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Financial IT

Innovations in Technology

Hank Uberoi,
CEO of
Earthport Plc.

Banks should collaborate for international payments success

Get ready...
Set...
BPO!

Jacco de Jong,
Commercial Director and co-owner
at TradeWiz International

FATCA COMPLIANCE:
The time for action is now.
What is the solution?

Mikhail Kryuchkov,
Director, Global Markets at Diasoft

Linking Mobile Payments
to SWIFT

William Laraque,
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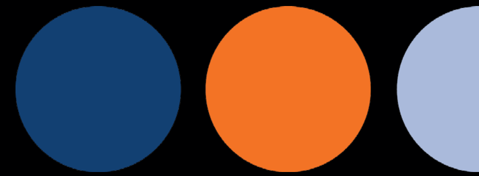

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Editor's Letter

Towards freer trade

In its latest World Economic Update, which it published on 24 July 2014, the International Monetary Fund (IMF) noted that it had revised down its projection of global economic growth for 2014 by 0.3 percentage points to 3.4%.

Taking the longer-term view, the IMF emphasized that the world economy could have to endure a long period of sub-par growth, 'given the lack of robust momentum in advanced economies despite very low interest rates and the easing of other brakes to the recovery.' The IMF also noted that some of the larger emerging markets economies could be restrained by supply-side constraints or the tightening of financial conditions over the previous year.

In short, any change that can promote the expansion of the global economy is change for the good. Taking into account common sense, economic theory and, indeed, the very raison d'être of the World Trade Organization (WTO), such change would include a move towards freer trade in goods and services between nations. Freer trade is promoted when the costs and risks – to all parties involved - are reduced.

This is a central theme of this edition of Financial IT. Many of the contributed articles focus on the technology and infrastructure governing payments – especially between corporates. Many of the articles also examine questions of trade finance. Both topics are closely linked. Innovation – whether it comes from financial IT providers, the banks or other actors – that facilitates payments between trading companies will usually make it easier to finance trade.

Several of our contributors look at aspects of the Bank Payment Obligation (BPO). In the words of J.P. Morgan Treasury Services, this is an instrument that combines 'the risk mitigation and working capital benefit of a letter of credit with the cost benefits and operational efficiencies of open account trade.' A BPO is an irrevocable undertaking by one bank (i.e. that of an importer/buyer of goods) to pay another bank (i.e. that of an exporter/seller of goods) as soon as predefined datasets have been matched. The datasets are matched in an engine such as SWIFT's Trade Services Utility (TSU).

The benefits of the BPO are widespread. Importers/buyers of goods can secure better pricing and payment terms (or more generous credit limits). They can improve utilisation of credit and move to open account terms without the need for additional investment in technology and infrastructure. Exporters/sellers of goods reduce days sales outstanding and mitigate payment risk associated with open account trade. Receivables are moved off the balance sheet faster. Sales are increased as buyers' credit limits are increased.

Perhaps most importantly, much of the enormous amount of paperwork that is currently associated with trade payments and finance can be reduced dramatically. The International Chamber of Commerce ratified the Uniform Rules for BPOs (URBPO) in Spring 2013. J.P. Morgan Treasury Services noted that, as of June last year, 15 of the 20 top trade banks in the world and 33 other institutions had adopted the BPO. At that time, 30 corporates across various industries were in the process of adopting the BPO. As various of our contributors make clear, the BPO has been moving towards the mainstream since then.

Of course, the idea that technology can facilitate transactions and trade by reducing risk, costs and paperwork is not new. A widely cited example from emerging markets is the M-Pesa mobile payment app provided by Vodafone that has been used very successfully in Kenya and a number of other lower income emerging markets. In developed countries, mobile payments are typically associated with purchases of consumer goods through the Internet, via Amazon, eBay and other market places. In China, Alibaba shows that the technology can easily be applied to commercial transactions between businesses. On balance, we think it likely that mobile technology will, in some way, converge with the infrastructure that supports the BPO.

As our contributors make clear, change that involves a move towards freer trade is being driven by various parties. They include: major banks that are involved in trade finance; other banks; SWIFT; and, of course, providers/vendors of financial IT. Collectively, the articles in this edition of Financial IT highlight how the opportunities (and the challenges) are understood and how the actors are collaborating closely in order to maximise the gains that are available from the BPO and associated innovations.

Over the next year or so, the development of the global economy will be driven by the factors identified by the IMF in its latest World Economic Update. Between now and mid-2019, though, it could well be that the world economy consistently expands more rapidly than observers are currently expecting because of a flourishing in global trade. This outcome could occur even if little progress is made in formal inter-governmental trade negotiations held under the aegis of the WTO.

This scenario would in no small measure due to the development of the BPO and the associated changes to financial IT and financial services infrastructure that are discussed at length in this edition of Financial IT. The changes are being driven largely by private sector actors. It is inevitable, though, that they will receive support – and further impetus - from several governments of major trading countries over the coming year or so.

We conclude with three observations. The pace of change is extremely rapid. The BPO did not exist in early 2013. The change is complex, in that it involves contributions from financial IT vendors, infrastructure providers, banks that can act as advocates of change and the development of a suitable legal framework. The change is inevitable, because the potential benefits for the world economy, and indeed mankind, are so enormous.

Andrew Hutchings, Editor-In-Chief

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Financial IT publishes four issues per year.

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ISSN 2050-9855

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A Better Way

Traditionally the infrastructure supporting international payments focuses on correspondent banking relationships and the SWIFT messaging network. With globalisation focusing more demand for higher volumes of low value payments, including regular disbursements, this infrastructure struggles to deliver an efficient, transparent and cost-effective service to customers.

For lower value payments, banks can invest in infrastructure, negotiate in-country correspondent relationships or maintain local licensing in certain countries for more efficient clearing and to provide additional service options to customers.

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Customers and regulators are demanding predictability and transparency – knowing when payments will arrive and how much will be paid in FX and fees.

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Because there's a better way.

Hank Uberoi ,
CEO of Earthport Plc.

Banks should collaborate for **international payments success**

Traditionally banks have successfully collaborated in domestic payments. ACHs, scheme managers and banks have worked together over many years to build, run and maintain highly efficient, resilient, transparent and predictable services.

That model is yet to propagate into international payments. Though banks collaborate effectively for financial messaging, through the SWIFT cooperative, they have usually competed at the level of payments processes and systems, each building and operating their own. That approach is difficult to adapt to changing market needs, and increasingly expensive against a declining return, as international payments becomes more commoditised.

Is there benefit to adapting and extending the domestic 'common scheme' model internationally?

For many years, banks have leveraged external provider expertise and capabilities such as data centres and software development and have demonstrated the advantages of doing so. Banks (and the banking industry as a whole) now have a significant opportunity to improve their international payments products and services by collaborating with specialist third-party global payment providers. In contrast to the usual assumption that non-bank providers are competitive, in fact some are deliberately complementary.

Complex

The processes, technology and infrastructure used today to move money internationally were designed for a different era - one in which payments were typically low volume and high value in nature. In today's increasingly global marketplace there is huge demand for low value international payments. To serve this market successfully, banks need to re-think the way they do things.

There is a staggering level of complexity in banking infrastructure. Many of today's banks are the by-product of multiple mergers and acquisitions. The number of different platforms at work inside a bank – ones that generally haven't been rationalised over time - is simply daunting. And the more composite and complex an infrastructure is, the harder it is to make changes to it. The rate of change and innovation is inversely proportional to size and complexity.

Trying to change any part of banks' core processing infrastructure is therefore extremely hard. Even when the prize that beckons is being able to compete in today's evolved payments market. Banks that do nothing though, may fail to meet the challenge from innovators entering the market and looking for the opportunities with the best profitability.

Build, buy or partner

There are options open to banks considering the infrastructure that will support products and services suited to today's international payments market. Banks could try and build it themselves, buy software and components to build it, or partner with external providers for entire solutions.

The advantage to partnering is twofold. Firstly, it allows banks to select a best-of-breed solution. This takes away the risk associated with internal development; banks can look to the market for something that is already out there - already working - and pick it from the shelf. The second advantage is that it keeps the door open to future change and innovation. Quite simply, if something better shows up further down the line, the bank can give up the solution that suited them for a time and move to use the new one. This is something that is almost impossible to do with internally developed infrastructure. When something is embedded in the fabric of a large organisation, it is very difficult to unpick it. Externally, it is easier to sever the ties.

Banks can look to other industries that already do this with great success. The automotive industry, for example. Global car brands generally do not manufacture all of the components that go into their cars themselves. They work with external suppliers – typically multiples of each for risk mitigation – to supply the parts that make up the car. What they do own for themselves is the brand; the commercial model; the customer experience. Customers of BMW

aren't interested in the 20 or 30 suppliers that have contributed to the car; they buy a BMW and BMW own, and very successfully manage the value-added process that creates each car.

Take global manufacturing as another example. Thirty or forty years ago, to have a global manufacturing capability with a global supply chain a company had to be huge and multi-functional. It needed its own fleet of aircraft and to manage delivery logistics itself. Then, with the advent of global transportation and logistics companies, the situation changed. A company no longer has to implement solutions for that aspect of its business. It is taken care of by specialists; experts in their field with economies of scale that benefit the manufacturer.

Similarly, banks that look to specialists, and adopt best-of-breed solutions can focus on keeping business that has traditionally been theirs. Bank of America Merrill Lynch took this approach last year when it partnered with Earthport to enhance its capabilities for cross-border payments.

Through partnering, the banks can be more nimble and more able to adapt as the environment changes, without losing business to start-up innovators.

Disruptive or reinforcing innovation?

Innovation comes in two forms. Typically, it is competitive. A new market entrant offers a great solution and incumbents that are not ahead of the game potentially lose out. Increasingly though, in the finance industry as in others, we see another model. One of innovation which is not competitive, but collaborative – reinforcing innovation.

Within that category a white-label payments delivery mechanism helps banks be more efficient, more cost-effective, and more accurate in delivering cross-border payments. Embedding such a mechanism into the service offering, banks can offer products and solutions that solve problems for their clients. For retail clients, this can mean knowing what the outcome will be before sending an international payment; for corporate clients, knowing the intended amount will arrive without intermediary deductions.

This concept of banks as regulated branded service integrators was discussed in a 'future of money' session last year at Sibos. And while it's true that taking on board a new concept; a new idea; and admitting a new player can be a significant hurdle to cross, partnership arrangements free up the banks to focus on owning the customer. The banks' energy shouldn't be spent on infrastructure; it should be spent on the customer experience, the commercial model and the brand.

Without it, banks have the added complication of understanding how funds are moved into, out of and within every country they have a payments relationship with; they have to put in place and maintain relationships with sending and receiving banks in all those countries; they have to understand the complex, oft-changing regulations in every country. Although banks still retain regulatory compliance for the funds they move, they can reap the benefits of a partner relationship with a regulated organisation expert in the complex changes around payments validation, verification, accuracy, economics and speed.

Market needs have changed dramatically in recent years, and in international payments, the status quo does not offer a satisfactory solution. Without action, banks face the risk of losing clients to competing non-bank payment providers.

The alternative course of action is, as some banks have already discovered, to collaborate with a non-competitive third party – one which addresses a need that banks can't easily meet themselves, and thus helps them grow their market and wallet share. Increasingly banks are realising that leveraging existing proven international payments services enables them to build value-added services and products. In turn this will give these banks significant first-mover advantage and enable them to better serve their customers on a truly global basis, and to achieve the level of consistency, accuracy and reliability required for cross-border payments at the price point customers demand.

For more information visit www.earthport.com

Mikhail Kryuchkov ,
Director, Global Markets at Diasoft

FATCA COMPLIANCE:
THE TIME FOR ACTION IS NOW. WHAT IS THE SOLUTION?

