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Sibos Issues

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sibos

TUESDAY PREVIEW

Mersch: Banks must "reinvent and reinvigorate"
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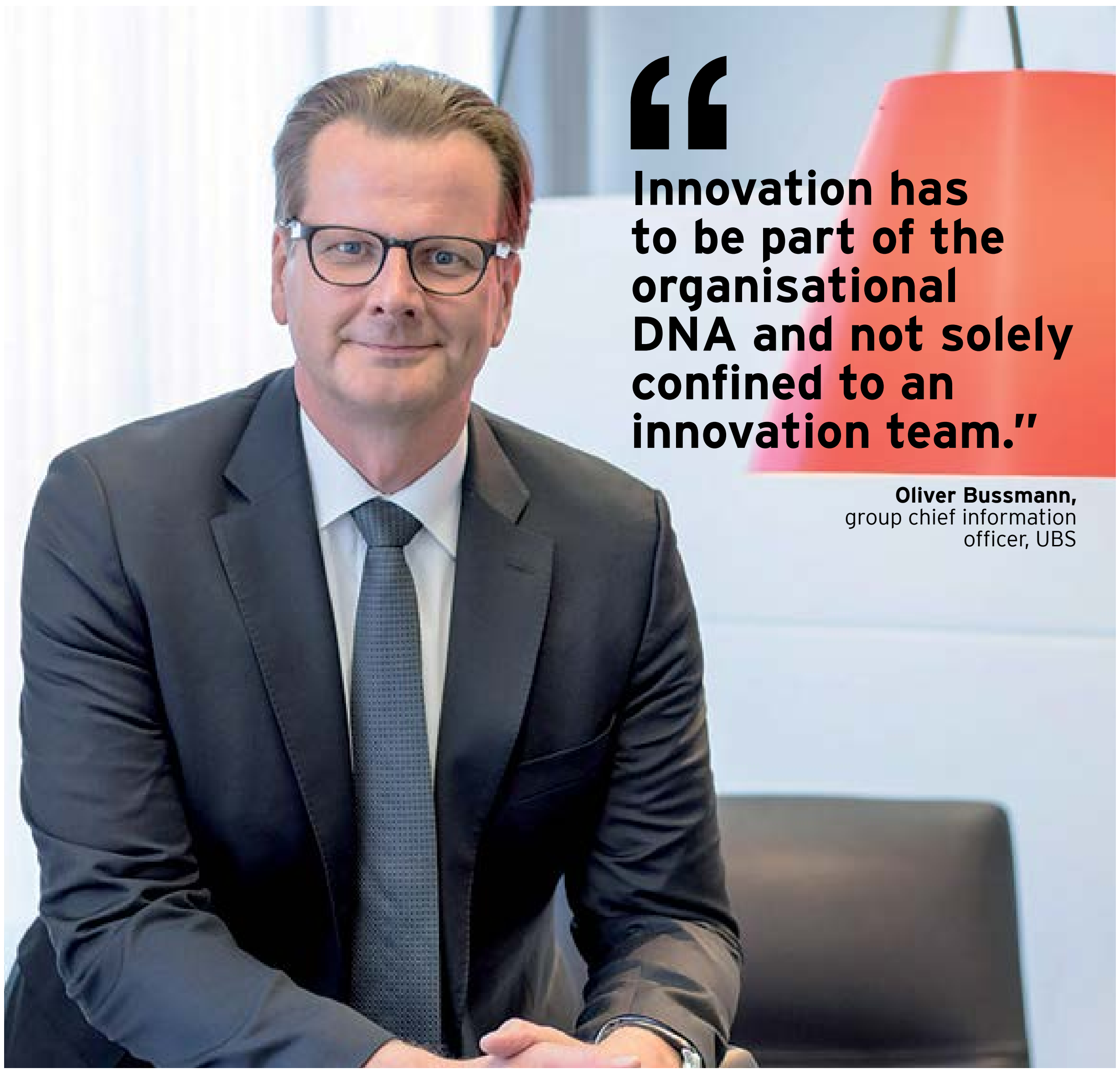
When universal meets local
page 8

To improve your Sibos experience and help you navigate the conference, Sibos Issues now previews the key sessions of the day ahead

BIG ISSUE DEBATE

Disrupting the disrupters

Banks are devoting more time and resources to innovation to ensure their platforms and services remain competitive in the digital age.



"Innovation has to be part of the organisational DNA and not solely confined to an innovation team."

Oliver Bussmann,
group chief information officer, UBS

The relentless rise of internet-connected devices might once have been considered a phenomenon confined to the consumer technology sector, but most banks now recognise that they need to adapt their core platforms to this digital revolution if they are to stay relevant to clients.

It may be too early to conclude exactly how this transition will play out, but the spread of digital technology – from laptops, tablets and phones to cars, watches and other familiar consumer goods – clearly creates opportunities for banks to enhance the client experience, reduce costs and mitigate risk. Many banks have recognised this and are actively exploring ways to exploit those opportunities.

In July, Standard Chartered created the new function of chief innovation officer; a senior role held by Anju Patwardhan, its former group head of risk innovation. Such a function might have been inconceivable a decade ago, but Patwardhan is now responsible for shaping a 'strategic innovation agenda' across the bank's global network.

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COMPLIANCE FORUM

A question of responsibility

Should banks understand the end-goal of financial crime regulation or just its specific impacts?

As regulators around the world have upped their demands on financial institutions, it has been suggested that banks should do more to ensure their employees fully understand the end-goal of financial crime compliance regulation. However, the debate as to where the ultimate responsibility lies remains a lively and impassioned one.

John Wagner, managing director, regulatory and compliance, Deloitte Transactions and Business Analytics, says governments view banks and other financial institutions as the first line of defence against financial crime. "When you really think about the banks – which provide much of the plumbing of our domestic and international economies – regulations focus on their global interconnectedness," he explains. "Regulators view the banks and other financial entities as the critical infrastructure of the economy. The regulators play their part as well, taking a risk-based approach to assessing the adequacy of controls of

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WHAT'S ON

Big Issue Debate/Plenary
Plenary room
11:30-12:30 The Internet of Things and banks' core platforms

Compliance Forum
Conference room 2
08:00-09:00 The Compliance Forum Opening
09:00-09:45 Big banks and small banks
10:15-11:15 Utilities: A year on

Market Infrastructures Forum
Conference room 1
09:00-09:45 Real-time: How fast is too fast?
10:15-11:15 Securities market infrastructure innovation: The next frontier
15:30-16:30 Driving the industry towards a truly global ISO 20022 standard
Conference room 4
14:30-15:30 In conversation with Yves Mersch, European Central Bank

Standards Forum
09:00-09:45 Planning your ISO 20022 implementation: Myths, best practice and advice
10:15-11:15 Standardising the standard: The need for global ISO 20022 market practice
13:00-13:45 Market infrastructures update: ISO 20022 plans and visions
14:00-14:45 MyStandards: A platform for ISO 20022 harmonisation
16:45-18:00 ISO 20022 Harmonisation Charter Ceremony followed by Close Harmony Celebration

Technology Forum
Conference room 3
09:00-09:45 A guide to resilience and true 24/7 availability
10:15-11:15 Spotlight on digital ID
14:00-15:15 Virtual storm: Cyber crisis simulation
Workshop C
16:00-17:00 The future of technology vendor risk management

Innotribe
09:15-10:00 Innotribe day opening
10:15-11:15 Engaging with the millennial generation – A hands on workshop for banks
12:45-13:45 Financial inclusion
14:00-15:00 Re-inventing regulation
15:15-16:15 World Economic Forum (WEF) – Invitation only session
16:30-17:30 Leveraging modern payment platforms for accelerating social impact

Diversity
Meeting room 4303 – L4
13:30-15:00 Blindspot: Hidden biases of good people
16:00-18:00 Reframing the debate: Shattering the mirrortocracy

Securities
Conference room 4
09:00-09:45 Cross border challenges of intermediated securities: Legal transparency versus operational efficiency
Workshop A
14:00-15:15 Breaking the silos: Building a global asset inventory to optimise collateral management
15:45-16:45 Risks, opportunities and effects of outsourcing

Payments
Conference room 4
10:15-11:15 Re-inventing correspondent banking
Conference room 3
15:45-17:00 BCBS liquidity monitoring tools: status, challenges, industry collaboration, global implementation

SWIFT Institute
SWIFT stand
14:00-14:30 When will we ever get the incentive for faster payments right ? Analytics to pave the road toward future money
14:30-15:00 Cross-border stock market links in Asia: What makes one a success?
15:30-16:00 Currency war – A window for the rise of the Renminbi

According to the bank, "With the digital revolution we are experiencing, the financial services industry is being disrupted. The industry is being digitally re-imagined and re-wired from the ground up by non-traditional competitors. Banks must formulate clear strategies on how to respond to these developments." We will hear more of Standard Chartered's views when group chief information officer Michael Gorriz takes his place on the panel for today's big issue debate, 'The Internet of things and banks' core platforms', alongside Cathy Bessant, chief operations and technology officer at Bank of America Merrill Lynch, Patrick Maes, chief technology officer at ANZ Bank and Oliver Bussmann group chief information officer at UBS.

Pursuing an innovation agenda might seem a somewhat lofty objective compared with the more workaday tasks required to keep a bank's services and systems ticking over, but larger institutions in particular realise the need to maintain broad horizons as they look to adapt their platforms to the digital age. Formerly global chief information officer at SAP, Bussmann's appointment at UBS in 2013, gave notice of the bank's priorities.

