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# Asia/Pacific Top 10 Strategic Initiatives for Banks in 2006

*Technology meets good governance*

# Agenda

- Introduction
  - Top level issues
    - Mergers and acquisitions
    - Thai bank spending
  - Key themes
- Top 10 Strategic Initiatives
  - Honorable mentions
- Trends in Financial Technology
- Essential Guidance
- Questions

# Top Level Issues for 2006

- Asia economic outlook
  - Growth expected to remain strong but lag 2005
  - Lack of clarity on interest rates
- Margins
  - Shrinking on many products
- New products and customer segments
  - Cards, microfinance, bancassurance, wealth management, Islamic finance, unsecured lending, etc.
  - SMEs, high net worth, subprime, non-residents, etc.
- Channels
  - Evaluate distribution strategies

# Mergers and Acquisitions

- China
  - Big Bank, Small Stake OR Small Bank, Big Stake?
- Korea
  - Citigroup/KorAm, Standard Chartered/KFB, KEB?
- Other markets?
  - Taiwan, Indonesia, Malaysia, Vietnam, India, etc.
- Asian banks in the mix
  - Japanese, Korean, Singaporean, Hong Kong, etc.
- GE Money
  - SBI, Hyundai Capital, Shenzhen Development Bank, SingPost, Keppel Bank, Wizard Home Loans, Cosmos Bank, Bank of Ayudhya rumors, etc.

# What Are Thai Banks Spending On...

- General Focus Areas
  - Data center consolidation
  - Core banking
  - Channels (heavy branch focus)
  - CRM (operational and analytical)
  - Financial and managerial accounting
    - Budgeting and management reporting
  - Risk (credit and market focus)
- Specific Investment Areas
  - Corporate loan origination
  - Electronic bill presentment and payment
  - Private banking and customer wealth management
- ITMX (Interbank Transaction Management and Exchange)

# Important Themes

- Fundamental IT investments remain important
- Short-term pressures exist
  - Regulatory compliance
- Management quality is crucial
  - Business success relies on effective IT & operations
    - Governance, executive commitment and project management skills
- IT sourcing/procurement
  - Reputation risk around underhanded practices
  - Eliminate internal technology biases
- Efficiency and operational excellence
  - Not simply cost cutting

# Strategic Top 10

- Core Banking Systems Transformation
- Channel Investments
- Profitability and Performance Management
- Customer Analytics
- Payments
- Technology to Support New Business Strategies
- Regulatory Compliance and Risk Management
- Security and Fraud Management
- Business Process Automation/Reengineering
- Selective Sourcing

# Top 10

- Core Banking Systems Transformation
  - Upgrade legacy applications and prepare for growth
  - Change and project management crucial
  - Unix has been proven for the largest banks, but iSeries and mainframe still strong
  - Number of key deals for 2006
- Channel Investments
  - Branch investments continue and mature
  - Internet banking strategies
  - Self-service investments around ATM and mobile
  - New life for channel integration

# Top 10

- Profitability and Performance Management
  - Chart of accounts, general ledgers, and ERP
  - Understand business/IT performance at granular level
  - Centralized systems
  - Assess the profitability of businesses and individuals
- Customer Analytics
  - Drive sales, improve customer service, improve collections, etc.
  - Better data sources to leverage
  - Retail focus with high net worth an initial priority
  - Often part of broader projects involving processes, training, risk management, etc.

# Top 10

- Payments
  - POS and national payment systems
  - Payment process outsourcing
  - Cards, EMV, online payments, RTGS, SWIFT, mobile, P2P, EBPP, switches, acquiring, etc.
  - Enterprise payments
- Technology to Support New Business Strategies
  - Packaged applications or custom developed
  - Improve efficiency of existing processes
  - Risk management investments
  - Link market entry strategy with technology

# Top 10

- Regulatory Compliance and Risk Management
  - Basel II deadlines creeping up
  - Growing focus on AML
  - Other (IAS/IFRS, Sarbox, Patriot Act, local regs)
  - Growth in credit and market risk spending
- Security and Fraud Management
  - Dual-factor authentication
  - Enterprise approach to network security
  - Credit card and ATM fraud continue
  - Focus on internal fraud

# Top 10

- Business Process Automation/Reengineering
  - Linked to major application investments
  - Redundant processes, errors and high people costs
  - Assess which processes can be centralized
  - Content management and workflow
- Selective Sourcing
  - Assess existing comprehensive arrangements
  - Australia as a model going forward?
  - Multi-sourcing as an alternative
  - BPO from both vendors and banks

# Strategic Top 10 – Honorable Mentions

- Trade and Cash Management
- Communications and Network Infrastructure
- Designing a China Strategy

# Honorable Mentions

- Trade and Cash Management
  - Build SME business and defend corporates
  - New point solutions around trade, payments and cash
  - Invest in people and specialized middle office
  - Offer receivables solutions
- Communications and Network Infrastructure
  - Drive efficiency and value through the network
  - Convergence concept maturing
  - Technology (VPN, IP/MPLS, VoIP, WiFi, WiMax, etc.)
  - Securing and monitoring the network

# Honorable Mentions

- Designing a China Strategy
  - What to do with an equity stake?
  - Developing a business model
  - Market entry strategies
  - Risks and rewards

# Trends in Financial Technology

- Industry consolidation
  - Oracle/Siebel/iflex, TCS/FNS, FIS/Certegy, SAP/Accenture, System Access/Comex, etc.
- Services players
  - Rise of the Indian firms
    - Moving up the services and product value chains
    - Delivery issues? Overstretched?
- Solution build outs
  - Offer integrated line of business solutions
- Platform trends
  - Unix, Linux, Mainframe, Windows and iSeries
- Dynamic IT and SOA

# Essential Guidance

- Banks
  - Transparent procurement and bidding processes
  - IT governance is about business and IT
  - Executive support and project management is key
  - Sunk costs are sunk costs
- Vendors and Service Providers
  - Technology must be linked to real business issues
  - Vendor consolidation is changing the landscape
  - Western strategies and marketing often don't fly
  - Domain expertise is crucial and you must be able to pro-actively propose relevant solutions



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Thank You!  
Questions?



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