THE FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) INTRODUCED BY THE US GOVERNMENT HAS BEEN EFFECTIVE SINCE 1 JULY 2014.

Leveraging a deep expertise in Know Your Customer (KYC) and AML compliance, Diasoft posses an extensive knowledge of global regulations and specific FATCA requirements. In order to help banks and other financial institutions be compliant with FACTA and manage the compliance process centrally, Diasoft has introduced its FLEXTERA FATCA solution.

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The functional scope of FLEXTERA FATCA covers three key areas:

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- **Withholding**
  Identification of income subject to tax, withholding tax calculation.
- **Reporting**
  Generation of periodical reporting for IRS on US persons and entities, including their income, loans and accounts balances.

With FLEXTERA FATCA a modern bank will obtain numerous benefits, including:

- **Flexibility** — FLEXTERA FATCA ensures flexible configuration and customization.
- **Seamless integration** — FLEXTERA FATCA can be seamlessly integrated with other systems and smoothly interacts with third party applications. It has been developed to minimize any impact on existing infrastructure.
- **Reduced costs** — FLEXTERA FATCA ensures comprehensive process engineering tools which can be easily managed by non-programmers, keeping maintenance costs low and ensuring dynamic business development;
- **Multi-language Support** — FLEXTERA FATCA is a multi-language solution providing support for the bank's staff all around the globe;
- **In-built business intelligence tools** — In-built business intelligence tools enable the analysis of customers accounts details. The tools also allow a follow-up of banks' customers with incomplete KYC details.
- **SOA-based Architecture** — FLEXTERA FATCA can be delivered either separately or as a part of a complex solution automating various parts of the business. FLEXTERA FATCA is easily integrated into infrastructure of any financial institution and ensures simple configuration, management, customization and product launch.
- **360-degree customer view** — The access to the integrated customer information, or a 360-degree view of the customer, allows for proactive communication with clients and ensures scrutiny of sensitive client data. The bank's staff can check for permanent residence (identifying customers as US nationals, foreign nationals or recalcitrant), account details, history of financial transactions and previous interactions with the bank for further reporting to the IRS.
- **User-friendly and easily customizable interface** — The staff can quickly and efficiently get a precise analysis of the client's activities.
- **Deep market expertise and vast experience** — Diasoft offers its Customers its deep market expertise, and FATCA analysts with vast experience.

Implementing of proven third-party compliance technology with a complete customer view will allow financial institutions to leverage industry best practices and technologies, and beat the competition. Only the most flexible and technologically advanced companies will easily adjust to the new market conditions and turn new challenges into business advantages. With FLEXTERA FATCA, a financial institution will obtain a proven technology for a long-term FATCA compliance, and will be able to decrease expenses and mitigate operational risks (specifically penalties and sanctions).

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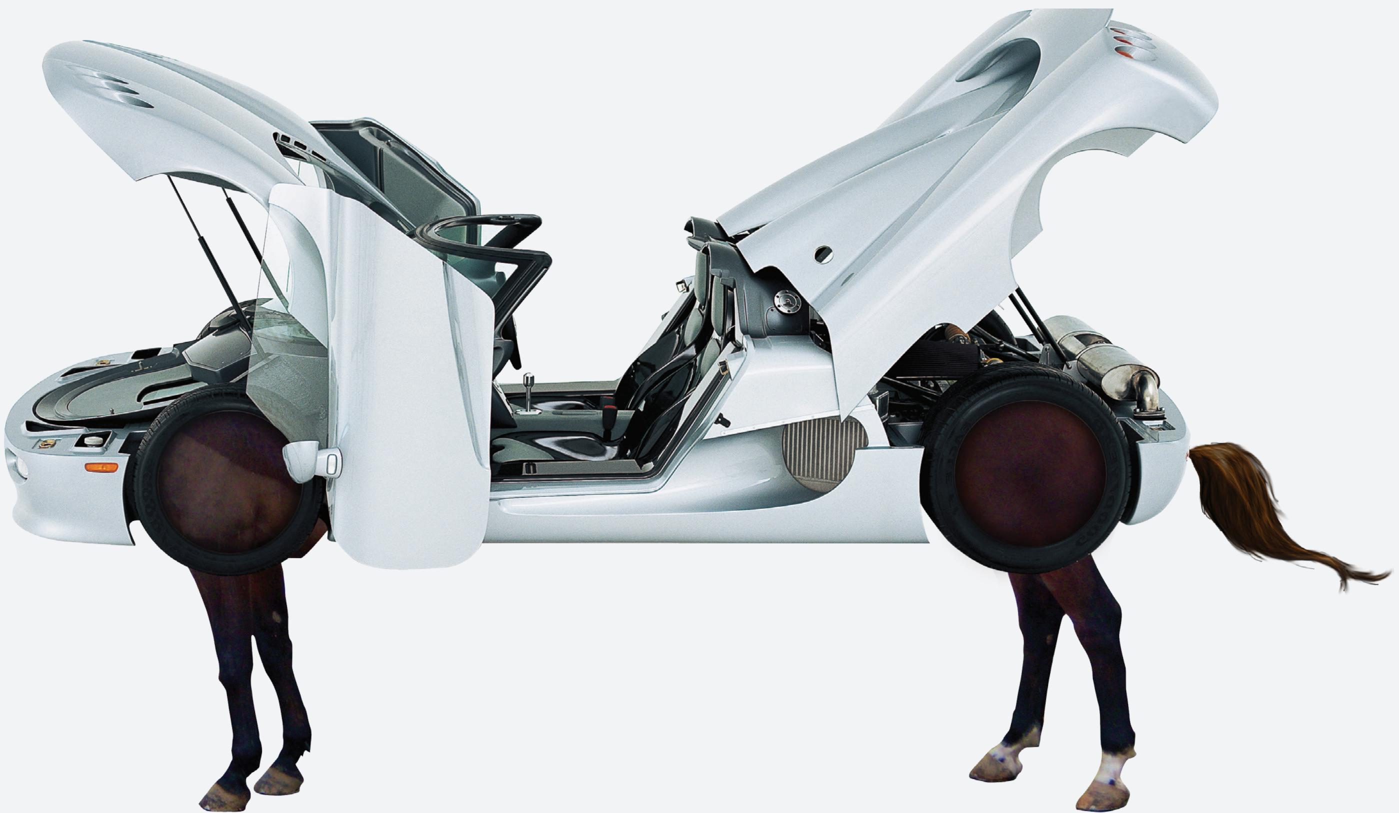

Over the last years traditional approaches to legacy systems management have become less and less effective.

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PAYMENTS HUBS

THE MISSING LINK IN THE SUPPLY CHAIN

Amanda Gilmour,
Product Director, Payments at Temenos

In recent years, banks have been responding to the challenge of improving corporate liquidity by developing supply chain finance solutions. They are now realising that payment hubs - the new generation of payment systems - can also support their corporate customers. A payments hub enables financial institutions to move away from a siloed approach, to a centralised infrastructure, providing a flexible system to manage transactions from any source to any destination. So how can this new type of payment system support corporates (and their banks) in increasing their efficiencies and cost savings?

Corporations, especially multi-nationals, face big challenges in managing thousands of suppliers across the world in many different currencies. A key market opportunity for banks is in the provision of finance for early payment of suppliers, allowing companies to extend their payment terms while sustaining liquidity. Payment hubs can be easily configured to enable the swift development of new products and support dynamic payments management. With this level of control, banks can allow their corporate customers to decide when they want their payments to go out; to process them immediately or when they require, or enter and store the transactions for a later date. In addition, hubs can enable corporates to set up regular payments and make changes directly and in real time.

One huge benefit to banks is the ability to bring their disparate payment systems from all their regional banks together. This is significantly beneficial to international corporate customers, enabling them to deal with a single entity for all payment types. Enterprise payment hubs in particular can provide a consolidated view of a company's assets, including incoming payments and accounts payable. This can provide insight on overall liquidity or payment needs, payment flows, and payments to be expedited or delayed.

A universal solution also improves customer service. From a single point of contact, banks can handle any issues quickly and efficiently.

In the past few years, payment systems have allowed bank clients to look up current and previous balances with detailed and graphical summaries of individual and consolidated corporate accounts. This functionality can be used to support liquidity management, including understanding surplus/deficit values, viewing the last 'n' days balance summaries, average balances, interest rates on accounts and overdraft limits, all through intuitive dashboards. A payments hub takes this a step further with the functionality to anticipate liquidity events in the following few months to allow decisions to be made. These tools can be marketed to corporate clients to support new revenue streams along with client retention.

Real-time processing gives corporations far more control over their accounts, and is supportive of liquidity, offering the ability to make instant decisions based on cash positions, for example. However, without a payments hub, true real-time processing and forecasting is difficult to achieve. Without the ability to tie all the elements together then a complete picture is not available and errors will occur. A payments hub enables these elements to come together and of course enables corporates (and their banks) to make real-time decisions.

By improving the scope and depth of supply chain finance and payment services, banks can maintain and expand their relationships with their corporate customers and guard against competition from other banks and non-banks. In fact, larger corporates could even start to operate their own banks, borrowing internally and processing a payment from a local subsidiary, avoiding an FX fee. The benefits of payments hubs to corporate banks and their customers are huge, and as the world becomes increasingly challenging, having a truly agile payments hub will no longer be an advantage but a necessity.

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IDENTIFYING AND MEASURING RISK IN THE CORPORATE ACTIONS PROCESS

In any industry, manual processes can increase the likelihood for error. And in the financial services industry in particular, relying on manual methods to manage the corporate actions life cycle exposes a firm to what could amount to significant losses. The lack of automation in the process makes for a costly, labor-intensive activity. Human error and interpretation risk can infiltrate the workflows for both relatively simple announcements and more intricate multi-part events such as rights issues, which require a complex, multi-step process to complete related notifications. Increasing staff may only exacerbate the problem and further the chance of manual error.

The reliance on manual methods in corporate actions processing can lead to operational oversights, inaccurate information and a prolonged and inconsistent problem resolution process, as well as regulatory non-compliance.

Outdated legacy systems

Many organizations, especially large firms, employ a patchwork of systems that attempt to integrate email, spreadsheets and other functional applications to manage corporate actions. As a result, IT departments must maintain, support and secure multiple systems just to handle current volumes and requirements. Demands from new business coupled with the need to develop new capabilities can add even more stress to an already overburdened IT systems team. Applications and systems that are not designed to work together or handle corporate actions can require excessive time, effort and expense to manage.

Firms that have developed and continue to maintain their own corporate actions processing systems incur large overhead trying to keep current with constantly advancing industry requirements, like annual SWIFT message changes and the introduction of new standards such as ISO 20022. As systems age, the cost of ownership becomes higher as the availability of staff with the necessary skills to maintain older and internally developed applications diminishes. Furthermore, as the volume and complexity of corporate actions events continues to grow, these systems must be scalable. Corporate actions automation requires integration, from capturing announcements from several sources to interfacing with security, client and position information from books and records systems. Unfortunately, many older systems lack the flexibility to integrate data from disparate systems.

Outdated legacy systems are costly to maintain and can expose a firm to financial risks. Delays in processing due to the inability to scale may lead to missed deadlines. Firms relying on inflexible legacy applications cannot quickly develop and adapt new functionality for customer and compliance demands and this may cause a firm to lose competitive advantage while making it subject to penalties.

These major causes of corporate actions risk often lead to decreased customer satisfaction, resulting in lost clients and revenue. Moreover, any loss due to a mishandled corporate action could also expose a firm to reputational risk, exponentially affecting returns further. The continuous drain on IT budgets and technical and operational resources increases operational overhead.