Two years later, one of Bussmann's main aims is to make sure UBS is properly positioned to take advantage of distributed ledger technology. Earlier this year, UBS established an innovation lab at Level39 a London-based FinTech accelerator space, which will test blockchain and other technologies. More recently it joined the R3 consortium of banks developing standards and protocols for distributed ledger technology across the industry.

Sibos Issues talks to Bussmann about the challenges and opportunities for banks presented by the digital revolution.

Sibos Issues: What does your role entail?

Oliver Bussmann: As group chief information officer, there are broadly three parts to my role. Firstly, I have responsibility for all of the IT functions across the bank. Secondly, I have a mandate to help manage changes to the bank's portfolio as it moves into growth markets and introduces new products and services. Thirdly, I need to drive innovation in technology across the bank. If you get the first two areas right, you can then dedicate more time, resources and management attention to innovation.

Sibos Issues: How do you make sure you are devoting sufficient resources to innovation?

Bussmann: At UBS, we created 'Innovation Spaces' two years ago to deliver an organised innovation process and identify themes for the business to focus on. This runs right from the original conception of an idea through to granting access to funds and resources to validate those ideas around the globe. My job is to create an environment in which we understand the impact of disruptive technology and grant access to the necessary resources for innovation to flourish.

Sibos Issues: How does Innovation Spaces actually work?

Bussmann: The idea is that the business itself generates the ideas and tests them, then we have a central team that researches, provides funds for the idea validation process, and brings the project into a scalable production environment. That runs across all business lines within the bank.

Sibos Issues: Can you give an example of a particular innovation UBS has pursued?

Bussmann: Through our research with the World Economic Forum this year, we came to understand the potential value of distributed ledger technology, so we proposed a programme for our IT department together with our businesses to explore the impact of blockchain and related technologies on settlement, trading and trade finance. This is an example of taking something out of research and then getting the business mobilised to understand its potential impact. Our Level39 innovation lab in London provides the working environment to validate ideas and build prototypes.

Sibos Issues: What are the challenges of pushing innovation across a large bank?

Bussmann: You need to have a dedicated innovation team that drives the process, but the success rate really depends on the generation of ideas at a business line level. Innovation has to be part of the organisational DNA and not solely confined to an innovation team. Also, it is key that you are part of the FinTech ecosystem and collaborate with other banks, tech companies, startups and regulators.

Sibos Issues: Do you see financial technology providers as collaborators or competitors?

Bussmann: I think there has been a visible change over the past year, especially when it comes to distributed ledger providers. Many of them initially positioned themselves as competitors and didn't want to deal with banks. But this is a highly interconnected environment and banks need to work together with both vendors and regulators to realise the potential penetration of this technology.

Sibos Issues: What do you see as the main priorities when it comes to blockchain?

Bussmann: The first is to establish a common market infrastructure standard for different asset classes, and the second is to identify which asset classes and products are most suited, from a workflow perspective, to being managed and distributed over distributed ledger platforms. These have to be the top priorities, and that's why we have chosen to be part of the R3 consortium, so that we can agree on the best common platform and take the first steps together as an industry.

Sibos Issues: How long will that process take?

Bussmann: It will probably take less than two years before we see more products moved onto these types of platforms. One of the key questions is whether trading or settlement will be first.

Sibos Issues: What will be the biggest innovations in banking and payments in the next 3-5 years?

Bussmann: One important question will be how much of our existing processes that take place between different counterparties can be replicated, simplified and streamlined in a distributed ledger environment. This is an area that could impact our business significantly. ■

TO LEARN MORE ...

The Internet of Things and banks' core platforms
Tuesday 13 October – 11:30-12:30

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COMPLIANCE FORUM

A question of responsibility

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each jurisdiction in our inter-dependent worldwide anti-money-laundering (AML) regime."

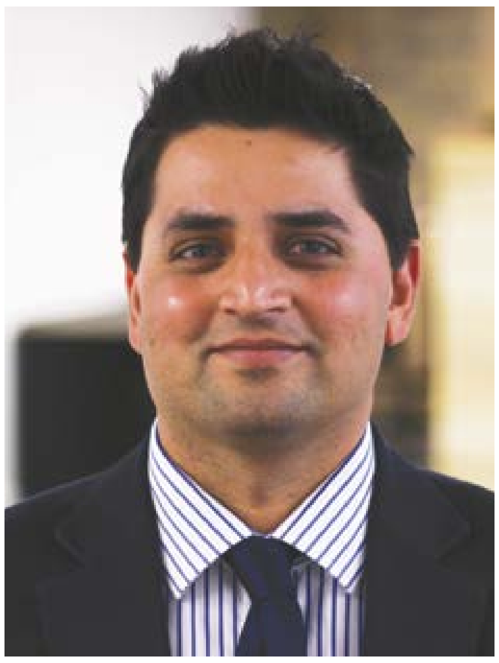
Banks are not alone of course. As the scope of legislation widens, so does the range of institutions asked to share responsibility for preventing crime. As Wagner notes, financial crime regulation has gone beyond monitoring illegal cash movements to include fraud, sanctions and corruption. "Institutions work to manage risk and meet requirements including, but not limited to cash. Regulations have become much more expansive and, in the US, most recently, entities such as registered investment advisers and mortgage brokers have also become subject to heavier regulation," he observes.

Risk-based approach

Wagner regards the risk-based approach adopted in most major jurisdictions, including the US, as challenging "because it is primarily a risk context-driven regulation". US AML regulations, for example, have two main elements: the explicit technical recordkeeping and reporting requirements; and a risk management component, e.g. customer due diligence, risk assessment, and the monitoring of suspicious activity.

"The risk management component is the most challenging to implement because each institution has a unique business strategy and customer base, so financial crime or AML control systems have to address the risks unique to that institution," says Wagner. "It can be challenging for an institution to evaluate, design and implement these risk-based requirements. It is also challenging for the regulators who work with each institution to understand the unique risks involved and how the controls required to manage the risks are applied."

So, what lengths should banks go to in trying to fully understand what it is that governments are hoping to achieve? Keith Stanton, solutions consultant of managed service solutions (EMEA) for payments group FIS, says banks should first focus on meeting the regulations, based on a clear understanding of what the requirements are. In the world of financial crime compliance, this is easier said than done. He explains: "There is an added complication in that the regulations are under continual review and change frequently. Banks must keep up to date with any new regulations and requirements that are released, for all jurisdictions in which they are operating."



"Banks should invest heavily in ensuring their own employees understand the importance of preventing financial crime.

Romesh Deodhar, principal consultant, Capco

Organisational obligations

Stanton says the burden on banks to meet the letter of the law when it comes to regulatory requirements can challenge their ability to address its spirit. He notes that many banks are in fact providing valuable customer service by working with clients to protect their assets from financial crime. Some institutions, however, have followed the path of least resistance, preferring not to ask tough questions or decline illicit transactions, thus leaving themselves open to financial crime or regulatory infringement. Ultimately, banks must aim to accommodate the demands of both regulators and customers. "The key is to find a balance between the two," Stanton says.

Romesh Deodhar, principal consultant at Capco, says banks' ability and willingness to engage with customers on tackling the rising threat of financial crime is reflected in the increasing use of communication campaigns to both staff and customers, many of which highlight the traditional role banks play in safeguarding client assets and being "institutions of trust". He explains: "These campaigns educate the customer about how they can protect themselves from financial crime and help the bank by working together to fight financial crime. These campaigns are especially relevant for personal banking customers where many still perceive financial crime as only ID fraud."

But the question of balancing compliance and service remains a complex one. At last year's Sibos, banks' compliance executives voiced concerns about the tougher regulatory stance on financial crime. These reservations centred on the possibility that stricter regulation could lead on the one hand to disenfranchisement of legitimate businesses or individuals; and on the other hand to the establishment of an alternative and unregulated system where illicit business could take place without any sort of control. In June, the British Bankers' Association director of financial crime, Matt Allen, wrote in a media statement that "Frictions have occurred... over how to strike the best balance between preventing financial crime and honouring other policy initiatives such as financial inclusion and supporting growth, investment, employment, trade and competition."

Mindset shift

Over the past year, financial institutions have turned their attention to trade-based money laundering, with a focus on how criminals are using international trade channels to cleanse illicit gains and laundering through property transactions. Banks have also stepped up their focus on customer profiling.

Support is also growing for 'utility' solutions, which can help banks to standardise compliance processes, mutualise cost and mitigate compliance-related risk. In January, SWIFT announced that its Sanctions Screening hosted service had been enhanced to enable filtering of all transaction types, as part of its efforts to bolster the sanctions compliance capabilities of both small-to-medium-sized and larger banks. Many of the largest banks have also set up financial intelligence units (FIUs) that act as a 'fusion centre' for financial crime compliance. Rather than having several separate arms of the bank doing more or less the same work entirely differently, FIUs allow much better information sharing and the training of staff.

There remains a feeling among experts that a cultural shift is on the horizon and that banks are in for a significant change in mindset in how they think of financial crime. Capco's Deodhar says this change will likely include every employee, supplier and vendor. "Banks should invest heavily in ensuring their own employees understand the importance of preventing financial crime," he observes. "This should begin with providing the right messages from the top of the organisation and continue by working diligently towards buy-in from stakeholders, having a clear and effective communications and cultural change programme and allowing sufficient resources for training staff and managing workforce support networks." ■

TO LEARN MORE ...

Compliance forum opening
Tuesday 13 October – 08:00-09:00

Compliance back to the future
Wednesday 14 October – 10:15-11:15

COMPLIANCE FORUM

Moving with the target

Banks' financial crime strategies evolve to keep pace with compliance challenges.

As regulators across the world take a tougher approach to financial crime with stricter counter-terrorism measures, banks are being asked to do more to prevent criminal acts.

