

## **Managing technology change in the Financial Services Industry**

**Speaker: Ann Cairns, CEO Transaction Banking ABN Amro**

**Date: Monday 22nd October 2007**

The club welcomed Ann Cairns to its first dinner speech of the new season. Ann was here to give us a user's view of technology. She intended to cover the impact of technology in banks, the impact on the clients and the need for continuing investment.

### **The impact of technology and the internet**

The internet has profoundly changed our world and yet there is still less than 20 % of the world population that has Internet. We were then shown in graphical form the huge increase in emails in the last eight years. There is also a generation difference. Children use technology quite differently from their parents. It comes naturally and often instinctively to them. They will often just try things out. The big challenge is making decisions with all the data available. Data mining is there but is often not used effectively in the business world.

Banking is still using the telephone. In the developing world the use of mobile devices is taking off and products such as lap tops are being bypassed.

In 2000 when at Citibank we had to think hard about what was coming. Citibank wanted to be the bank of the Internet. Banks historically assumed people would pay for services, however the academics view was "who will pay for it?" One of the major challenges of the internet is "how do we get services paid for?"

### **Why technology matters**

Technology helps us to deliver scale, but replacing legacy systems is extremely expensive and very slow. All global banks are heading in the same direction. A company has many elements that have financial products that need delivery and extending. For this to succeed connected technology is vital. We are also trying to manage the financial data together with the logistical data and hence provide a working capital approach.

The need for continuing investment in technology is increasing because we are trying to :

- Meet customer needs
- Become truly global
- Meet regulatory needs
- Innovate

It has been estimated that in some cases maybe a third of technology expenditure is being spent on compliance.

We need to make changes in technology that are not all of the nature of quick fixes.

### **What are the trends**

In Europe the clearing houses are now consolidating but outsourcing dialogue is not occurring with technology companies, just with other banks. Around 60% of banks are looking at other banks to do their payments because of the levels and costs of change.

There has been a significant rise in products and tools associated with risk management. There is contingency planning to cope with adverse events and disasters. Risk tools are becoming more common. Companies will increasingly use biometrics to manage risk. Iris scanning is becoming the norm as skimming on ATMs has become a very serious problem.

### **What does the future hold**

With regard to the use of technology overall Ann felt the guiding principles were stability, scalability and sustainability. Replacing core platforms is a complex challenge. Time to market is increasingly on the agenda for CEOs of banks.

An example of how technology can be deployed rapidly and positively was the website constructed and updated to keep employees informed as a new banking consortium was being brought together.

Credit risk is better understood in banks than operational risk, so the trend and pressure to shorten payments cycles must factor in the operational risk of error which might then be hard to unravel.

A lot more investment will occur in the use of mobiles to reach more customers.

Ann felt the banks has been able to produce better and faster changes to their technology based offerings in recent years than had been the case hitherto.