A closer look at corporate actions operational risk

Manual processes can exasperate the operational risk associated with the timing of processing announcement information. Announcements may be received or identified late in the process, negatively affecting the amount of time required for proper calculation and customer notification. In addition, as no mandated standard exists, the information is often published in disparate or proprietary formats. Changes and updates to announcements are common, causing further delays and increasing risk.

Elections received by portfolio managers and end investors need to be processed in a timely manner in order to take advantage of the event and indicate their preferences for participation. As with data management, the major challenge in a manual election management process is timing. In this case, the instruction and market deadlines are the governing benchmarks. Often, the election is held until the last possible moment, especially if an investor is considering a share option. There are also events with multiple deadline dates, and these need to be monitored by corporate actions operations. Elections can be received in a variety of formats and communication protocols as again, there is no standard message structure. Operational staff also needs to track and amend any

updated investor choices. As volumes are growing, risks are increasing exponentially. Missed deadlines may result in financial risk due to the firm's responsibility to "make the client whole."

In an automated environment, corporate actions operational staff can be redeployed from dealing with each individual event separately and focus instead only on the exceptions. Automated solutions use configurable logic to normalize data into a specific composite format. If changes are made to the announcement, a corporate actions automation solution should be able to make adjustments to the composite record. Leveraging corporate actions solutions that interface with books and records systems can also help further maximize operational efficiencies. As timing is the key in event capture, client notification and election management, radically reducing the amount of time to generate notifications provides more time for portfolio managers and others to make decisions. If an automated notification and response engine is to be deployed, it needs to support straight-through processing of election capture. As with announcement capture, only exceptions should need manual intervention.

An approach to addressing corporate actions risk

The potential sources of operational risk, from corporate actions announcement capture and entitlement calculation to the generation and processing of notifications and responses, are common to all financial firms. However, when trying to measure financial risk of corporate actions, the criteria for assessing risk varies by firm. Certain firms may regard particular corporate action events to be high exposure, while others may consider them lower risk. By allowing each organization to define its own risk weighting, a common approach to measuring risk can be established by leveraging an application with configurable rules and flexibility.

Operational teams need to view risk at the event workflow level. At a minimum, the risk of certain event types, individual securities, accounts/position size, and all response and deadline dates, as well as a combination of each of these values, needs to be identified. As the risk assessment of each of these will vary by firm, a risk tracking application for corporate actions needs to allow users to assign weightings by these individual values.

Utilizing Red, Amber, Green (RAG) modelling can prioritize items or particular dates for presenting to staff. Drill-down capabilities are essential in displaying details for event type, specific security, number and amount of holdings, and in/out-of-the-money indicators. Drilling down further on the particular event should indicate issuer, workflow status, announcement source(s) and individual accounts. Full integration with the corporate action automation solution is critical for ensuring that the correct action is taken.

Financial firms are also concentrating on the effect of corporate actions on financial and investment risks, even to the degree of influencing investment strategies, so the effects of corporate actions processing is no longer just limited to the "back office." In determining enterprise-wide risks, corporate actions information needs to be accessible to the front office as well as the treasury, compliance and risk departments, so that these areas can leverage this useful information.

Corporate actions automation can not only mitigate operational risk, but the proper use of its data throughout the enterprise can help track and measure a variety of types of risk, including financial, concentration, counterparty, country, legal, liquidity and regulatory. The full protection from and mitigation of risk is becoming the principal driver.

Bethan Cowper,
Head of International Marketing, Compass Plus

LEGACY SYSTEMS have an expiration date

The extent to which legacy systems still exist in the world today is astounding. It is ingrained in our nature to try to update and upgrade our technology within a couple years of the latest version being released (financial viability notwithstanding). In this digital age, this logic prevails as change is constantly upon us, and we do not dare to be left behind.

In a high profile industry such as payments, we shouldn't feel any differently. In recent years, legacy systems have shown through performance that they have an expiration date and cannot survive indefinitely. Trying to maintain and run systems that were built in the 1960s and 1970s is unlikely to contribute to a future-proof business model. How can technology developed nearly 50 years ago be used to successfully run applications that, at that time, would have been on a par with that of a science fiction novel? When these systems were built, the existence of the Internet and the mobile phone were unimaginable, yet underlying legacy systems are still being used to cope with, and to some extent drive, innovations they weren't created to support.

Brick and mortar financial institutions (FIs) today, as a whole, tend to be monolithic with substantial system complexity. As the payments industry has evolved, these institutions have had to get their products launched into the market as quickly as possible in order to remain relevant. This has, in turn, led to an array of legacy systems being patched together, with additional plug-ins and add-ons to cope with the incoming requirements to support new functionality and payment channels. This less costly methodology of quickly 'enhancing' legacy systems has only added operational complexity. The result has been spaghetti-like systems that are more intricate and harder to navigate than ever before. Numerous mergers and acquisitions between FIs over time have put systems under even greater pressure.

Today, these situations are only made worse by the fact that the staff that created the original applications are long gone, whether having retired or having moved to other roles. CIOs are currently having to deal with a skills shortage: according to a recent survey carried out by Vanson Bourne, 61 percent of CIOs believe this will result in severely reduced productivity and increased application risk that, in turn, will leave businesses more vulnerable to external attacks or system crashes. Yet nearly half of the CIOs admit they have not devised any formal plans to tackle the issue. Thus IT teams are left to deal with the inherited consequences of their FI's technology.

It is unsurprising therefore, that as these systems age, they are no longer scalable enough to cope with large increases in transaction loads. They are not agile enough to truly drive innovation. They are costly to maintain. As time goes on, they are at risk of, and more prone to, high profile crashes.

Whilst FIs may think that they can fix crashes quicker than ever before, they are missing essential truths. If the underlying applications are not fit for the current market, crashes will continue at a rate that can only be exacerbated by continued attempts to stretch the system functionality to keep up with industry trends. Unfortunately, system crashes are always more likely to occur at times of peak loads, instigating a higher profile scenario that will likely be highlighted by social media. The time when crashes could be swept under the carpet by adept relations with the traditional media are long gone. This has certainly been the case in the UK, with frequency of these occurrences having increased over the last two years.

So why are legacy systems still in use today? Well, despite what this article implies, legacy systems aren't all bad and plenty of banks still run them reasonably well. Many FIs take a 'if it ain't broke, why fix it?' approach: and whilst everything is ticking over nicely, it's business as usual for them. For larger institutions it is simply a factor of weighing current stability against risk and in turn, the risk of doing something new.

Often institutions invest in wrapping; adding a layer around the old system to make it look like a SOA system: however, it will still be limited to the same functionality. Whilst integration is easier, there is a new layer of complexity to contend with. The problems arise with the entrance of new disruptive players in the market with nimble systems, quick times to market for new products and services, and system capabilities than win hands down over those of their antiquated counterparts. The more established FIs just can't compete.

Legacy systems ultimately prevent FIs from being innovative. However, it is the lack of continued investment in properly maintaining these old applications that is aggravating poor performance and causing repeat glitches. FIs' IT budgets have grown year on year, and FIs have two choices if they are not prepared to completely overhaul their infrastructure: spend can primarily be allocated towards the innovation race, at the expense of the actual architecture the whole business model relies on; alternatively they can spend on maintaining these systems, with the outcome that the institution may lag behind their competitors in terms of the customer experiences on offer.

Costly legacy systems are on the way out. This is due to new disruptive players in the market, the need to innovate fast to remain competitive and the continued emphasis on customer centricity. It does not matter that legacy systems may not be totally broken., Of course undertaking legacy replacement is a huge task and has its own costs, but the profitability from increased availability, system performance and the ease of customisation far outweigh the costs of attempting to adequately maintain dated application architecture. According to recent research by Vanson Bourne, it costs each organisation on average $11 million to bring outdated mainframe applications up to date. This figure has increased almost a third (29 percent) from May 2012, when the figure stood at $8.5 million and is set to increase by 9% over the next five years.

So, where does the future lie? The first step towards overhauling the systems FIs run on is to take a look at the overall business model. The initial question to address is one of strategy: essentially where does

the bank want to position itself in five years, 10 years and 25 years from now? To an extent, regardless of planning, the future is unclear, which is why technology that can deal with levels of uncertainly will be best equipped to support future growth. Once the key strategy is established, FIs need to renovate from the ground up and consider their control over the entire payments value chain to ensure they have complete visibility over their business operations. The tendency to focus on products as silos breeds fragmentation: in some circumstances, different products in the same remit end up running on separate platforms. Viewing products as the building blocks of solutions can offer a more integrated approach in the long term.

Modern payment platforms offer FIs the agility to act more efficiently in response to market opportunities and changing consumer expectations. Newer systems provide the tools to launch new products and services quickly utilising already existing components, instead of the exhaustive task of replacing separate parts on legacy systems. They run on databases and work as a sum of all parts, unlike fragmented systems that can't access data or easily integrate with each other.

The future of payments is exciting and fast-paced; the payments industry has never been more innovative and FIs that have an over-arching view of their entire system's architecture will be in the best position to visibly optimise their applications and streamline business processes. Dependant on requirements and strategy, both modular platforms and open development payments platforms can offer the visibility and insight FIs need to truly be future-proof. However, it is important to note that it isn't just about upgrading technology, but how this technology is best used to support the business case of each individual institution. System modernisation is an opportunity to reassess operational processes and address problems. Simply changing the technology and then continuing to run things as they were before will only generate more silos and recreate the problems of old.

Bernd Richter and Jonathan Rose,
Capco Partners

INTEROPERABILITY
The missing piece in the mobile payments puzzle

Across the spectrum of players - global financial institutions, large technology organizations and small start-ups – there is frenetic activity. Its goal? To create the payments ecosystem of the future. But so far, the impacts of this work have been hit and miss.

We believe there is a 'missing piece' that is still needed to solve the payments puzzle: interoperability. The prize is a scenario where banks and financial technology companies are able to collaborate, extending their businesses to create value for all participants in the payments system. It's a bold vision. We believe it can be made real.

New payments hit or miss?

Real change and disruption is being experienced by the traditional players. Payments infrastructure providers such as Master Card and Visa have launched mobile apps – as indeed have the leading global financial institutions. Meanwhile, high profile 'alternative' payments facilities are rapidly transforming into major brands and eroding established players' share of markets and revenues.

Intermediaries, such as PayPal, are challenging the current banking model by focussing on easier-to-obtain money transmitter licenses as financial service providers. This creates a high degree of dependency. There is a need to utilize the global reach of existing banking network structures to fund the services on offer.

To obtain the necessary funding, a mobile payments platform needs to be connected to a payroll aggregator. In the retail space, financial institutions still control this payroll aggregator function almost exclusively. And these financial institutions are currently the only actors in the system that provides access to the infrastructure layer - where liquidity is obtained and where risk mitigation via clearing houses takes place.

Grumpy customer and disintermediation

Current service models being offered by the banks are not meeting consumer needs in a digital, mobile environment. As a result, other players are entering the market to fill the gaps. According to the Advanced Payments Report , alternative payments providers such as PayPal are currently in the lead when it comes to driving growth in the mobile payments space (85%). They are followed by 'card networks' (82%), then 'web-related companies' including Amazon (77%). Significantly, 'banks and financial institutions' are in fourth place (76%). This is not even a secure position: they are being closely pursued by emerging 'alternative' players such as Google (74%).

How to succeed in mobile payments

We believe there are six core attributes of a successful offering:

- **Comprehensive:** Consider the whole retail customer experience and purchasing process, not just payments or wallet functionalities.
- **Extendable:** Enable add-ons such as coupons and loyalty schemes to enhance consumer value and merchant experience.
- **Trustworthy:** Build in fast authentication and rock solid security.
- **Offline too:** Offer an offline solution to ensure usage convenience.
- **Interoperable:** Participate in a system that enables real interoperability between channels, intermediaries, markets and regions (globally).
- **Analytical:** Enable data analytics and generate new revenues from data-derived insights –under the full control of the consumer.