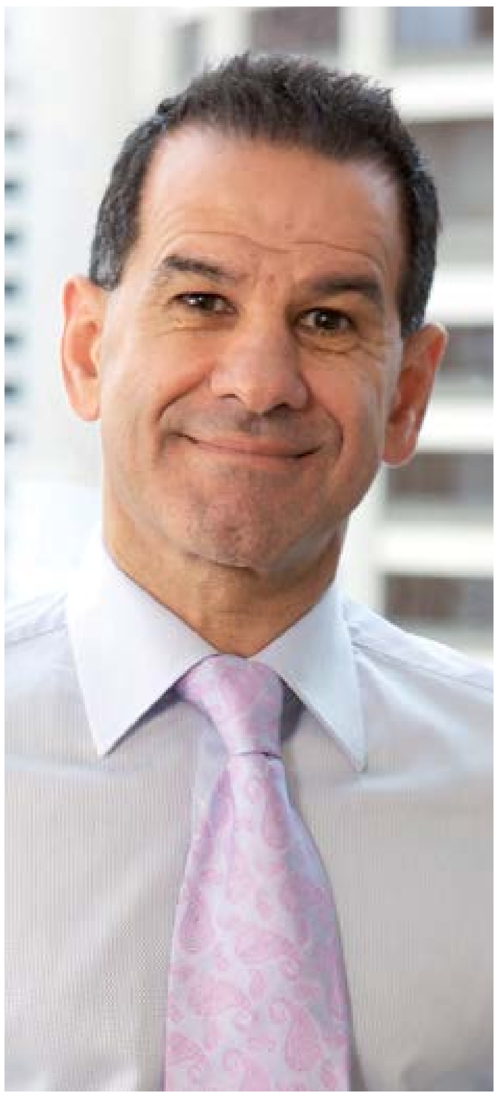
Whether it's taking direct action to prevent the financing of terrorists or simply improving compliance monitoring techniques, banks are now more than ever acutely aware of the impact that financial crime has not just on business but on society as a whole. Nathan Van de Velde, legal researcher at the University of Leuven, says that while legislators are continuing to improve their regulations regarding financial crime, the perpetrators of such crimes are also expanding their horizons. He says: "In the past year, the importance of social media and virtual currencies such as cryptocurrencies in financial crime and terrorist financing has risen. Lawmakers have yet to catch up with certain developments in the field."

At the same time, banks have been keen to enhance compliance practices against a backdrop of negative headlines and heightened scrutiny in the aftermath of the global financial crisis. But Van de Velde says that the current complexity of compliance and regulatory requirements for financial institutions – in particular relating to anti-money laundering and counter terrorist financing – introduces a real risk of overspending. "Rather than asking the question whether banks are doing enough, the focus should be on whether banks are conducting their compliance activities in an efficient manner," he explains.

Other experts believe that regulators' responses to the global challenges have been heavy handed and that more could be done to empathise with the issues that banks face. Andrew Yiangou, managing director, global transaction banking, National Australia Bank (NAB), says this is particularly the case in the payments arena.

"Regulators should look to work more closely with banks to address both the criminal and social aspects of the payments landscape.

Andrew Yiangou, managing director, global transaction banking, National Australia Bank



Moving with the target

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"The approach of some regulators is promoting a de-risking/re-risking/financial exclusive culture and in turn fostering an undesirable underground payments market. Instead, they should look to work more closely with banks to address both the criminal and social aspects of the payments landscape," he says.

David Grace, global financial crime leader at PwC, acknowledges that the level of communication and cooperation between banks and regulators needs to improve to keep pace with the activities of those using the financial system for criminal ends. Despite the "well-intentioned focus by regulators and financial institutions" there is an absence of joined-up thinking. He observes: "The burden on regulated institutions is growing and the need to improve the effectiveness and cost efficiency of systems continues to be a major focus of effort."

Prevention strategies

There are other areas where the banks deserve credit too. The fourth EU Money Laundering Directive has been embraced wholeheartedly, with early implementation of new processes and controls to increase the transparency and traceability of beneficial ownership structures, for example. This is particularly noteworthy, given the cross-regulatory significance with requirements in the US and the impending EU tax and payment services changes.

To maintain control of the costs of tackling financial crime, banks are increasingly focusing on prevention strategies, ensuring that staff and clients are following due process. Phil Sturmer, head of anti financial crime at specialist consultancy Crossbridge, suggests that banks' efforts to meet financial crime compliance requirements should be holistic, rather than the remit of specialists. "To ensure that they are doing as much as possible to fight financial crime, banks could promote a cultural shift towards financial crime awareness. In short, this means having all staff take responsibility for financial crime prevention," he explains.

Sturmer suggests that senior business and front-office executives should be assigned responsibility for financial crime controls across business units. He also advises that staff should be told clearly about the punishments and consequences for breaches of controls or not reporting suspicious activity, based on real case studies. Banks should support staff by "implementing intensive and rigorously enforced staff training programmes, focusing on individual responsibilities of all bank staff for financial crime prevention" regardless of whether or not they work in a compliance role, he says. "New staff might be required to complete a significant part of a dedicated training programme before security clearance is given to start work at the bank, even in functions which have little direct control over financial crime," adds Sturmer.

> **"The focus should be on whether banks are conducting their compliance activities in an efficient manner.**
>
> **Nathan Van de Velde,** legal researcher, University of Leuven

Deepening engagement

Banks have taken on board the principle of knowing their customers and their customers' customers well enough to assess their risk levels But as financial crime compliance takes a more central role in their business and operating strategies, the ripples continue to spread. An ongoing challenge for banks lies in striking the right balance between fighting crime and de-risking portfolios to minimise business risk. Luis Canelon, consultant at financial risk group Protiviti, says: "Banks need to recognise the severe impacts on society and business that this de-risking has caused as it is leaving entire categories of customers and certain jurisdictions out of the banking system."

Nevertheless, the signs of a deepening engagement among banks with the wider causes and ramifications of financial crime are increasingly evident. At the end of 2014, Royal Bank of Scotland (RBS) announced it would be providing experts to the City of London police force to train detectives in financial crime and cyber-technology abuse. RBS staff are now working with the force's Economic Crime Directorate to support training and research projects.

"Banks are on the front line and have been combating emerging threats and fraud for years, so they have an edge. Financial institutions know it's a primary business imperative," says Matt Cullina, chief executive officer at financial crime consultancy IDT911. ■

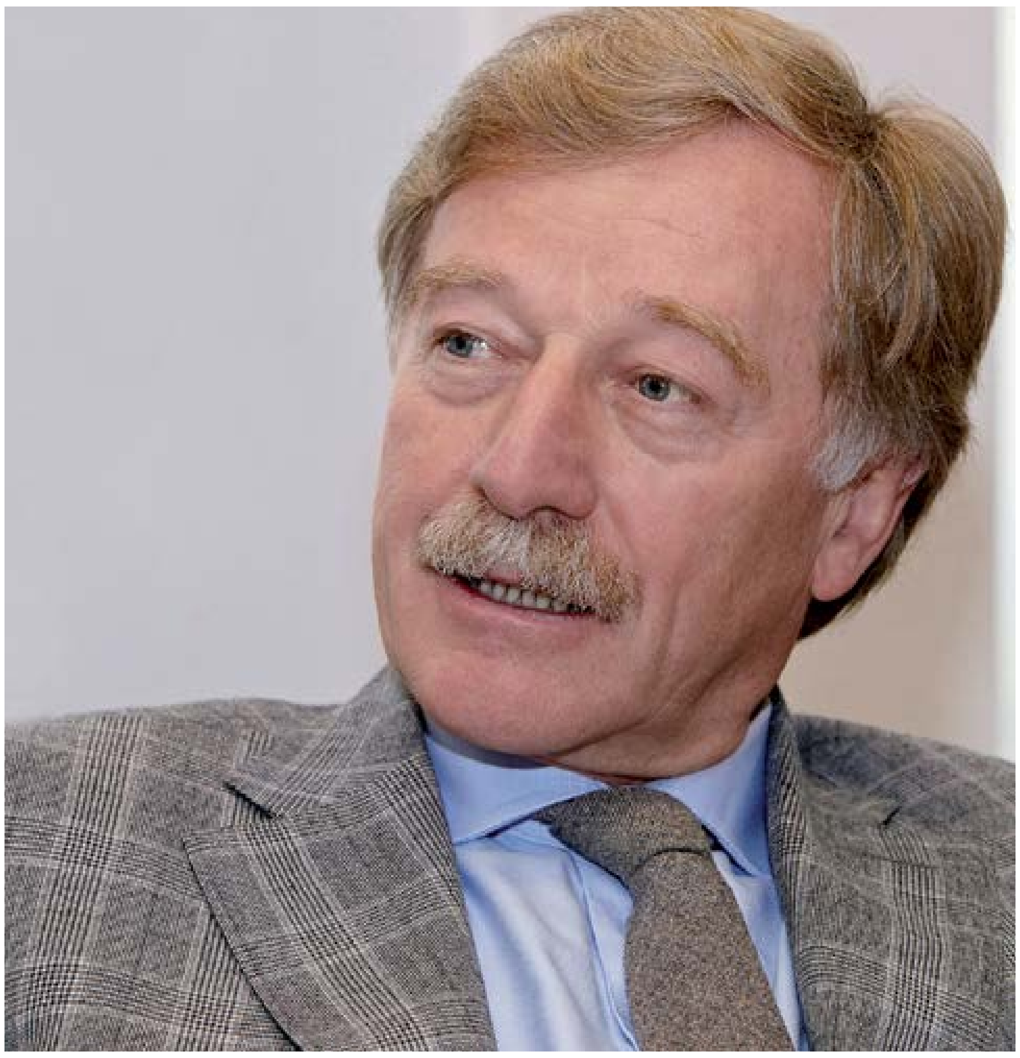
TO LEARN MORE ...

