger threat in emerging markets (32 per cent vs. 27 per cent in the developed world). Although in the UK, this figure was higher at 36 per cent, with more competition coming from retailers.

### Key Corporate And IT Investment Priorities

These key challenges are clearly influencing corporate investment priorities for banks, with most institutions

focusing primarily on investment in new products and services and IT, along with improvements in risk management. Looking at IT investment specifically, banks are making more money available, with 64 per cent confirming that budgets were up on the previous year (compared to 53 per cent in 2010), and some reporting significantly bigger budget increases. As in previous years, the strongest areas of focus are core banking renewal, risk management and business intelligence.

### Key Industry Trends

The survey delivered some interesting results on the subject of newer products and services such as cloud computing and mobile banking. Cloud computing continues to draw mixed responses from bankers, many of whom are drawn to running a cloud based model because of the organisational flexibility it promises but are still deterred by data security and confidentiality concerns (50 per cent of respondents).

A relatively large number of banks also list lack of knowledge as a barrier to adoption (26 per cent). However, in what can be seen as a softening stance towards cloud adoption, less than a third of bankers would completely rule out running applications in the cloud. That figure was close to a half of respondents two years ago.

The research also reveals the increasing importance of mobile banking, with 33 per cent of bankers expecting the volume of mobile banking transactions to grow at an annual rate above 50 per cent, while 13 per cent predict a growth rate exceeding 100 per cent. Unsurprisingly, mobile banking is demonstrating its fastest growth in Africa, where one in five banks expects the market size to double every year for the next three years.

In general, this year's findings show an encouraging trend towards a more outward looking stance compared with 12 months ago. We welcome this more optimistic mood as we continue to work to find solutions to the key issues facing our customers; the Temenos Community Survey is an important tool in helping to keep us informed of these and we value your feedback.

A full copy of the research report can be downloaded at the Temenos website:

[www.temenos.com/Temenos-Community-Survey/](http://www.temenos.com/Temenos-Community-Survey/)

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**54%**  
higher return on assets

**62%**  
higher return on capital

**7.2**  
points lower  
cost/income

The data for this analysis comes from *The Banker* - 'Top 1000 banks 2009'. Average values for Temenos customers compared with average values for all other banks.

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