So, what have 'mainstream' financial institutions been missing up until now?

So far financial institutions have not been able to develop successful applications by themselves. A number of industry initiatives in Europe and Asia have forced banks to participate in

advanced payments systems. For example, the process to introduce the UK Faster Payments Service (FPS) started in 2008. It went live first in 2012 with a regulation change to settle all standing orders within a time frame (1 day) that only FPS can provide. This, in turn, forced a move of specific transactions to FPS. Significantly, it also increased the total transactions volume by an estimated 20%.

Given this potential, what is keeping other banks from adopting new ways of carrying out payments business in the mobile space? Essentially, their inability (or unwillingness) resolves into two central issues. (1) The existing payments revenue base has been historically comfortable as the result of offering only existing products and (2) there has been a marked structural inability to introduce change at the fast pace needed to adapt to new requirements and technology.

Financial institutions need to participate in a model to share benefits

What we need is a bank-driven model that consists of only four parties: banks, merchants, consumers, and financial technology providers. This approach creates meaningful benefits for merchants and consumers too, see Figure 1.

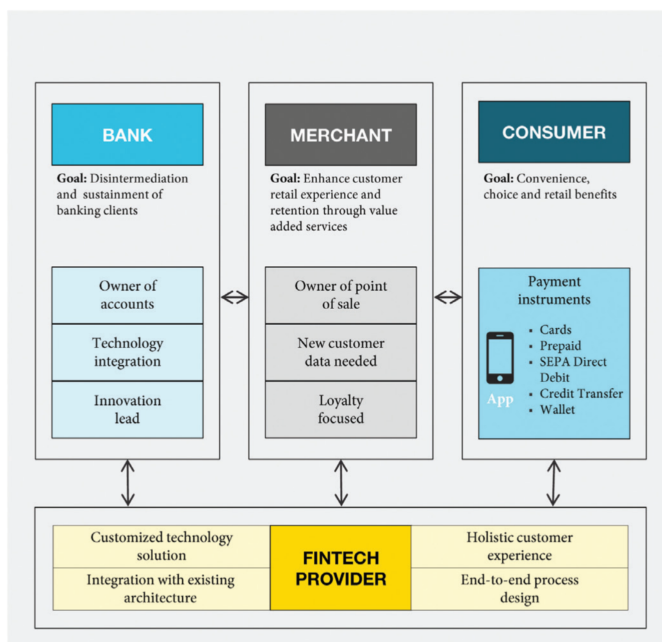

Figure 1: A bank driven payments model comprising only four actors

What are the roles of the four key actors in our model? And how will the interactions between them work out?

Banks will remain the entity that owns the customer's current/ checking accounts as the primary accumulation point of funds from salary payments. Banks will provide merchants with the ability to build a stronger connection with their customers (consumers) and they will benefit from the technology driven advantages of processing mobile payments.

Merchants will enable the mobile purchase/ payment experience with their POS solution. They will benefit from extended capabilities to reach their customers through analytics driven, highly personalized loyalty and couponing offers. These personal touch points will be supported by immediate, mass-oriented in-store offerings. Tailored consumer use cases specific to the merchant business can be enabled such as Pay at the Pump (gas stations), Pay at the table (restaurants), Window shopping (buy goods displayed in a window space) and many others. The use of mobile applications will support advanced analytics that help merchants develop highly detailed insights into customer behavior to improve the retail consumer experience.

Consumers will have direct control over the information they provide to merchants. At their discretion, and always under their control, they can earn incentives for granting access to their data. Importantly, payment information is no longer stored on a card or saved on the device. Instead, it is available in a secure, tokenized cloud environment. Only the actual authentication process will be carried out on the device. At this point, the consumer can choose any convenient authentication mode from PIN, password, fingerprints or face recognition, enabled by their smart device. Apple Pay is, of course, a recent example that will make secure mobile payments available to a fast growing audience of iPhone 6 users.

FinTech Partners will deliver the software and architecture required to run the payments environments and connect the other three parties in a most efficient and effective way possible. A smart, cloud based payments network will be provided (aaS) and will add network-based business functionalities. Pre-existing infrastructure elements will be utilized and put in place to build and implement a concept that is thoroughly tested and stable.

This is where interoperability comes in

We believe that the model we are proposing offers an ideal environment where mobile payments can thrive. So how will the different groups benefit from this interoperability model?

Merchants will profit from a significantly reduced transaction based cost (since the model will remove intermediaries) and they can invest in more specific value adding offerings and digital-enabled retail experiences for their customers.

Consumers will finally take control of their personal finances and they will have access to more data across all the accounts they might be using at any one time.

Banks in the short-term will retain their essential role in the payments value chain. But the face of payments is changing. As a result, change will be imperative inside the bank, to prepare the organization and its technology for new challenges. The change cycle will need to be technology driven in order to enable future developments and to end reliance on the current platform.

The long-term development horizon sees banks evolving beyond their current role as sole infrastructure providers and payroll collectors. Use of new approaches and increased IT capabilities will enable bank account-derived information to play a full role within the e-commerce process. Banks will share the benefits of increased information and richer customer data with network participants. They will be able to offer data services that will drive increased ROI. Their model will be integrated into the other lean and popular mobile services and can act as part of the larger payments ecosystem.

FinTech In summary, a focused, technology-driven and future-proof approach is needed, in order to transform the mobile payments space (as opposed to making alterations on the margins). These changes will be substantially supported by financial technology companies, with the capability to drive large scale banking innovation.

Shobhit Mathur,
Head of the banking centre of excellence at the global IT services firm Mindtree

Truly Transformative Digital Models

Digital innovation is at the forefront of all IT investment in banks. Commercial banks across the globe have been looking at this seriously for over five years now. However, the extremely fast adoption of mobile technology and everything associated with it, has diminished banks' chances of using mobile banking as a differentiator. The mobile banking apps became standard offerings even before half of the banks could launch that offering. Worse, whatever banks have to offer on mobile mostly does not meet customer's expectations.

Now that almost 100% of banks have some form of digital footprint, primarily mobile banking, it is time to step back, assess and move ahead in a more structured way. The three factors that the banks have to watch out for are –

- The **competition**. In our fast-paced, technology driven society, competition is rising from a variety of atypical sources. The non-FIs, have an undue, late-mover advantage as their IT landscape, operations and process are much more nimble, and they are not under the tremendous, regulatory pressure that the banks are. This means that they can move much faster both in creation of new technology and in launching new offerings on existing ones.
- The **customer**. Most Gen Y's do not have the same outlook towards life in general as older age groups such as Gen X and Baby Boomers. They have grown up with mobiles in their hands. They haven't even gone to bank branches for opening their accounts. And on top of that, in the fast moving world – they give much more importance to convenience than to risk aversion or savings. There is, however, one trend that stands out from the crowd and calls for careful evaluation from banks – the virtual wallets, like those of Starbucks, Paypal and Apple's iStore, where customers store value at no interest. Standing on their own, these small-value products may not initially send warning signs: however, across millions of customers and countless retailers, banks are set to lose a huge portion of their low cost source of funds. This is an especially large problem for banks in low interest regimes, as customers are more likely to choose convenience over low interest income.
- The **cell phone**, as the medium of interaction, is less accommodating than the web. Customers didn't like to, but could, ignore irrelevant promotional messages on the right side of a banking website, and even junk the generic promotional emails. However on mobile, the limited real estate, generic or irrelevant promotions can pose more damage to banks than do any good.

Therefore the banks have to look beyond launching newer mobile banking applications. They have to listen to the customer and do what it takes to reach closer to them. Otherwise, as highlighted by most of the consumer surveys, the customers won't shy away from moving to a non-banking channel to fulfil their need to conveniently conduct financial transactions as well as securely store their money.

The need of the hour for banks is to move at a pace which their existing infrastructure backbone, policies or processes do not support. The problem is further multiplied by their most common approach to date - to keep adding layer upon layer over existing core and internet banking platforms.

We have seen banks fight back with different approaches, ranging

from the quick launch of innovative offerings like Barclays, to setting up a dedicated digital bank like mBank. The jury is still out on which is the right approach between trying to do it internally, or by setting up a much more leaner and nimble operation externally.

Way to go forward: Truly Transformative Digital Models

As a result, to remain relevant to their customer, banks have to rethink their central business models from policy to risk management to channel. Features such as mobile apps, digitisation of forms and interest calculators cannot be differentiators and are unattractive if they come with added costs. A significantly effective digital transformation has to be complemented by changes across banks' front, middle and back offices. Otherwise, the Movens and Paypals will take over customer engagement and demote the role of banks to merely the provision of back office services.

Banks should adopt a multi-pronged approach towards digital transformation:

- Be in front of the customer by focusing on quick wins and launching newer offerings on new devices
- Differentiate from the competition by focusing on mobile only or mobile first offerings even if it requires relooking at internal processes and policies
- Generate customer delight by reaching out to them with personalised offerings
- Go beyond internal resources by simplifying and opening up back end platforms and processes
- Be agile by realigning the 'Change the Bank' and 'Run the Bank' organisations

These will enable banks to:

- **Provide personalised offerings** – Now the technology exists to deliver promotions to customers at the right time. The problem that most banks haven't addressed is understanding the customer well enough to make these promotions relevant to them.
- **Collaborate** – Banks are operating in a world where new age competitors expose their APIs even to competitors. Banks have to follow the suit by opening themselves up and sharing information voluntarily. The integration of APIs into emerging and flexible ecosystems of developers and partners will enable new bank revenue streams.
- **Be agile** – With newer devices and offerings being launched each month, the digital banking infrastructure in a bank can quickly become unmanageable. It is imperative for banks to fix the underlying platform and take a holistic approach to digitisation. And to make full use of leaner platforms, they should restructure themselves to ensure that operational inefficiencies do not thwart the initiatives on the technology front.

The changing face of customers and competitors poses a real threat to the significance of banks in their customers' lives. However the banks have the assets – information and trust – which if utilized properly, can help them tackle the competition and even partner with them for customer's benefits.

William Laraque,
Senior Vice President, GraceOne Advisors, Inc.

Linking Mobile Payments to SWIFT

There may be an identifiable role for SWIFT to consider that can assist the manner in which goods are paid for globally in cross-border trade and cross-border trade settlement. The connection is the banks'client or the merchant, the way the merchant is funded and how the merchant purchases from a seller in a foreign country.

Mobile payments are mostly associated with the sale of consumer goods via Internet. Consumer purchases make up 71% of U.S. GDP and are a significant part of the commerce of all countries. In contrast, a quick look at Alibaba reveals that a broad variety of industrial machinery is accessible and is being sold via the Internet. Just as it is no longer appropriate to consider that it is only consumer goods that are sold by Internet, the conception that mobile payments are only used for small purchases of consumer goods, is outdated.

The Change in Trade

Brick and mortar stores and mobile payments are two prominent ways in which consumers and buyers shop in emerging markets. To cite a specific example, one of my clients who is a U.S. exporter, sells to the East African Community countries through both brick and mortar retailers and M-Pesa. M-Pesa is a mobile payment app provided by Vodafone in some 40 countries. M-Pesa among other cell phone-based utilities, provides the ability to pay for goods displayed on the Internet, in remote areas of the world. This mobile payment app makes it possible for a consumer in Kenya to buy U.S. made goods. Payment triggers logistics. Once payment is verified by a credit to the supplier's account, a delivery order is sent to the fulfillment warehouse of the supplier. The order is then delivered to the consumer.