Big banks and small banks
Tuesday 13 October – 09:00-09:45

Utilities: a year on
Tuesday 13 October – 10:15-11:15

Banks must "reinvent and reinvigorate"

ECB's Mersch calls for banks and market infrastructures to adapt to keep pace with changes to post-crisis financial markets landscape.



In the last 12 months, the European Central Bank (ECB) has established a new framework for banking supervision, launched a new single platform for securities settlement and embarked on a programme of quantitative easing. But the evolution of Europe's financial market infrastructure is unlikely to slow down in the near future, as Capital Markets Union and a common instant payment scheme for euro payments take shape. Yves Mersch, member of the executive board of the ECB, discusses recent and future challenges on the path to increased integration in Europe's financial markets.

Sibos Issues: What is your assessment of the current state of financial market integration in Europe?

Yves Mersch: Overall, since 2012 financial market integration in the euro area has improved steadily and returned to a level close to that recorded before the sovereign debt crisis. Financial integration has improved as a result of, inter alia, the establishment of the banking union and the ECB's non-standard monetary policy actions. We expect this upward trend to continue as the banking union is fully implemented, the banking transmission channel is restored, and the Capital Markets Union (CMU) initiative takes shape in Europe. Furthermore, financial market integration in Europe benefits from the provision of central bank services that enable a harmonised and seamless flow of funds and assets across borders, i.e. TARGET2, TARGET2-Securities (T2S), launched earlier this year, and the Correspondent Central Banking Model (CCBM). In the retail payments market, the ECB and the Eurosystem have been fostering financial market integration by contributing to more efficient euro retail payments and the realisation of the Single Euro Payments Area (SEPA).

> "
> **CMU can make a positive contribution to deepening financial integration in Europe by supporting more cross-border risk-sharing.**
>
> **Yves Mersch,** member of the executive board, European Central Bank

Sibos Issues: How will the proposed CMU accelerate the path to greater financial market integration?

Mersch: The CMU project, launched by the European Commission, can make a positive contribution to deepening financial integration in Europe by supporting more cross-border risk-sharing, creating deeper and more liquid markets, and increasing the resilience of the financial system by developing alternative sources of funding for the economy. The CMU agenda can also be used to develop financing tools addressing the specific needs of small and medium-sized enterprises (SMEs), infrastructure projects and long-term financing. The successful launch of T2S made an important contribution to this process and is already paving the way towards some of the goals in the CMU agenda by facilitating cross-border bond and equity settlement.

Sibos Issues: How far toward the US financial markets model – i.e. reliance on less bank-supplied debt, more capital markets-based finance – should and can Europe go?

Mersch: While it is certainly appealing to envisage a growth in capital market funding in Europe, one has to take into account that companies seeking funding in the US typically have a very different size and structure from companies in Europe, where SMEs are far more prevalent. And while access to SME financing needs to be improved, it is clear that this cannot be achieved only by enlarging capital market funding. It is only really banks – and in particular larger banks – that have large enough balance sheet to effectively diversify the idiosyncratic risks from SME lending by lending to a broad enough range of firms. And it is only banks that have the relationship networks and screening and monitoring processes to manage the information asymmetries associated with smaller firms, though these asymmetries are to be addressed by the CMU initiative promoting the voluntary disclosure by SMEs of standardised financial information.

Sibos Issues: Have banks been hit too hard by the combined impact of post-crisis reform and what is their future role in the European economy?

Mersch: It is true that European banks are currently facing substantial challenges. First, they have to deal with the legacy effects of the crisis on their balance sheets, which means going through a process of restructuring and deleveraging. Second, post-crisis banking regulation required banks to improve both the quality and the quantity of their capital. Third, structural changes in the industry such as the digitalisation of banking services and the trend towards more capital-based financing in Europe means that banks have to deal with new competitors that provide services which were provided beforehand exclusively by banks. While competition from new service providers is beneficial to society at large, it is neither desirable nor likely that these new competitors will wholly replace banks as providers of such services. Banks are expected to retain their role in the provision of retail payments services, combining the drive for innovation with safeguarding a high level of security for sensitive payments and consumer data. They are also expected to retain their role as lenders, effectively diversifying risks in the lending process. But to be strong enough to be able to compete, banks need to respond adequately to the challenges by reinventing themselves and reinvigorating their business models.

Sibos Issues: What are the next steps toward further payments infrastructure integration across Europe?

Mersch: The next big step towards further retail payment infrastructure integration across Europe is the development of a common instant payment scheme for euro payments that reaches the beneficiary in real time, 24 hours a day, 365 days a year, and makes the funds immediately available for use by the recipient. The Euro Retail Payments Board has invited the European Payments Council to design a scheme for instant payments based on the SEPA credit transfer in euro by November 2015. Instant payments will form the basis on which payment service providers build their offerings for end-users, aiming to fulfil those user expectations with regard to convenience and safety. For example, person-to-person mobile payment services may be built on an instant payment scheme. The clearing and settlement infrastructure will have to adapt to the requirements of instant payments accordingly. This may lead to further integration in the payments infrastructure across Europe.

> "
> **The clearing and settlement infrastructure will have to adapt to the requirements of instant payments.**
>
> **Yves Mersch,** member of the executive board, European Central Bank

Sibos Issues: How should T2S's performance be measured and what further steps are being taken to dismantle the Giovannini barriers?

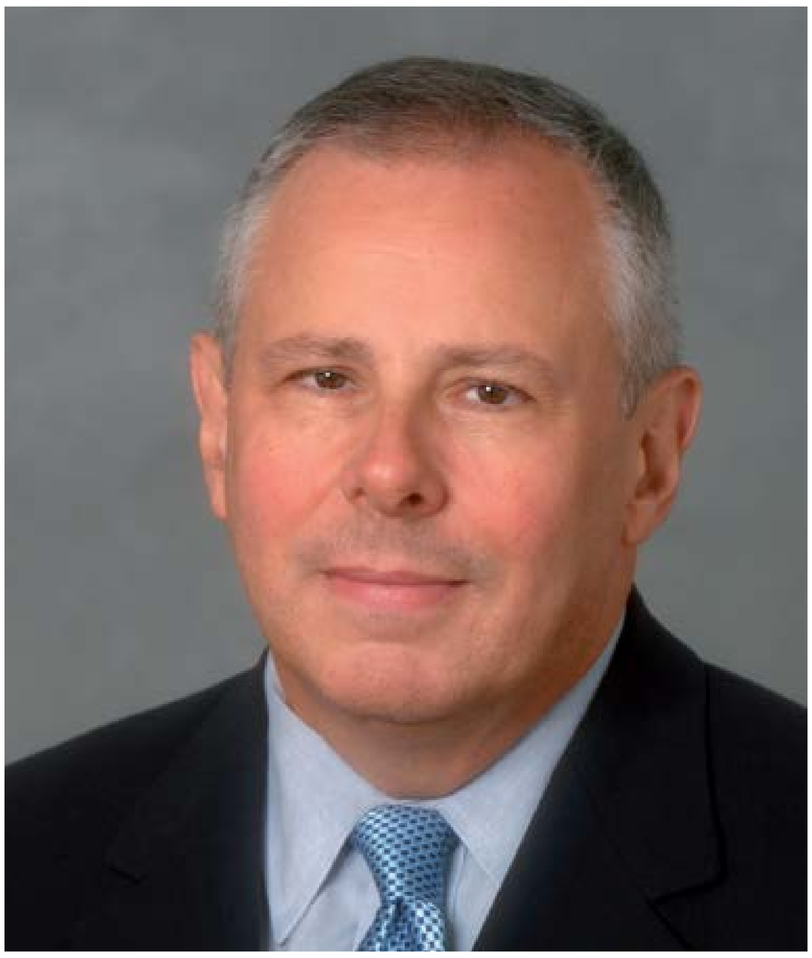
Mersch: Success of T2S will be measured not only against the aim of realising efficiency gains achieved from reductions in settlement costs, but also from generating collateral and liquidity savings for banks, enabling custodians to streamline their back offices, and providing new business opportunities for all players in the future competitive post-trade environment. To dismantle the remaining Giovannini barriers that could not be removed by the creation of T2S and the CSD Regulation, more legislative and regulatory action may be required. This is because financial markets in Europe are subject to a vast network of legal rules, which sometimes conflict on issues such as taxation requirements, insolvency procedures and corporate governance. For full integration, we need to have a single rulebook for capital markets, and all market participants must have equal access to markets. I am confident that the CMU initiative will help to achieve this goal. ■

TO LEARN MORE ...

In conversation with Yves Mersch, European Central Bank
Tuesday 13 October
14:30-15:30

When universal meets local

Greater coordination is needed to ensure ISO 20022 does not become a victim of its own success.



> As projects increase and diversify, we have good reason to look carefully at cross-border interoperability.

Roy DeCicco, managing director, global markets infrastructure group, JP Morgan

According to the ISO 20022 Adoptions Initiative Report more than 80 projects to implement ISO 20022 for financial transactions across different business areas and geographies have been started or completed. Even for a universal messaging framework, that's a lot of use cases. In each case, the core ISO 20022 message sets may be moulded to meet very specific needs, in some very different markets. No wonder, perhaps, that concerns have been raised that too much innovation can lead to fragmentation of ISO 20022, undermining the interoperability that is its unique selling point.

The challenge faced by all these projects and those that will surely follow is how to implement ISO 20022 to take advantage of its flexibility while preserving its interoperability benefits. A careful balance between the universal and the local is a good start.

Take the case of VP Securities, Denmark's central securities depository (CSD). VP Securities' use of ISO 20022 is closely tied to the CSD's internationalisation strategy. The introduction in June 2015 of a single European securities settlement system – TARGET2-Securities (T2S), operated by the European Central Bank – forces CSDs to compete with each other for settlement and asset servicing revenues. VP Securities will join T2S in 2016 for euro-denominated transactions and will support Danish krone-denominated settlement from 2018.

A strategic approach

In theory, CSDs from smaller European markets are considered vulnerable to rivals that can offer greater economies of scale, but VP Securities' plans are already well developed. The firm established VP LUX, a Luxembourg-based CSD in 2008 to help Danish banks to issue Eurobonds from within the Euro-zone and has since broadened its services to international bond issuers and investment fund issuers. To make it as easy as possible for its international clientele to connect to its services, VP Securities already uses ISO 20022 across a number of capabilities. VP LUX is decommissioning its ISO 15022-based and proprietary message formats in favour of ISO 20022, while vp.FUND HUB, the firm's automated international fund distribution platform, only uses ISO 20022 messages for order routing and related processes. VP Securities is also planning to use ISO 20022 corporate actions messages.

Bjorn Stendorph Crepaz, VP Securities' head of business development, issuance and safekeeping, says use of ISO 20022 is more than an IT implementation project. "Our ISO 20022 implementation strategy will help us to unlock business opportunities," he says. "Also, as an early adopter of the standard in the Nordic region we are able to shape the way in which use of ISO 20022 will evolve." Conscious of the risks of fragmentation, VP Securities senior product manager Niels Hougaard is keen to minimise the number of variants and versions of ISO 20022 messages and to limit the period of coexistence with ISO 15022-based messages and platforms, to minimise operating costs. To this end, VP Securities is an active member of the Securities Market Practice Group and has signed up to the SWIFT ISO 20022 Harmonisation Charter, which aims to help market infrastructures collaborate with one another to drive harmonisation (see sidebar).

When adapting ISO 20022 to the specific needs of the Danish securities and investment market, VP Securities has taken a similarly consultative approach. Unlike some European CSDs, VP Securities holds accounts on behalf of individual investors, and so had to develop some distinct message standards, doing so in close consultation with SWIFT and local market participants. "We have used the full ISO 20022 message set, following best practice and maintaining dialogue with SWIFT, to ensure message interoperability and harmonisation," says Hougaard.

Migration difficulties

Differences between ISO 20022 implementation projects can arise from their approach to migration from legacy FIN messages. Simply replacing FIN messages with their nearest ISO 20022 equivalents might seem practical, but dangers lurk. Because ISO 20022 message fields are highly structured (to facilitate high levels of straight-through processing), a like-for-like migration from less-structured FIN messages would potentially require ISO 20022 messages to accommodate the unstructured data carried by the FIN message format. "Not only does this mean that the structured fields of the ISO 20022 message are not fully optimised, but it would create barriers to cross-border use of messages to jurisdictions that had taken a different, more content-rich approach to ISO 20022 implementation," says Paula Roels, director of market management, institutional cash and securities services, Deutsche Bank.

In the payments realm, it was SWIFT Standards that first flagged to the Payments Market Practice Group (PMPG) – and to the relevant market infrastruc-

> As global citizens, our retail and corporate customers want a single experience.

Paula Roels, director of market management, institutional cash and securities services, Deutsche Bank

ture operators – the possible risks of fragmentation caused by the differences in how ISO 20022 was being implemented in different high-value payment systems.

"There is an increasing level of interest in adopting ISO 20022 for high-value payments (HVPs) in key markets," says Roy DeCicco, managing director, global markets infrastructure group at JP Morgan, and PMPG co-chair. "Some are looking to use ISO 20022 messages to replace existing messages on a like-for-like basis, while others are planning to adopt a wider range of the available message set in order to utilise the richer content. As projects increase and diversify, we have good reason to look carefully at cross-border interoperability between different countries' ISO 20022-enabled high-value payments systems."

As a result, the PMPG has sponsored the development of a set of guidelines for common adoption of ISO 20022 in the high-value payments systems clearing and settlement space, already used in India and Brunei.

Real-time response

High-value payments system operator EBA Clearing is also planning to introduce a pan-European real-time payment processing service 2018, and recently launched an RFP for a technical solution provider. "Real-time payments initiatives start off domestically focused," explains DeCicco, "But we anticipate that very rapidly retail and corporate users will soon want to use them on a cross-border basis. As such, we decided to get ahead of the curve by setting up a group to look at how real-time payments initiatives were using ISO 20022 in order to draw up some guidelines for implementation and usage." This will help to reduce the cost and complexity for multi-national organisations of connecting to multiple real-time systems in multiple markets, and may eventually simplify interoperability between the systems themselves.

At the instigation of UK trade association Payments UK, the ISO 20022 Real-Time Payments Group was founded in May and has worked on a draft set of implementation guidelines for use of ISO 20022 in real-time payments projects. It is due to be approved in December. DeCicco says the need for a harmonised approach is urgent: "There is some variety in how different countries have implemented ISO 20022 for real-time payments. This current dialogue is a first step toward understanding how best to use the messages to cater for specific real-time payment scenarios, call out the differences and develop usage guidelines that will enable countries to exchange ISO 20022 real-time payments messages across borders.

From Roel's perspective, customer demand is driving the need to implement ISO 20022 with interoperability firmly in mind. "In the digital age, clients operate on a global not a regional basis. Even with use of a universal message framework like ISO 20022, differences between market infrastructures can still impose limitations on end-users. As global citizens, our retail and corporate customers want a single experience, regardless of whether they're paying in euros, dollars, or any other currency. This means banks and market infrastructures need to maintain regular dialogue to achieve the level of coordination and collaboration needed," she says. ■

TO LEARN MORE ...

Standardising the standard: the need for global ISO 20022 market practice
Tuesday 13 October – 10:15-11:15

Market infrastructures update: ISO 20022 plans and visions
Tuesday 13 October – 13:00-13:45

Bringing a little harmony to ISO 20022

The principles for a common, industry-designed ISO 20022 harmonisation framework have been captured in SWIFT's ISO 20022 Harmonisation Charter which aims to support collaboration between market infrastructures. Market infrastructure operators that have already committed to this include CLS, Clearstream, Euroclear, National Settlement Depository of Russia, VP Securities Denmark, ACH Colombia, Bank of Canada, Canadian Payments Association, Australian Securities Exchange, Hong Kong Interbank Clearing and the Southern African Development Community. Other market infrastructures are supportive of the Charter pending development of their implementation plans.

"The consistent adoption of the ISO 20022 standard avoids the costly exercise of solving common processing challenges in multiple ways", says Edwin de Pauw, head of product management, Europe for Euroclear. "The ISO 20022 Harmonisation Charter is a pillar enshrining the industry's collaborative approach to greater efficiencies and straight-through processing."

To join the ISO 20022 Harmonisation Charter Ceremony, go to the Standards Forum stand at 16:45 today.

Eye on the ball

Today's bank CIO must deal with a diverse set of challenges and opportunities, from building resilience to dealing with vast volumes of data.

Embracing business opportunities afforded by technology while protecting the resilience of an organisation's infrastructure from emerging threats is the inherent challenge facing any chief information officer (CIO). For bank CIOs, maintaining that balance can be especially difficult, given the complexity and diversity of existing systems and the need to ensure competitiveness, while minimising operational risks, in a digital age.

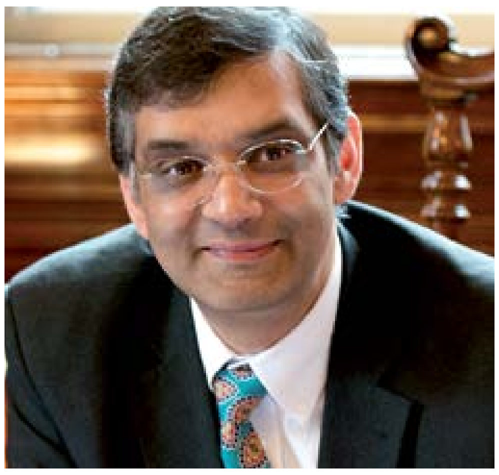
"Integrating digital solutions with legacy systems and reducing the overall number of legacy systems is a major undertaking, but also a necessity in order to simplify the experience for our clients," says Bill Pappas, CIO for global wholesale banking technology and operations at Bank of America Merrill Lynch (BAML).

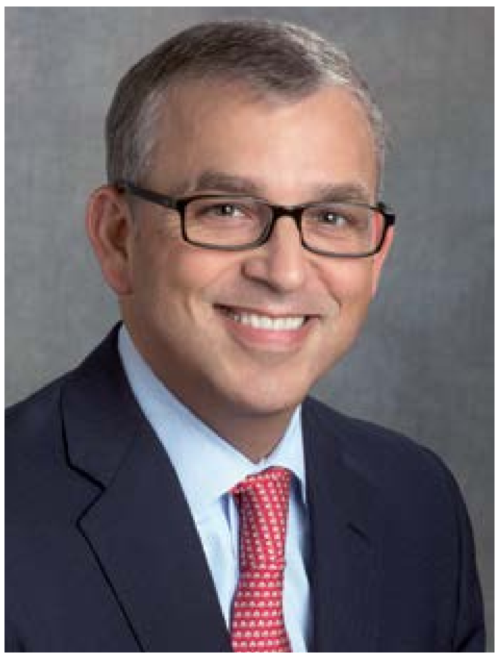
Knitting it all together

Simplification is not only about replacing or upgrading legacy systems to deliver a better service for the client, but also about optimising internal workflows across different business lines and finding ways to reduce costs. From the front office to the back office, many banks still struggle with a disparate set of systems that were built for different purposes, by different developers, using different technologies and which don't naturally work in tandem with one another.