The second way used to buy goods in emerging markets is via e-commerce platforms many of which are provided by the big box stores. Since credit and debit cards are not prevalent in many emerging markets, a form of payment based on NFC (Near Field Communications) could be an example of communication used.

Whereas the privacy and security of M-Pesa depends on the use of a passport or national identity card, use of an NFC payment device such as Apple Pay does not. Simply, the use of constantly changing encoded data stored in a cell phone allows the consumer to touch the item that he or she desires to purchase with a cell phone. This action through NFC triggers payment. Again payment involves the debit of funds deposited in an M-Pesa account or in a personal bank account and the crediting of these funds to a dedicated merchant account by a bank.

Mobile payments are a rapidly growing phenomenon in global payments and it occurred to me that such mobile payments could be linked to SWIFT as a trade settlement methodology. This would be done through dedicated merchant accounts.

The Method of Mobile

Why and how this link can be accomplished requires a short explanation of merchant accounts. There are two aspects of merchant accounts. One is the payment gateway. This gateway is what links the consumer's private information to a credit line or funds on deposit, which is used to authorize payment if the data on the card matches that of the cardholder. In the case of a mobile payment, security can be provided by ID/Password based on the entity's governmental/ national identity or passport information if a consumer that is matched to funds deposited in an e-commerce account to enable the on-line purchase of goods displayed on the Internet. Once payment is verified, the credit to the seller's bank account triggers logistical fulfillment all done through the payment gateway.

The other aspect of the merchant account is that the dedicated account is based on a credit facility which is provided the merchant by a bank or financial institution. This merchant account is the principal means by which credit card or mobile payments are used by a bank to credit the merchant with funds. This usually takes 2 days for a dedicated account and up to 7 days for a pooled account. In any case, banks are used to fund the merchant.

About William Laraque

Mr. Laraque entered the world of international banking in 1975, and was brought up in the fraternity of trade finance practioners. He used his knowledge of bank operations, international business and trade banking to lead international business development teams at Chemical Bank, Standard Chartered Bank and HSBC.

Mr. Laraque left banking in 2000, to work in international trade finance software as a provider to the banks. Back to banking in 2006, Bill was the New England officer of the US Export-Import Bank, retiring in 2010. Mr. Laraque is presently the Senior Vice President at GraceOne Advisors, where he advises banks and SME companies in international trade finance. Mr. Laraque, a proud Vietnam War veteran, served as an adjunct professor of international business at Hofstra University and Baruch College. He is an active blogger on Linkedin and has written articles on Trade, Supply Chain Finance and his passion, assisting SMEs to prosper in International Trade.

What does this have to do with SWIFT?

Mobile payments, whether via Telecom networks, NFC or any of the many e-commerce platforms available, involve the transfer of funds from a personal account to a merchant account. Both accounts involve credit facilities or use of pre-deposited funds. A merchant account is the means whereby the retail distributor is funded. If the merchant imports directly from an overseas supplier as many merchants do, the merchant account takes on a different role. The merchant account can act as a cash concentration account and can be used to settle imports, to pay for imported goods. How is trade settlement to be effected through a merchant account? Through SWIFT.

The BPO (Bank Payment Obligation) is a trade settlement function of SWIFT. This methodology relies on a rule book provided by the ICC with SWIFT as one of the platform providers and aims to involve banks to a greater extent in the financing and settlement of cross-border trade. The BPO relies on the digitization or dematerialization of trade documents in conformity to the ISO20022 standards. The SWIFT TSU (Trade Services Utility) is a data matching tool between banks for trade data representing both seller and buyer. This process involves what the folks at SWIFT like to call "4 corner inter-operability". This is a big term which signifies that buyer, seller, buyer's bank and seller's bank can communicate in a secure platform. The purchase order data of the importer is matched with the invoice data of the exporter via their banks. A match establishes a base whereby the BPO can be triggered.

The issue remains of course as to why the merchant would want to link a merchant account to a trade settlement utility. The simple answer is for ease of processing of orders and the payment of invoices. It is a more efficient and less costly process than that of handling all that paper. Hong Kong and Singapore are currently the payment hubs for "vendor" processing. This "bills" business involves the payment of drafts drawn against LCs. The "packing credits" provided by banks in Asia are the principal means of financing Asian exports. There is no equivalent to the use of packing credits anywhere else in the world. Several banks actively process the presentment of documents against LCs and pay the presented drafts once it is manually established that documents conform to the terms and conditions of the letter of credit. This is a volume business based on relatively low labor costs in Asia. This process involves the manual matching of trade documents including the matching of purchase orders to invoices. This is precisely the function of the SWIFT TSU, the matching of trade document data among banks. The SWIFT TSU matches the data submitted by the buyer's as well as the seller's bank through the SWIFT TSU. It does this electronically. There is no need for LCs because trade settlement has been provided for via a matched baseline and the rules of settlement have been provided by the ICC through the UR-BPO. Once a match is made, the base data is uploaded to the BPO functionality and settlement is effected irrevocably.

What remains to be done is to link merchant accounts held by banks with SWIFT through APIs or Application Programming Interfaces. The role of the merchant account need not be confined to the funding of merchants. These merchant accounts can be viewed as cash concentration accounts which accumulate individual payments. Linking these accounts to SWIFT provides a new function. Banks are already using the merchant account to fund the merchant. Such accounts linked to SWIFT, could also be used to fund the settlement for goods purchased by the merchant. The electronic matching of invoice to purchase order data would add efficiency to the process. The payment of invoices would be made more efficient as would be the collection and concentration of funds. Most of all it would facilitate banks funding both buyer and seller.

In this way SWIFT would enable the banks to have a much more significant role to play in trade.

by Chris Principe,
Vice President Transaction Banking, Trade Solutions Group

Ding, Dong, the Wicked Wire is Dead!!

As the world of payments is changing at amazing speeds, I can't help think of one of my favorite movies as a kid, "The Wizard of OZ". The image of Dorothy's house landing on top of the wicked witch of the east, would be a fitting way for the end for the wire systems within the banks today.

The world is moving ahead and yet banks still cling to a near obsolete approach to payments. Yes, I understand that there is a natural or instinctive reaction to protect both produce and of course revenues. The question is does this serve the market and corporates or does it serve the banks. From a quick look at the wire business the traditional fee structure is far more costly than the many newer forms of payment now available both from the bank, such as ACH or SEPA, and more importantly the non-financial payment providers. It would seem that this area of the bank might be the Wicked Witch of the East in trying to hold on to this business, but let's investigate this a bit further.

Lions, and tigers, and bears! Oh, my!

If Dorothy was here running here own corporation today, she might have this reaction to the prospect of making payments by wire as advised by her bank versus the market alternatives. There seems to be in the market an approach of if our corporates are using wires for payments it makes little business sense to actively consul those clients to any less costly alternatives. The pressures in the banks for fee generation business, and Wire Transfers are good fees especially in the payment space, has caused some approaches similar to the entering of the dark forest. This I believe must change, for the betterment of both the banks and corporates and wires must take a back place in the realm of payment offerings. There is still an important need in the market just not the need that it has been in the past.

Courage and Brains

To be able to speak out on this facet of the payments industry takes courage and brains both as a change agent to the industry, but also establishing the place and value in the market for a payment by wire transfer. Courage is for those payments that absolutely have to be there where the client is in danger of suffering damage. Example; the clients container is at dock side of the ship and the sailing time is due, but without immediate, non-revocable, secure payment of the cost of ship the container, it does not make it on to the vessel for the impending sailing. This takes courage on the clients' part to trust in his banker and his banker by recommending a wire transfer even at the fee incurred has served his client well. Brains comes in on the part of the client who has for his own comfort a large sum of funds to transfer and it is just smarter, more comforting to send this as a wire transfer and in this case the fee itself is not the issue, but the security and comfort that the bank supplies via a wire transfer. Keep in mind that a large amount of funds can mean $1m to one company and maybe $100m to another.

The Lollipop Guild

There is the need for a different kind of conversation with the corporate clients about the right way and timeliness for payment types. The strength of this discussion must be based on a solution approach covering the clients whole business needs rather than the traditional product centric selling approach. The bank needs payment specialist and needs to expand the wire specialist view and knowledge to cover all payments, ACH, SEPA, Mobile, etc. Then armed properly the conversations can begin to do discovery of the clients' needs, business flows and payment patterns. With this deeper understand of the clients' mix of payment possibilities, solutions can be crafted that provides the client with the least expensive payment product based on criteria such as

amount, timing requirements and comfort level that they truly need. Payments that support the buying and selling between corporations can be done as an overnight process rather than immediate payment satisfactorily especially in light of the pricing difference of dollars versus pennies. The bank taking this solution approach will be seen by their corporate clients as delivering the sweets.

If I were King of the Fore-e-e-est!

There is tremendous investment going on in payments world at this time. Banks, vendors and non-financials are spending on new systems, new processes, new equipment and new initiatives. Additionally, there are new entrants and start-ups popping up every day. When coming to the systems that preform wire transfers, the first question is why invest? Generally these are systems based on older technology that are difficult to maintain, update and enhance, but with the natural decline that should be accruing in the use of wires why invest? Now from a regulatory or industry standard changes would have to be done and there would be a cost there. Otherwise how can investment in a wire system be justified? Now from the vendors side of course the life blood is license sales, upgrades and enhancements and continuing to have the banks invest and pay is there primary interested. Why the banks would choose to put their precious investment in these systems seems to be more of empire preservation than true value to the bank. Those same investment funds would be better served for the bank to invest in other payment products that need enhancement and are where the innovation is rewarded.

Pay no Attention to that Man Behind the Curtain

If we could ask the Wizard of OZ as Dorothy attempted, where would the payments product focus be for investment. Clearly, the industry conversations around Instant, immediate, same-day or any other similar terms used for these types of payments. This is the area of investment that banks need to make their roadmaps and future plans for. Already in some ways the banks are failing to keep up with the market as new payment applications

and methods are entering at an alarming rate. Of course, this means that there will be some fall out and reduction in numbers of payment products that will be successful in the market as well as the natural occurrence of consolidation and acquisition.

Follow the Yellow Brick Road

Where do we go from here, what is the right path, how to know the way to navigate through the maze of different payment options. I am not going to mention or endorse any particular path or product or process. The point I would like to make is that the way that both banks and vendors is to study careful were the future is and not clinging on to the past or even the present. The market has changed, technology is now capable of immediate payments at pennies which benefits corporations greatly and their ability to execute their business. This will keep up with the global pace of increasing trade as well as speeding up the cash conversion cycle for corporations domestically and international. However you choose your yellow brick road the goal is the same; payments that are done with speed, securely and inexpensively. This is the message that bank have to bring to both the vendors as their needs and to the corporations to meet their needs.

There is no Place like Home!

So in the end, as we all try to find the best way to enhance our business whether at the bank, vendor or corporate, we are all interdependent on each other's success. Vendors must build what corporations need and they will have products that banks will buy.

Fernando Diaz,
Director of Financial Products, InvoiNet.com

SLOWLY, BUT SURELY...

E-INVOICING and SCF PLATFORMS

Have the expectations been too high for Supply Chain Finance (SCF) adoption? By any measure the volumes of SCF have been disappointing. I am convinced that the best is yet to come.

The concept of SCF and any related iteration (dynamic discounting, purchase to pay - P2P, Order to Cash - O2C, etc.) that unlocks cash out of the supply chain is extremely powerful, but, maybe it was ahead of its time. The disrupting power of technology and the Internet are changing this disappointing start, but unlike B2C, the B2B world moves at a very different (slower) pace. The fundamentals of the concept are strong. I am definitely optimistic.