There is an ongoing question around how data might be sold or traded to capture new value.

Rashik Parmar, lead cloud advisor, Europe, IBM





Integrating digital solutions with legacy systems and reducing the overall number of legacy systems is a major undertaking.

Bill Pappas, CIO, global wholesale banking technology and operations, Bank of America Merrill Lynch

In the world of payments for example, banks typically use different technology providers – or build systems in-house – to support processes such as accounting, fraud prevention, fund-checking and customer interfaces. Integration remains the underlying challenge, as the CIO typically picks up responsibility for creating internal efficiencies in technology.

"There are very few providers that can deliver the end-to-end technology for payments, and even if they did, they are pitching to large banks that will have different layers of technology already in place. The big challenge in the coming years will be to find ways of integrating systems. Both cloud and blockchain could play a role there," says Mark Curran, payments technical services director at Lloyds Banking Group.

Driving out cost and reducing complexity may be a significant pre-occupation for the CIO, but there is also a growing need to focus on capacity. As market participants look to the future, in the hope of an improvement in economic conditions, they need to be prepared for growth in transaction volumes, which may stretch their technology.

"For a long time there has been a fixation on the rising cost of doing business, but many technologists are now more worried about scale. If transaction volumes grow, as expected, by as much as 50-100% in the next few years in some markets, CIOs will need to test their capacity to determine whether existing systems can sustain that level of activity. That will also drive a greater focus on automation and straight-through processing," says John Boyce, principal at investment management technology consultancy Investit.

Understanding data

Alongside the many challenges relating to the systems that operate within a bank's infrastructure is the need to manage the growing volume of data generated, reported and consumed by banks. BAML's Pappas sees the CIO as the 'custodian' of a bank's data and information. It is the responsibility of the CIO, he says, to control and manage the data, while also using it to better serve clients and grow the business.

But deriving value from vast quantities of data while also meeting regulatory and internal requirements can be a difficult objective for large banks to realise. In reality, setting up reporting mechanisms to comply with new regulations has to be the priority for many banks, while monetising data is likely to be a longer-term objective.

"There is an ongoing question around how data might be sold or traded to capture new value, and how that can be done in a way that doesn't jeopardise the reputation of the banks but in some way augments trust. That is likely to be easier to achieve with commercial clients than retail clients because if you get it wrong in the consumer space, the reputational damage can be huge," says Rashik Parmar, lead cloud advisor at IBM.

Pappas believes banks need to break down their efforts into two workstreams. First, they must assess whether they have the infrastructure and technology in place to make data more accessible and deliver the analytics and information required by the business. Second, they must make sure they really understand the data, and how it relates to the needs of particular businesses and clients.

"As all large organisations know, understanding your data is one of the more important challenges. By focusing on standard nomenclatures, data lineage, authorised data stores and data proliferation controls, we can ensure we have the right data at the right time in the right place for our businesses' needs. It's an investment of resources and dollars, but the benefits can be enormous," says Pappas.

No more downtime for CIOs

Hand-in-hand with the growing automation of business processes, comes the need to ensure constant availability of systems at all times. While some degree of downtime might have been expected in the past to allow for system maintenance and dealing with outages, consumers now have a reduced tolerance for anything less than total reliability and availability.

For the CIO, this is a concern that extends from a bank's own architecture to systemically important market infrastructures with which it interacts. Building resilience into existing and new technology is clearly a priority for CIOs, but some warn that there also needs to be an acceptance of the continuing likelihood of outages, and a focus on being able to get systems up and running again as quickly as possible.

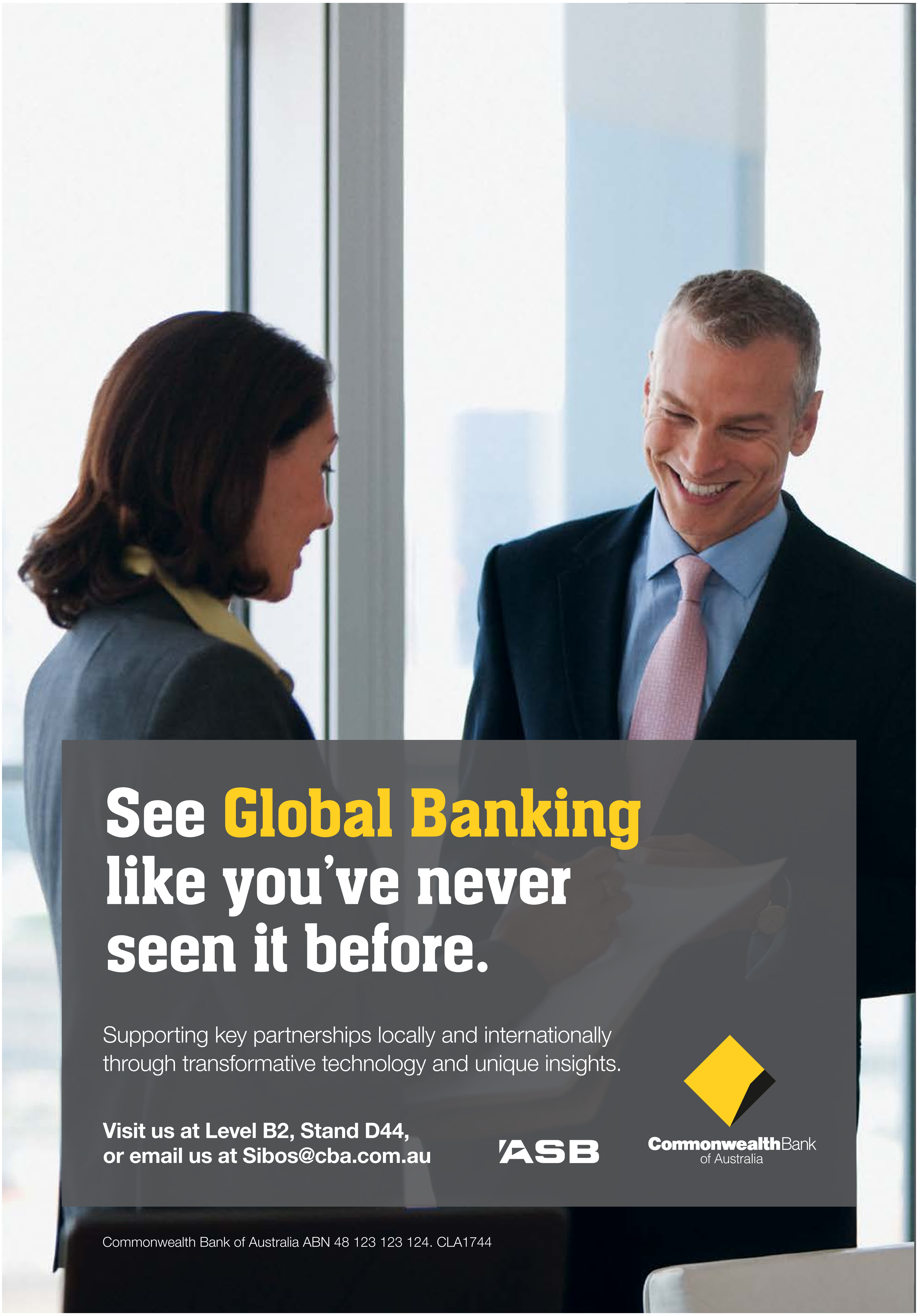
"Technology has naturally become much more resilient, but anything that involves machinery and electronics is never going to be infallible. A lot of work in the industry focuses not just on resilience but also on how cyber-incidents and technology failures should be managed," says Curran of Lloyds.

For BAML's Pappas, resilience is at the heart of every application design, and developers are mandated to focus on it right from inception. "Before teams start building, we map the needs of the business to the design and ensure, through each stage of the development, that we can meet those requirements. This applies not only to our in-house built products, but also to those we source from our strategic partners," he says. ■

TO LEARN MORE ...

A guide to resilience and true 24/7 availability
Tuesday 13 October – 09:00-09:45

The future of technology vendor management
Tuesday 13 October – 16:00-17:00



Standards primed to tackle collateral challenge

Higher levels of automation and standardisation are needed to support streamlined collateral flows.

Regulatory change is having a significant impact on the way collateral is managed by securities market participants, both sell- and buy-side firms. As a result, we've been warned for several years that collateral requirements are set to skyrocket, meaning more eligible, liquid assets will need to be accessible than ever before, and more firms will have to put new procedures in place to streamline movement and availability.

For banks, it is Basel III that many say has the capacity to create a shortage of high-quality liquid assets (HQLA). The requirement to hold HQLA on balance sheet – effectively to protect banks from future liquidity crises – means they will have fewer available assets to pledge as collateral, which will, in turn, cause the cost of pledging these assets to go up.

The liquidity coverage ratio (LCR) is, some participants say, particularly challenging, because it requires banks to take into account potential increases in market volatility that may impact the quality of collateral and/or future exposures resulting from derivative positions. LCR therefore potentially requires banks to apply larger collateral haircuts or additional collateral in such circumstances.

Topping the list of the buy-side's concerns is the impact of this new capital and liquidity framework on the cost of services provided by their brokers. Many large asset managers and asset owners are hastily reviewing their options for accessing assets considered eligible for initial and variation payments to clearing houses, as liquid OTC derivatives migrate to central clearing, as mandated by the G20.

New solutions needed

Amid the uncertainty and struggles on both sides of the securities market, there is ample opportunity for new solutions. One approach to improving the efficiency of collateral flows could be through industry-wide standards. The absence of standards in today's collateral-intensive environment is already becoming an issue, according to Virginie O'Shea, senior analyst at Aite Group.

"The lack of industry-wide standards for collateral messaging and data is a pain point, due to the operational risk and cost of manual intervention that is required to deal with email-based interactions," she explains. "Firms may fail to respond to calls for collateral in a timely manner, because the process is reliant on staff members rekeying data received from counterparts via email, which is inefficient and risky."

Because of the scope for clearing houses to call for more margin to support derivatives positions on an intra-day basis, for example, some firms are looking to manage collateral in near real time. But such efforts are hampered by the fact that the collateral value chain is very fragmented. Sources of fragmentation are many, partly because of the range of uses for which collateral assets are required. But assets are also split by geography, based on where they were issued and registered. As such, market participants need to work with national central security depositories as well as global and local custodians to support their collateral management efforts.

> **Standardising the way data is exchanged and increasing the speed at which information can be integrated will reduce the possibility of error.**
>
> **Guillaume Héraud,** global head of business development, financial institutions and brokers, Societe Generale

Areas ripe for standardisation include data formats, margin calculations, platforms, settlement and dispute resolution processes, according to Guillaume Héraud, global head of business development, financial institutions and brokers at Societe Generale. "Standardising the way data is exchanged and increasing the speed at which information can be integrated will reduce the possibility of error and the risk of generating disputes, which is costly and time-consuming," he says.

"We can see that standards are emerging at different levels, but implementing new standards is expensive with the inherent risk that they are not globally adopted, lessening the savings and efficiency benefits. Firms will inevitably analyse the costs versus expected benefits and their decisions may not always lead to adoption."

Taking a holistic view

One approach currently being mooted is a global collateral inventory. When using existing channels and infrastructure, many firms struggle to move collateral assets between siloed pools in a timely and efficient manner, resulting in both an increase in cost and operational risk. O'Shea says that this problem will be exacerbated as more jurisdictions enforce OTC derivatives regulation, notably the introduction of central clearing, compelling a wider range of firms to manage collateral assets more actively across regions.

"A global collateral inventory could allow firms to see the location of every collateral asset, including cash in transit, and to centrally manage all margin calls in one place," she adds. "It will, no doubt, be challenging to connect all of the global collateral pools due to the lack of data standardisation and infrastructure differences. The challenge a central services provider for collateral management faces, is that such a service needs to not only be operationally efficient but also cost efficient."

Héraud concurs: "The challenge in building this holistic view on available assets is to have it updated in a near real time, taking into account the collateral to be received and sent, substitutions and those assets that have already been allocated. But having this global inventory is in fact worthwhile as it is the prerequisite to cross-asset collateral optimisation, ensuring firms' ability to make the most of their assets," he says.

Market structure operators and service providers, notably central securities depositories and global custodians, have been working for the last two years or so on providing broader and simpler access to clients' assets. "There is evidence that the industry is shifting towards a more standardised environment," says Héraud. "If collateral management remains too costly and difficult to operate it will negatively impact business." ■

TO LEARN MORE ...

Securities market infrastructure innovation: the next frontier
Tuesday 13 October – 10:15-11:15

Breaking the silos: Building a global assets inventory to optimise collateral management
Tuesday 13 October – 14:00-15:15

Two sides to the unbanked

Refugees can't engage; millennials don't want to. How should banks respond?

> “When you leave a war zone or a crisis, you take your immediate belongings. How do you get access to funds?
>
> **Sam Maule,** emerging markets practice lead, Carlisle & Gallagher

“Who is the future digital customer?” asks Aldo de Jong, co-founder, Claro Partners, a management consultancy specialising in ‘navigating disruptive shifts’. The question has several possible answers. For some bankers, the future digital customer may be back at home, either chatting on social media or playing a computer game (or revising hard for exams, of course). “Generation Z will be coming into the workforce over the next few years. They are going to have radically different expectations and behaviours that will redefine the baseline for the industry,” says Brett King, founder and CEO, Moven, a potentially disruptive mobile financial services provider. They will need financial services, but how can banks attract them? King adds: “Getting them into a branch to open an account is just not going to happen. Plan for that, and you're just going to be churning legacy customers.”

Technology reaches Generation Z just as it also potentially gives us access to communities of the as-yet unbanked around the globe. And for both groups, mobile, digital technology is likely to define the platform for delivering financial services going forward. Future digital customers, whether they're concentrated at home or spread across the globe, will have one thing in common: mobile access to the internet. “Mobile technology enables people to access financial resources far more effectively,” says Akhtar Badshah, chief catalyst, Catalytic Innovators Group. What does this mean in practice? “It's really all about exploring new markets,” says Joyce Kim, executive director, Stellar Development Foundation. “There's the concept of the next billion. When we think about innovation, we should think about the next billion citizens of the world who will become connected, on the internet, on cellphones, to our financial system.”

Reaching the next billion

How do we deliver financial services to the next billion? Treat them as we would a new market, with its distinct customs, behaviours, attitudes, needs. Be prepared to adapt our own behaviour and thinking – but not necessarily to innovate. Discussing millennials, de Jong says: “Most of the innovation has happened already. Most of the value propositions were innovated around five years ago, and only a very few have been created just in the past two years.” The wheel has already been invented. So what do we do now? De Jong says: “Now is the time for growth. Many of the new fintech companies are still relatively small on a global scale.”

There will be start-ups, and there will be change, but de Jong suggests that many of today's start-ups will be refining the new ideas of the recent past – he cites alternative credit scoring – and looking for growth finance. We can certainly do that. But recognising that ex-teenagers and the unbanked might be approached most effectively as new markets is only a first step: self-evidently, they're not the same new market. Do we need to take two distinct approaches? Badshah says: “Clearly, millennials are using mobile technology the most. The real question is, how do we utilise that same technology and extend it out so that those who have been excluded from financial systems can now get included?”

Some of what we learn from millennials can be applied to the unbanked, even if the resulting services have to be adapted for lower-spec technology and/or a more challenging operating environment. Badshah says: “A feature phone of five years ago is different from a feature phone of today. But both are a major way for people to become part of the formal financial system.” Millennials don't carry cash. They pay online; their cellphones

> “Millennials are more likely to listen to their peer groups than to an adviser.
>
> **Brett King,** founder and CEO, Moven

interact with point-of-sale systems for face-to-face transactions; their use of (for example) Airbnb and Uber suggests the evolution of effectively cashless “sharing systems”. Delivering financial services to remote (and indeed nearby) new markets does not necessarily mean enabling the next billion to withdraw cash – Badshah refers to cellphones as a “new transactional system”, which suggests something more than just a platform.

Behavioural differences

So if we can work out how to migrate our children from online gaming to online banking, can we transform our customer numbers on a global scale? Not so simple. New markets typically present cultural challenges. Developing this point further, King says: “There are some pretty significant behavioural and psychological differences here. Generation Z will emerge completely digital, so that any merchant who requires a cheque, for example, will instantly be discounted as not someone they want to do business with. The response will be – I don't want to do that.” End of story. King continues: “No amount of financial education or growing financial literacy is going to change that. This is fundamentally different behaviour.” Millennials see advice as utility-based, he adds. “When they're thinking about financial products, they're more likely to listen to their peer groups than to an adviser.”

It might not be wholly inappropriate to suggest that we – as the last of the digital immigrants – will become the anomaly. But we still have a role to play, and not just in bringing the best of our industry to the new markets of the future. In some of the new markets under discussion – setting aside millennials now – there are people who really need us, and need us urgently. Sam Maule, emerging markets practice lead, Carlisle & Gallagher Consulting Group, and chief inspiration officer at the Digital Finance Institute, says: “Today, there are sixty million refugees globally, more than at any time since World War Two. One of the key components of this crisis that gets lost, is money movement. When you leave a war zone or a crisis, you take your immediate belongings and, if you're lucky, your cellphone. How do you get access to funds?”

And if you're an aid organisation, how do you deliver funds into the hands of refugees? Maule says: “This isn't just in Europe, or Asia; this is a global phenomenon that we're going through. We have many of the individuals and the aid networks in place; we need to work out how we can address this.” ■

TO LEARN MORE …

Engaging with the millennial generation – a hands-on workshop for banks
Tuesday 13 October
10:15-11:15

Financial inclusion
Tuesday 13 October
12:45-13:45

Banking's got talent!

But are banks following the right strategies to ensure they tap talent from the widest possible pool?

Given the fast-evolving nature of the financial services and technology sectors, the ability to attract, manage, motivate and retain talent is a recognised key to success. This is well understood. After all, staff remuneration accounts for well over half of most banks' annual expenditure. But it is also increasingly argued that a diverse talent pool can be a significant contributor to overall performance.

Taking steps to avoid a 'mirrortocracy' can be useful in establishing and managing a diverse talent pool, says Cheryl Buss, managing director, global clients, Africa at Barclays. A term that first gained currency in Silicon Valley, mirrortocracy is used to explain the biases that can arise in organisations where one group of people develops a tendency to mirror the behaviours and thoughts of others. Attracting and nurturing diverse talent becomes hard if everyone in the existing team is thinking and carrying out tasks in exactly the same fashion. A number of measures can be taken to stop such 'groupthink' from taking root, Buss suggests. Managers could undertake unconscious bias training, recruiters could provide diverse slates of candidates for first-round interviews, and both men and women could interview senior hires. "We need to ask ourselves the question: what skills are needed for the role?" she says. "This will allow us to broaden our search beyond the usual suspects and increase diversity."