There are many things at play here and they are all interconnected. Electronic invoicing, or e-invoicing for short, is the raw material of this process that includes automation and efficiency, plus financial gains by squeezing working capital from the processes. However, e-invoicing is still in its infancy worldwide or at least in most regions. Some countries in LATAM and the Scandinavian region are at the top of adoption. In LATAM, Brazil, Mexico and Chile, due to Government mandate intended to control tax evasion, are countries near full adoption. In Mexico, for example, the notion of SCF has been used for some time now. Fostered by Nacional Financiera (NAFIN), a government agency, and most banks in the system, SCF is locally called "Cadenas Productivas" and according to local companies works just fine. However, this is mostly a domestic solution and does not address cross-border flows. Nonetheless, wide adoption of SCF even in these countries with high e-invoicing is still far from saturation or standard use. Why is this the case, if there is a good foundation of use of e-invoicing in these countries? This is a formula with many variables. We have the technology itself presented by the platforms (both that of bank's and independents). We have the companies and consumers adapting to these new ways. We have banks and funders that are fundamentally needed to attain the financial gains. We have governments implementing policies and regulation. It is complex.

The Law of Diffusion of Innovation

There is a theory called "the law of diffusion of innovation" (by Everett Rogers). This idea tries to explain how, why and at what rate ideas and technology spread through cultures. This theory assigns about 16% to the early adopters of a technology or idea (innovators 2.5% and early adopters 13.5%) followed by 34% of the early majority. The theory explains that once a technology reaches 18% market penetration, the system tips and the technology becomes mainstream. E-invoicing and the use of electronic platforms for invoicing and invoicing management presentment and payment has not reached this tipping point in some parts of the world yet. Different research studies suggest that penetration of e-invoicing and related functionalities will present a pattern that starts with B2C mainly in large organizations. Then, the pattern continues with B2B large corporates and last mass adoption. The U.S. and Europe have clearly passed the early adoption phase and are quickly growing into the early majority. The benefits of e-invoicing are so great that reports and studies suggest that mass adoption is inevitable.

E-Invoicing is the wiring

Think of e-invoicing as the wiring of the system. For example, in cable TV, you need to lay down the fiber optics and cable to reach every home, before you transmit content. This is a similar situation. E-invoicing is the wiring. Once companies are interconnected and send each other electronic invoices, it will be easier for a funder (financial institutions, funds, capital markets and others) to intermediate these commercial flows. The funder has to be willing to take the risk and advance funds to companies discounting the invoices. It has been said by many banks that some of the greatest challenges of SCF has been on-boarding suppliers. Working then with a large multinational buyer that has already all their suppliers operating and presenting invoices on a platform should facilitate the work tremendously.

About Fernando Diaz

Mr. Diaz is a seasoned finance and banking professional, with over 20 years of experience delivering financing solutions to clients worldwide. He has a strong track record in originating, structuring, financing and closing transactions throughout Latin America. Fernando was until recently the Vice President of the Structured Trade Finance Group at BLADEX (Banco Latinoamericano de Comercio Exterior, and is currently, Director of Financial Products at InvoiNet.com and Managing Director at Atria Resources LLC. Fernando served as Director of Structured Trade Finance at HB Capital and won "lender of the year" in 2007 from the U.S. Exim Bank. Fernando was at Lucent Technologies serving as Director for Vendor & Project and worked at Citibank Global Corporate and Investment Bank in NYC. Mr. Diaz holds an MBA from Duke University.

Automation is cool, but improving cash flow is cooler

Apparently, automation of accounts payable (AP) and accounts receivable (AR) together e-invoicing could yield significant returns to any company due to efficiencies in the process that lead to shortening of time cycles and financial savings. However, nothing compares to the gains a company can obtain by reducing working capital and improving cash flow. I view working capital in its basic concept as accounts receivables plus inventory, less accounts payables. These are also measured in days of sales (DSO) or of cost of good sold (for accounts payable). The objective is to reduce days of assets and extend days of liabilities. In other words, collect faster from clients and delay payments to suppliers; keep inventory to a minimum possible. The automation and adoption of e-invoicing and financial strategies around it (SCF, dynamic discounting, receivable discount programs, etc.) affects the very core of working capital with the intent of reducing it and thus improving the company's cash flow. This is mission critical and is extremely important to every corporate CFO.

Wanted: Funders that understand this asset class

In the supply chain and commercial flows, companies exchange invoices. They send invoices to each other for services and goods sold. Invoices are obligations of payment. The problem, however, is that invoices are prone to commercial disputes and other situations that might affect the amount and time that they are paid. Different than a financial debt, such as, a promissory note or a draft, the invoice is not an "executive" instrument in most countries. This has been historically a challenge for banks, which require a definite date and amount to be paid by the obligor. Nonetheless, there is a huge market out there of commercial flows that is not intermediated by banks. Also, invoices and commercial flows add a significant positive aspect in the transaction, which is the bond between supplier and buyer. Research suggest that trade paper has presented one of the smallest historically losses, even during the financial crisis of 2008/09, compared to other financial asset classes. If this is the case, why are banks not jumping into this ocean of receivables that are waiting to be intermediated? A possible reason could be regulation and the understanding of the asset class itself. Technology and the Internet are taking care of this as well. If banks are not willing or able to provide a solution for this market, the solution will come from another place. Peer to peer lending, crowd funding, specialty funds and capital markets are looking at ways to grab a piece of this huge pie, and they will!

Fast forward into the future is not fast enough

We live now in a world where everything happens fast and we want all changes to happen the same day. We have come used to adopting technology platforms and innovations in our personal lives at a tremendous speed. We want the same in the business world. Unfortunately, business moves at a different pace as decisions are made by process. A change as profound as e-invoicing, presentment, payment and financing of the supply chain may take longer than anticipated. There are still too many legacy systems and procedures that are slowing down this wave, but the technology improvements of this wave will prevail. These changes make sense for companies, governments and business in general. We would like that this just happens faster. In some cases, technologies are ahead of their times, but that does not mean they will not become mainstream at some point. All things happening will change trade finance and transactional banking as we know it and will open the door for a new breed of financial institutions based on technology. It is a great time to be in this space and I am definitely optimistic.

Hernan M. Mayol,
Regional Sales Manager, Supply Chain Solutions and Risk Distribution, Latin America and the Caribbean, Bank of America Merrill Lynch

Comments are based on a TMI article

Latin America embraces SUPPLY CHAIN FINANCE

Supply Chain Finance (SCF) has become an increasingly important working capital tool for companies around the world in the past decade. It experienced a significant increase in use during the financial crisis, when liquidity for smaller companies dried up and many buying companies recognized the risk of disruption to their supply chains.

SCF is now being embraced by both Latin American banks as well as corporations throughout the Americas. They have successfully adapted their supply chain offerings to take account of the nature of relationships between buyers and suppliers in the region, and its legal and regulatory diversity. As a result, SCF offers a compelling opportunity for a growing number of buyers and suppliers to strengthen their relationships and that of their banks.

While SCF was greeted with enthusiasm in Latin America when international banks first began talking to companies about it in the 2000s, adoption was slower than expected. Some international banks implementing programs had strong relationships with large buyers (especially in commodities and retail) but found it hard to reach these companies' supplier bases effectively, making onboarding cumbersome and costly. Conversely, those few banks with strong supplier relationships often had limited buyer clients. Some banks also ran up against limits on lending in Latin America: SCF depends on buyer credit limits (although it does not draw on them).

With that history Latin America and SCF has had a mixed record. While its antecedents, forfaiting and factoring, took off in the region in the late 1980s and 1990s, it was not until the mid-2000s that SCF began to be used (most notably in Mexico and Chile). There were some notable successes with domestic schemes, but those involving cross-border supply chains – especially those including US companies – proved less successful.

Supply Chain Finance Diversity

The complexities and diversity of Latin America presented a challenge for some banks implementing SCF. While Spanish and Portuguese are the dominant languages in the region, many US suppliers and banks use English. Equally, the regulatory and legal environment across the region varies widely, making documentation time-consuming and expensive to produce and administer.

Practically, the size of Latin America raised challenges when onboarding and educating vendors and communicating the benefits of SCF to suppliers' account managers at banks. In some cases, these challenges increased costs beyond the benefits of an SCF program.

Perhaps the greatest challenge that faced SCF in its early days in Latin America related to the different credit characteristics of buyers and suppliers. In many regions of the world, buyers have superior credit quality (and can therefore borrow more cheaply than suppliers). In Latin America, the reverse was true as many suppliers were highly-rated US companies.

Ordinarily, SCF uses the superior credit quality of buyers to enable suppliers to get paid sooner than usual by financing their receivables below their usual borrowing cost. In return, buying companies usually increase payment terms, allowing them to extend their day's payable outstanding. Without the benefit of lower financing costs, the only benefit to suppliers of taking part in a SCF program is that it strengthens the relationship with the buyer, creating a potential opportunity to grow sales. For some suppliers, this was not a sufficiently compelling proposition to encourage them to adopt SCF.

Refining SCF for Latin America

In the time since international banks first started to introduce SCF into Latin America much has changed. Banks have successfully adapted their products and support to reflect the needs of buyers and suppliers in the region.

Some banks' programs now incorporate other providers to supply data or trade tools in order to create programs that are flexible enough to meet the needs of a wide range of buyers and suppliers. Some international banks have introduced local currency SCF and are planning cross-regional offerings. Moreover, some banks have established trading companies to act on behalf of buyers (usually in the commodities sector). This arrangement enables the buyer to

About Hernan M. Mayol

Hernan Mayol is a director in the Global Treasury Solutions business at Bank of America Merrill Lynch responsible Regional Sales Manager, Supply Chain Solutions/Risk Distribution Latin America and the Caribbean. Mr. Mayol has 20 years of experience advising financial institutions and large multinational companies in the US and Latin America who require cross-border risk mitigation, receivables management and global trade facilitation. Before joining Bank of America, Mr. Mayol served in various trade related positions at Wachovia Bank, Regions Bank, Commerce Bank and at Bladex. Hernan has served in numerous capacities with the leading industry organizations. He is currently a board member and past executive vice president of the Association of Trade and Forfaiting in the Americas (ATFA) and the chairman of the Trade Finance Committee for the Florida International Bankers Association (FIBA). His other affiliations include The Banker's Association of Foreign Trade (BAFT), Federation of Latin American Banks, and Factors Chain International. Hernan has an MBA and BBA in International Finance and Marketing from the University of Miami.

extend payables without having to directly request longer terms from suppliers. It also allows the buyer to more efficiently manage its balance sheet and eliminates the traditional role of other agents in the commodity market, lowering costs.

The most important change in Latin America in relation to SCF is that buyer/supplier dynamics have changed in recent years. US suppliers have increasingly established local supply operations in order to be closer to their buyers and improve customer service. In some cases, these supply operations also now incorporate local manufacturing. As a result, the contrast in credit quality between buyer and supplier is no longer as significant: it is now financially advantageous for a greater number of suppliers to take part in programs.

The increased importance of relationships between buyers and suppliers as a result of the establishment of local supply operations has also increased uptake of SCF even when suppliers continue to have a higher credit rating. Suppliers are now more frequently willing to pay for discounting fees in order to take part in a SCF program so they can strengthen relationships with buyers.

Banks have also sought to make SCF easier for both buyers and sellers. Latin America remains a diverse legal and regulatory environment. However, by committing resources, some banks have created uniform documentation (with some variation for local legal requirements) that reduces set-up times (a common complaint among suppliers in the past). Some banks have also ensured that documentation is flexible enough to meet the needs of suppliers to use electronic invoicing, promissory notes or even counter receipts.