Business priorities

There are obvious business drivers for diversity and inclusion, says Fern Ngai, CEO of Community Business, a Hong Kong-based non-profit organisation, which works with companies across Asia to develop corporate responsibility initiatives and programmes. These drivers, she says, are informed by three business priorities: compliance and risk management; the desire to be an 'employer of choice'; and gaining competitive advantage. The first of these reflects the industry's increasing need for transparency, strong risk management, and ensuring high standards of corporate governance. "Studies internationally have shown that women are more risk averse, tend to probe more deeply into issues by asking more questions, and bring different perspectives, which would create a more effective environment for assessing and managing risks and making decisions," says Ngai.

Secondly, the desire to be seen as an employer of choice is a function of the intense battle for talent. "Open and inclusive workplaces that enable people to be who they are and achieve their full potential are important to employees – and are therefore critical to the ability of companies to attract and retain talent," says Ngai. "Financial services companies compete both globally and locally for talent, in search of diverse knowledge and skills to effectively service a wide range of customers and geographies."

Thirdly, embracing diversity and inclusion to gain a competitive advantage means "looking at how companies can actually leverage their diverse talent to identify new market opportunities and drive brand differentiation", says Ngai.

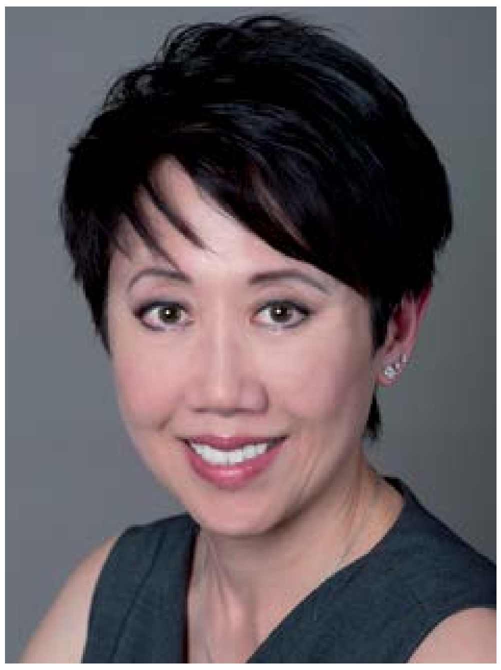
Building a business case

With these pillars of diversity in mind, Ngai suggests organisations build business cases for successful diversity plans. Here, organisations should consider their own specific business drivers – looking both internally and externally to identify their main challenges and opportunities – and work out how diversity and inclusion can be used as a lever to address these. "The key driver may be to be an employer of choice – perhaps you have a challenge with talent development in China, or a lack of women in leadership in Japan. Over time, it may evolve to a greater focus on the external business case, and how you can tap into the diversity of your talent to drive competitive advantage," says Ngai.

Having identified the business drivers, says Ngai, companies need to determine their most pressing diversity and inclusion issues, and then prioritise the aspects of those issues they want to focus on. "We recommend that companies facilitate awareness. Educational sessions around unconscious bias and insider and outside groups can be extremely effective in uncovering some of the dynamics that need to be addressed," she says.

For many companies, the starting point is gender, because it is the most tangible and measurable aspect of diversity and inclusion. "Most people now understand the economic arguments for a balanced representation of women at all levels of an organisation," observes Ngai. But firms also need to appreciate that they are not starting with a blank sheet of paper. Any diversity and inclusion strategy has to be tied firmly to the existing realities, both within the organisation and the market in which it functions. Cultural differences may prove to be a challenging diversity issue. "How do you maximise the effectiveness of regional teams in Asia? Sometimes you need to find where the entry point is, and start from there, with a view to broadening the focus over time," says Ngai.

> **Sometimes you need to find where the entry point is, and start from there, with a view to broadening the focus over time.**
>
> **Fern Ngai,** CEO, Community Business



Engagement and productivity

A growing number of companies are using their recognition of diversity and inclusion issues to support business goals. Research by Stonewall, a UK advocacy group, indicates that productivity is reduced by up to 30% if employees have to conceal their sexual orientation at work. Goldman Sachs provides a supportive and inclusive workplace for its lesbian, gay, bisexual and transgender employees, both to attract top talent and to ensure high levels of employee engagement and productivity.

Deutsche Bank India decided to leverage the insights of their 'high potential' female talent to formulate a strategy to tap into more women customers. In May 2013, the Eve Account was launched to cater for the needs of urban Indian women. The new product, which also targeted a new market segment, increased revenue and client penetration and also raised brand profile.

To keep such revenue-generating ideas flowing, organisations need to make the right connections to ensure they can attract talent from a wide variety of backgrounds. Melissa Rancourt, founder of Greenlight for Girls, which encourages more women into roles in science, technology, engineering and mathematics, recommends building diversity pipelines. "What organisations, associations, universities or conferences should your company work with in order to start to get to know the future workforce?" she says.

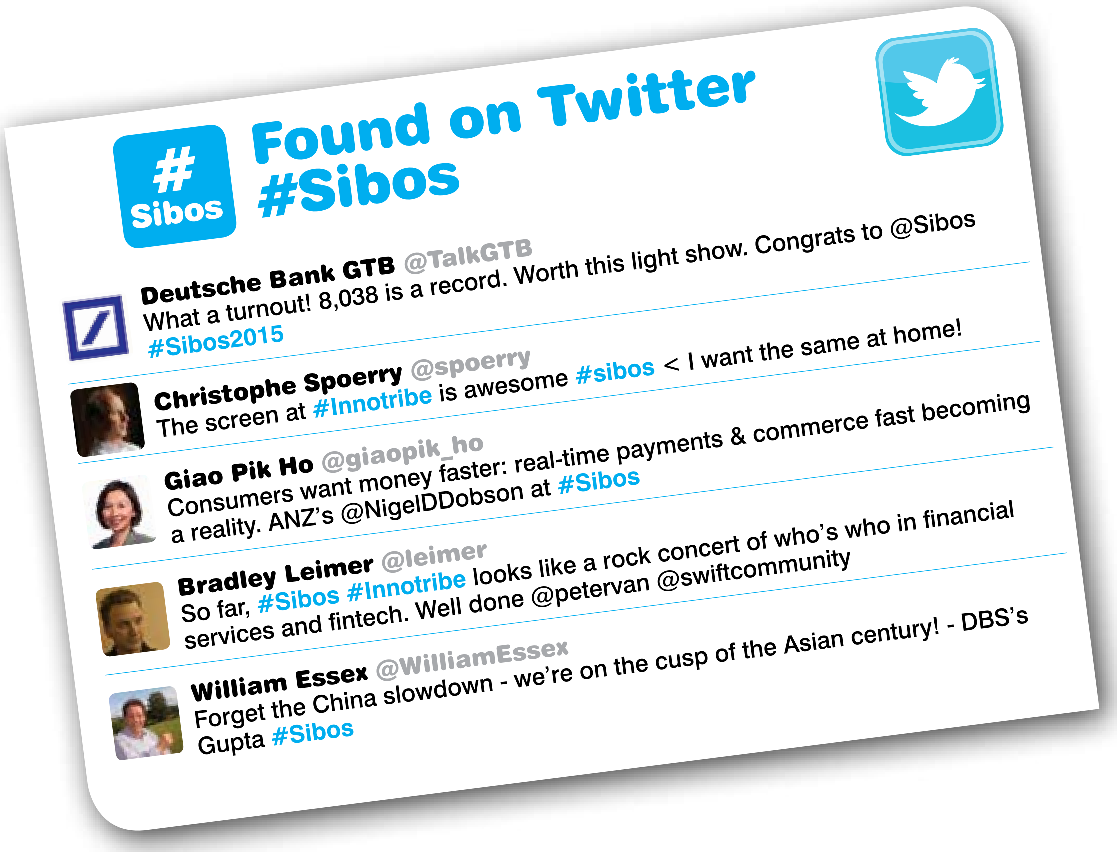
Within the banking sector, at least one conference springs to mind! ■

TO LEARN MORE ...

Reframing the debate: shattering the meritocracy
Tuesday 13 October – 16:00-18:00

Blindspot: hidden biases of good people
Tuesday 13 October – 13:30-15:00

Play the finance game with the SWIFT Institute



Julia Streets, founder and director of London-based marketing and PR firm Streets Consulting

For the delegate who has everything – now comes the first-ever Sibos game show!

Brought to you by the SWIFT Institute, *A Question of Finance* pits teams of academics and industry professionals against each other in a battle of wits, insight and industry knowledge. Hosted by popular stand-up comic and entertainer Julia Streets, founder and director of London-based marketing and PR firm Streets Consulting, the quiz will feature stars of the finance industry answering questions on their own areas of expertise – and on a lot else besides.

Singapore Slings will be served to the audience on arrival – and to the contestants before they start talking. Streets says: "I'm used to performing stand up and my focus for the quiz will be to keep the right balance of challenging for the panel, interesting for the audience and fun for all." Streets is also a 20-year veteran of the finance industry, and one of the few thought leaders known for an occasional habit of accompanying her own presentations on acoustic guitar.

Streets' fellow 'entertainers' for the event – which starts at 16:30 tonight on the SWIFT Auditorium – will include team leader Erik Jones, professor of international political economy, The Johns Hopkins University, supported by Paul Inglis, head of payments industry, ANZ Bank, and Ruth Wandhöfer, global head of regulatory and market strategy, Citi. Pitted against them will be Robert Kauffman, professor of IS, associate dean (faculty), Singapore Management University, whose team will comprise Marcus Treacher, board member of corporate advisory group, SWIFT, and T S Shankar, head of clearing and liquidity products, correspondent banking, Standard Chartered.

Just how smart are academics and finance-industry professionals? Here's your chance to find out – and as if that discovery wouldn't be enough to get an evening off to a happy start, *A Question of Finance* will be followed immediately by a SWIFT Institute and Business Intelligence networking cocktail reception. ■