Education supports success

Education initiatives among buyers and suppliers have helped to overcome the lack of knowledge that has hampered SCF take-up in the past. Similarly, banks have made significant efforts to more effectively communicate how SCF works, and the benefits it brings to both buyers and suppliers, such as its ability to improve financials. They have recognized that many companies in the region are used to open account trading (where they have had limited bank interaction before) and adjusted their approach accordingly. In the past, the reputation of SCF was confused by misunderstandings. In some instances, suppliers equated SCF with factoring, which – unfairly – was often seen as a financing tool for companies that have liquidity problems. This stigma dissuaded some suppliers from taking part in SCF programs. Similarly, banks now provide advice and support to senior management to enable them to put to rest concerns about jobs or the stability of a company as they take part in a SCF program.

SCF: A new era

SCF in Latin America has experienced a number of false dawns, as banks with insufficient understanding of the unique challenges of the market have used program templates developed elsewhere in the world. However, banks have learned from these mistakes and refined their SCF offerings to meet the requirements of the Latin American market, while still delivering the benefits derived from experience in other global markets, and their ability to reach global and large local corporates.

Corporates seeking to establish a SCF program in Latin America need to select a bank with broad reach. SCF also requires complex technology for its support. Companies should choose a bank with a strong commitment to investment in SCF, and a robust platform that not only is flexible enough for both buyers and suppliers, but also can incorporate electronic invoicing and other forms of documentation. Bank SCF programs must be flexible to evolve with the region, by syndicating debt or working with other banks as funding requirements increase. As Latin America continues to be, by percentage, the fastest growing trade market, SCF is now ready to assist buyers, suppliers and banks in accelerating the already strong regional prosperity.

Jacco de Jong,
Commercial Director and co-owner at TradeWiz International

Get Ready... Set... BPO !

The start of a broader market adoption of the Bank Payment Obligation (BPO) is eminent; the big question is: who will be pulling the trigger to start the next phase.

Banks tell me that they would first like to see some more client demand before they will really get going on BPO, which is demonstrated by quotes like; "Let's wait and see because so far my clients haven't approached me about the Bank Payment Obligation" or "BPO volumes are very low, let's first wait till that starts to grow"

However the vast majority of corporates have never ever heard about BPO, so how can they show client demand or increase volumes? From these corporates I hear remarks like. "Now you have explained BPO in detail, I can definitely see it can be an alternative for some of my transactions, strange that my bank hasn't approached and informed me about BPO".

Who will pull the starter pistol trigger?

Even more to my surprise, I am getting feedback from those corporate treasurers or CFOs that do contact the banks to enquire about their ability to handle BPOs often receive very evasive replies ranging from: "I think we are still testing" to "let me check with head office and get back to you shortly" after which nothing happens.

I also appreciate the banks' view that not many clients are contacting them on BPO, but at the same time how many corporates are really aware of this bank-to-bank product? Basically this means that the banks are expecting the corporates to pull the trigger by showing client demand without the banks actively informing them about the BPO.

Fortunately, a few major banks have shown market leadership and are actively handling the first BPO transactions. These pioneers do face challenges, however, and they are paving the way towards a broader market adoption together with their clients. I am confident that many, if not most, other banks will eventually follow.

Client Demand

It is my strong belief that the next push in market adoption will have to be driven by client demand. Entrepreneurs are creative by nature, always looking out for developments or solutions that could be beneficial to running their business. Once they are better informed about BPO they will indeed start approaching banks more and more aggressively within the next few months. Currently we at TradeWiz are informing as many corporates as possible by means of meetings and BPO sessions.

The banks that have prepared in time will, in my view, have a huge competitive advantage.

Banks who fail to prepare ... prepare to fail

In other words, those banks that first and foremost look at how they can best service their customers will gain market share. Most clients, according to market feedback, select their banks on service provision, and while pricing is important, it is often not the main driver of how a client has chosen their bank partner.

For this reason I believe that BPO can provide real scope for banks to attract new customers and business – as it becomes part of their overall services offering.

Cold Feet

So what is holding back the majority of the banks to quickly adopt BPO?

One example I notice is that many banks struggle on how to create a business case on a new development such as the BPO. Burned by previous bad experiences on costly trade projects with varying results, they expect and fear huge investments yet again. Here is where I feel that companies like TradeWiz, will make a difference by assisting the banks both at business advisory and business tooling level. TradeWiz has the unique competitive advantage of combining SWIFT certified Trade and Supply Chain advisory skills with being able to deliver a pragmatic SWIFT certified Bank Payment Obligation solution for banks and corporates called Tr8Star.

About Jacco de Jong

Jacco de Jong is Commercial Director and co-owner at TradeWiz International with Leon Kloeg. Jacco has over 30 years in the International Trade Finance Banking environment working for and with many major trade banks. By staying abreast of the latest developments and challenges faced by banks in the industry, Jacco understands the business case for implementing new solutions to meet corporate demand. Jacco frequently is a moderator, speaker and panellist at international Trade and Supply Chain events organized by institutions like SIBOS, ICC, FIBA, SWIFT and GTR. TradeWiz, opened in 2005, was the first company to receive SWIFTReady Certified Specialist for Trade and Supply Chain Financing. Their SWIFTReady Supply Chain Finance certified BPO handling solution, Tr8Star, is designed and build to be the standard in BPO software solutions. By using Tr8Star, banks can realize a quick time to market with minimal investment and optimal cost control. TradeWiz offers a full service of trusted business advisement as well as offering pragmatic and scalable software solutions.

Please visit TradeWiz for more information at www.tradewiz.net or by contacting Jacco de Jong directly at jacco.de.jong@tradewiz.net

Another complicating example at bank level is the perception of BPO and where it could fit into the bank's portfolio. Hearing comments such as …

"it's just LC Lite";

"why should I introduce a product that will cannibalise my LC business"; or

"why would an exporter receiving advance payment consider BPO";

… sends shivers down my spine. To me, such statements are a clear indicator of misinterpreting BPO's added value for clients and, more worryingly, not being attuned to potential client needs. Next to this it seems like history is repeating itself; banks are worried about giving more control and efficiencies to corporates, because who doesn't remember how difficult it was for banks to "let go" of the traditional way payments were effected in the past. "Electronic payment capabilities for corporates? Then we will loose out on what we can charge for handling payments!"

Advance Payments

In my Dutch home market, exporters are increasingly doing business on an advance payment basis. The number was 60 % in 2008 rising to 66 % in 2013. While this mitigates the payment risk for the Dutch exporter, what is the effect on the foreign importer? And how much export business is lost as a result? As I learned from a CFO of a major Nordic company, the exporter doesn't really need the cash upfront, but just wants to mitigate the payment risk. This is an excellent opportunity for the BPO and this Nordic CFO is now approaching trade banks about how to use the BPO.

Even though I believe that banks should be even more client focused and service oriented than the good standards already in evidence, I have worked within and with them long enough to fully understand that banks also have shareholders to consider.

When looking at BPO in isolation, the long-term potential cost/income ratio (a very important KPI for most banks) will undoubtedly be much better compared to the traditional trade finance products which are interesting because of the risks and interest-related income components. With BPO the latter components are still present and handling cost can be minimal, and this means that even the smaller ticket transactions can already be profitable.

Securing Open Account

Finally, banks should see the potential of offering BPO as an alternative for some of their client's open account business. This includes payments in advance or transactions currently covered by credit insurance. Actually, I very often notice that banks cannot offer credit insurance themselves or that customers do not fully realise the limitations of the actual insurance coverage. Again the BPO presents opportunities here by offering an easy entry solution into the world of risk management and trade finance, which is traditionally considered very complex.

Conclusion

Having not even touched on the huge supply chain finance and alternative to credit insurance opportunities with BPO, I believe it is fair to say that it is not a matter of 'if BPO will be a success' but 'how soon will it become a success'. Over the next months more and more (informed) corporates will be contacting their banks about BPO to trigger the start of the next level market adoption. Fortunately, I also notice a mind shift with some banks that now are starting to explore the topic of BPO with their clients. I can only applaud these developments.

In our role as trusted advisor and now as a BPO solution provider, we look forward to assisting many banks and corporates on this exciting BPO journey or should I say: BPO Race!

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Financial IT

Financial Technology Buyers' Guide

Fall 2014

Special Sibos Edition

ARQA Technologies is a leading Russian software vendor of solutions to sell and buy-side players for automation of their front-middle-and-back-office operations in financial markets. The flagship product is QUIK — a multi-instrument, multi-market front-end trading platform used for proprietary operations and servicing clients. QUIK has versatile risk management functionality for efficient online pre-trade checks, portfolio evaluation and margin trading. ARQA's clientele comprises more than 300 financial institutions including 7 out of top-20 global investment banks, as well as investment and asset management companies.

COMPANY PROFILE	
Company type	Sole proprietorship
Annual turnover	Undisclosed
Number of Customers Total	300
Number of Employees	160
Inception	2000
Geographical coverage	Russia, CIS, Europe

COMPANY CONTACT DETAILS	
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Bravura Solutions is a trusted provider of software solutions for the wealth management, life insurance and transfer agency industries, underpinned by functionally rich technology that enables modernisation, consolidation and simplification. We are committed to increasing operational and cost efficiency for our clients, enhancing their ability to rapidly innovate and grow, minimising their risk and enabling them to provide better service to their customers. Backed by over 30 years of experience, our installed or managed hosted solutions are mission critical to some of the world's leading financial institutions. We support our clients with a team of more than 750 people in 16 offices across Australia, New Zealand, Asia, United Kingdom, Europe and South Africa.

COMPANY PROFILE	
Company type	Private
Annual turnover	Undisclosed
Number of Customers Total	Over 150 client installations
Number of Employees	750+
Inception	2004
Geographical coverage	Australasia

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Broadridge Financial Solutions, Inc. is the leading provider of investor communications and technology-driven solutions for broker-dealers, banks, mutual funds and corporate issuers globally. Broadridge's investor communications, securities processing and operations outsourcing solutions help clients reduce their capital investments in operations infrastructure, allowing them to increase their focus on core business activities. With over 50 years of experience, Broadridge's infrastructure processes more than $5 trillion in fixed income and equity trades per day, and underpins proxy voting services for over 90% of public companies and mutual funds in North America. Broadridge employs approximately 6,400 full-time associates in 13 countries.

COMPANY PROFILE	
Company type	PLC/Listed firm
Annual turnover	$2.432 billion
Number of Customers Total	Nearly 1,000
Number of Employees	6,400
Inception	1962
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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Compass Plus provides proven software and services for financial institutions, including retail banks and payment processors across the globe that operate in complex and rapidly changing business and technology environments. Compass Plus builds and quickly implements comprehensive and integrated payment technologies that allow customers to increase revenue and profits, and improve their competitive position by implementing flexible systems that meet market demands. With hundreds of successful projects spanning card, account and merchant management, card personalisation, mobile and electronic commerce implemented in record breaking time, Compass Plus ensures its customers make the most of their technology investments.

COMPANY PROFILE	
Company type	Limited Partnership
Annual turnover	Undisclosed
Number of Customers Total	Undisclosed
Number of Employees	Undisclosed
Inception	1989
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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Option Computers Ltd is a leading provider of trading, trade processing and business intelligence solutions to global financial markets through its flagship DealHub product. Founded in 1985, the company has offices in London, New York and Singapore. DealHub's low latency, high throughput solutions encompass the complete trading lifecycle from liquidity sourcing, through price distribution and ecommerce workflows, to STP, trade monitoring and processing, regulatory reporting and compliance archiving. Solutions are tailored to support front, middle and back office workflows across all business functions.

COMPANY PROFILE	
Company type	Sole proprietorship
Annual turnover	Undisclosed
Number of Customers Total	Undisclosed
Number of Employees	40
Inception	1985
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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Since 1991 Diasoft has been providing cutting edge financial software solutions supporting all the aspects of retail, corporate and universal banking, treasury and capital market services, and insurance business. The company's main offer to the global financial market is FLEXTERA — a SOA-based software solution for front-to-back automation of financial services. Using the most advanced technologies to create its software products, Diasoft became one of the first companies having implemented SOA-principles in the banking solutions, which is attested by IBM Banking Industry Framework certification. The company is ranked in TOP 100 global financial technology providers and TOP 5 software vendors in Russia

COMPANY PROFILE	
Company type	Sole proprietorship
Annual turnover	2013 results are not ready so far, will be announced in summer
Number of Customers Total	360
Number of Employees	1,600
Inception	1991
Geographical coverage	Asia, Europe, Russia

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ElectraCard Services, a subsidiary of Opus Software Solutions, provides products and third party processing services for credit and payments management industry across the world. ECS is a PCI DSS certified Third Party Processor (TPP) for MasterCard® and VISA® across the issuing and acquiring spectrum of the electronic payments business. ElectraCard Services enables financial institutions, retailers, finance companies and corporations to electronically process, in real-time, any type of payment transaction, including credit, debit, pre-paid, and ACH. In addition to typical back office processing, ECS also offers ecommerce gateway and switching solutions.

COMPANY PROFILE	
Company type	Sole proprietorship
Annual turnover	Undisclosed
Number of Customers Total	80
Number of Employees	1,100
Inception	1997
Geographical coverage	Asia, North America, Africa, South America, Europe

COMPANY CONTACT DETAILS	
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Equinix, Inc. (Nasdaq: EQIX), connects more than 4,500 companies directly to their customers and partners inside the world's most networked data centers. Today, enterprise, cloud, networking, digital media and financial services companies leverage the Equinix interconnection platform in 32 strategic markets across the Americas, EMEA and Asia-Pacific. By connecting directly to their strategic partners and end users, customers are forming dynamic ecosystems inside Equinix. These interconnected ecosystems enable companies to optimize the performance of their content and applications and protect their vital digital assets.

COMPANY PROFILE	
Company type	PLC/Listed firm
Annual turnover	Reported 2013 Revenue $2,152.7M
Number of Customers Total	4,500+
Number of Employees	3,500+
Inception	1998
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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Fenergo is a global leader in Client Lifecycle Management software solutions for capital market firms and investment banks. Its world-class client onboarding workflow technology streamlines onboarding, account opening and client maintenance processes, while delivering regulatory onboarding processes that ensure compliance with global and local regulations such as AML, KYC, Dodd-Frank, FATCA, MiFID and EMIR based on clean, golden source entity data. These award-winning solutions enable financial institutions to significantly improve time-to-revenue, regulatory compliance, client experience, and reduce overall operational costs.

COMPANY PROFILE	
Company type	Privately Held
Annual turnover	Undisclosed
Number of Customers Total	Undisclosed
Number of Employees	70+
Inception	2009
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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Headquartered in Bangalore with offices in Mumbai, New York, Sandton, Dubai, Manila and Hanoi, iCreate is a global Banking Decision Sciences leader that works with banks worldwide to enable faster, better decision making and regulatory compliance. iCreate's enterprise-grade Analytics, Risk & Compliance solutions integrate seamlessly with Banking systems and delivers a fully functional Decision Enablement and Risk & Compliance System running in a fifth of the time when compared to conventional alternatives, at the lowest TCO and with advanced solutions in areas such as Retail Banking, Corporate Banking, Analytics 360, etc. iCreate currently has over 35 progressive financial services institutions across 11 nations as customers.

COMPANY PROFILE	
Company type	Sole proprietorship
Annual turnover	Undisclosed
Number of Customers Total	15
Number of Employees	120
Inception	2006
Geographical coverage	United Kingdom, South Africa, Kuwait

COMPANY CONTACT DETAILS	
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INDATA is a leading industry provider of software and services for buy-side firms, including trade order management (OMS), compliance, portfolio accounting and front-to-back office. INDATA's iPM — Intelligent Portfolio Management technology platform allows end users to efficiently collaborate in real-time across the enterprise and contains the best of class functionality demanded by sophisticated institutional investors. INDATA provides software and services to a variety of buy-side clients including asset managers, registered investment advisors, banks and wealth management firms, pension funds and hedge funds. What sets INDATA apart is its single-minded focus on reducing costs and increasing operational efficiency as part of the technology equation.

COMPANY PROFILE	
Company type	Limited Liability Company (LLC)
Annual turnover	Undisclosed
Number of Customers Total	Over 200
Number of Employees	Over 150
Inception	1968
Geographical coverage	North America, Europe

COMPANY CONTACT DETAILS	
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Lombard Risk

Lombard Risk is a leading provider of integrated collateral management and liquidity, regulatory and MIS reporting solutions — enabling firms in the financial services industry to significantly improve their approach to managing the risk in their businesses. Our clients include banking businesses — over 30 of the world's "Top 50" financial institutions — almost half of the banks operating in the UK, as well as investment firms, asset managers, hedge funds, fund administrators, insurance firms and large corporations worldwide. The Lombard Risk solution suite is developed and supported by an extensive team of risk, regulatory and financial experts.

COMPANY PROFILE	
Company type	PLC/Listed firm
Annual turnover	2013 - £16.8m
Number of Customers Total	300+
Number of Employees	280
Inception	1986
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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Milestone Group is a global provider of advanced software solutions to asset managers, fund product manufacturers and distributors, life and pension companies, and fund administrators.
Its pControl funds platform is a single application platform delivering market leading operational efficiency, transparency and control to key business functions. Milestone Group brings global insight and proven technology to deliver a unique business partnership.

COMPANY PROFILE	
Company type	Limited Partnership
Annual turnover	Undisclosed
Number of Customers Total	Undisclosed
Number of Employees	Undisclosed
Inception	1998
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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Misys provides the broadest portfolio of banking, treasury, trading and risk management solutions available on the market. More than 1,900 banks and financial institutions use Misys software to run their businesses, all benefitting from the continual investment in innovation and product quality. Misys solutions create value across banking and trading book operations, underpinned by the deep domain expertise and experience of Misys employees and partners who help ensure customers get maximum benefit from the solutions and operate more effectively. Misys has the broadest range of solutions available to meet the most complex requirements.

COMPANY PROFILE	
Company type	Privately-owned
Annual turnover	Undisclosed
Number of Customers Total	1,900
Number of Employees	4,500
Inception	1979
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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As developers of the award-winning Metro electronic trading and market-making platform, Chicago-based OptionsCity Software has helped options traders make markets and trade on the world's leading derivative markets since 2006. OptionsCity continues to innovate with the development of Freeway, a multiasset algorithmic trading platform designed to streamline the development and deployment cycle with micro-second execution, and AlgoStore, an online algorithm repository and community launched by OptionsCity in early 2012 that enables third-party developers to write and sell their self-authored algorithms to traders around the world.

COMPANY PROFILE	
Company type	Corporation
Annual turnover	Undisclosed
Number of Customers Total	Undisclosed
Number of Employees	60
Inception	2006
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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Founded in 1990, PROFILE Software is a specialised financial solutions provider, with offices in Geneva, Dubai, London, Singapore, Athens and Nicosia, delivering market-proven solutions with an exceptional track record of successful implementations in the Banking and Investment Management industries. PROFILE is recognised as an established and trusted partner in a number of regions, offering a wide spectrum of solutions to the financial services sector. PROFILE's solutions enable institutions worldwide to align their business and IT strategies while providing the necessary business agility to proactively respond to the everchanging market conditions.

COMPANY PROFILE	
Company type	PLC/Listed firm
Annual turnover	Undisclosed
Number of Customers Total	200
Number of Employees	102
Inception	1990
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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Reval is a leading, global Software-as-a-Service (SaaS) provider of comprehensive and integrated Treasury and Risk Management (TRM) solutions. Our cloud-based software and related offerings enable enterprises to better manage cash, liquidity and financial risk, and includes specialized capabilities to account for and report on complex financial instruments and hedging activities. The scope and timeliness of the data and analytics we provide allow chief financial officers, treasurers and finance managers to operate more confidently in an increasingly complex and volatile global business environment.

COMPANY PROFILE	
Company type	Sole proprietorship
Annual turnover	Undisclosed
Number of Customers Total	more than 500
Number of Employees	more than 350
Inception	1999
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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SAGE SA delivers innovative solutions that help financial institutions make better investment decisions and build client trust even in uncertain market conditions by allowing them to communicate investment decisions in total transparency. SAGE SA has solutions for investment tracking, wealth management, asset management, risk management and more. SAGE SA has the ideal solution for today's financial services provider. SAGE SA offers Prospero, a suite of wealth management solutions that is user-friendly, robust and cost-effective; and BlackSwan Finacial Platform, a Portfolio Optimization solution. SAGE SA, which was founded in 1986, has its headquarters in Switzerland, and has branches in Dubai and Singapore.

COMPANY PROFILE	
Company type	Corporation
Annual turnover	Undisclosed
Number of Customers Total	Undisclosed
Number of Employees	80
Inception	1986
Geographical coverage	Asia, Europe

COMPANY CONTACT DETAILS	
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Both a software publisher and an Application Services Provider, SLIB is a trusted partner to the financial services industry, always on the lookout for changes in the European securities landscape, by supplying its customers with innovative software solutions to streamline their securities processing and improve their performance, whilst mitigating their risks. SLIB solutions support securities order and trade, clearing, settlement, custody, online vote prior to General Meetings and risk control. To date 50 securities services providers throughout Europe are using SLIB solutions.

COMPANY PROFILE	
Company type	Partnership
Annual turnover	More than $25 Million
Number of Customers Total	Over 50
Number of Employees	110
Inception	1988
Geographical coverage	Europe

COMPANY CONTACT DETAILS	
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Surecomp is the leading global provider of trade finance solutions for banks and corporations. A market pioneer for over 25 years, Surecomp maintains a proven track record delivering innovative solutions worldwide. With a global network of regional offices and six state-of-the-art development centers, Surecomp successfully supports hundreds of installations in over 80 countries. Surecomp's integrated portfolio of trade finance, supply chain finance and treasury confirmation matching solutions streamlines the transaction lifecycle to minimize costs and maximize profits.

COMPANY PROFILE	
Company type	Privately Held
Annual turnover	Undisclosed
Number of Customers Total	300+ installation sites globally
Number of Employees	235 globally
Inception	1987
Geographical coverage	Global

COMPANY CONTACT DETAILS	
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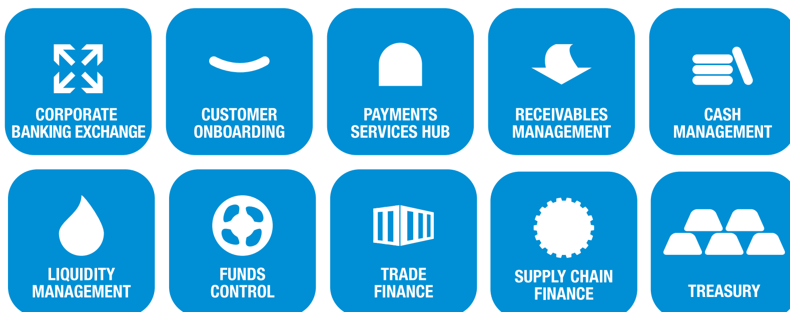

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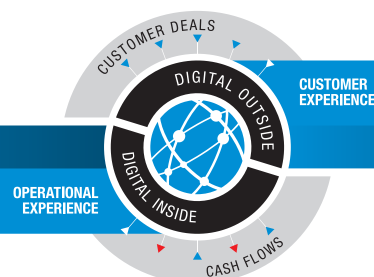

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