



How Network Service Providers competition boosts the financial industry

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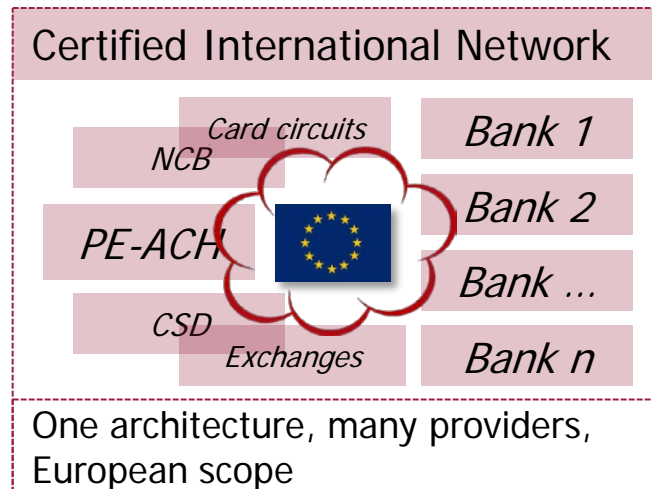
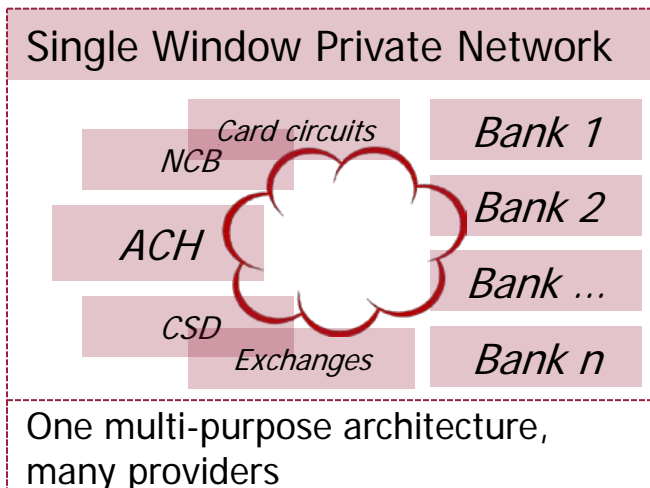
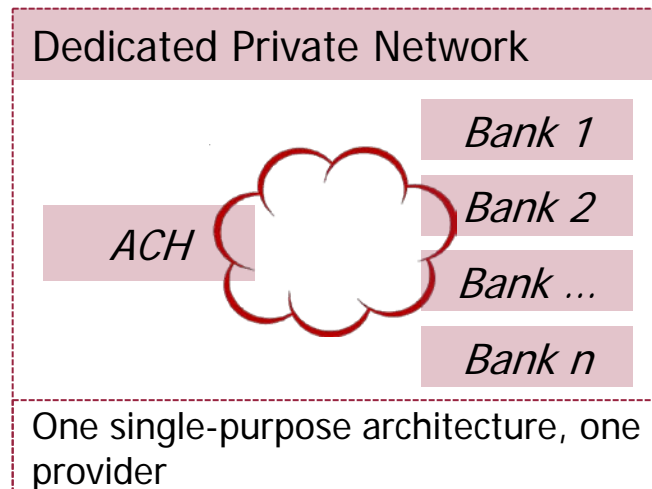
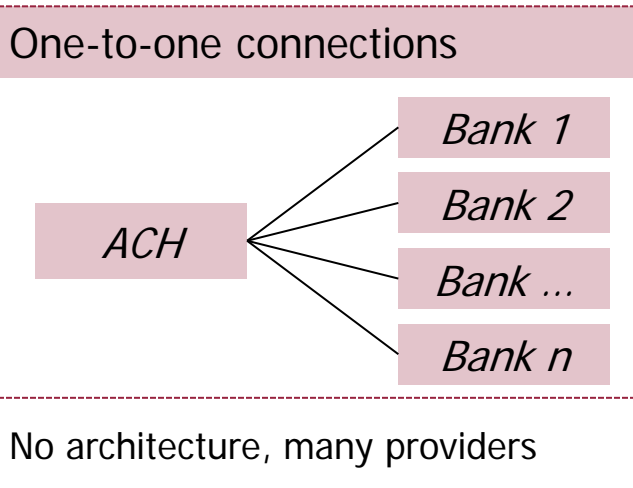
> **Network infrastructure approaches in the European Financial Communities**

Networks are more than a commodity

How to keep network costs low?

SIA-SSB profile

Payments Industry: network infrastructure approaches in the European Financial Communities

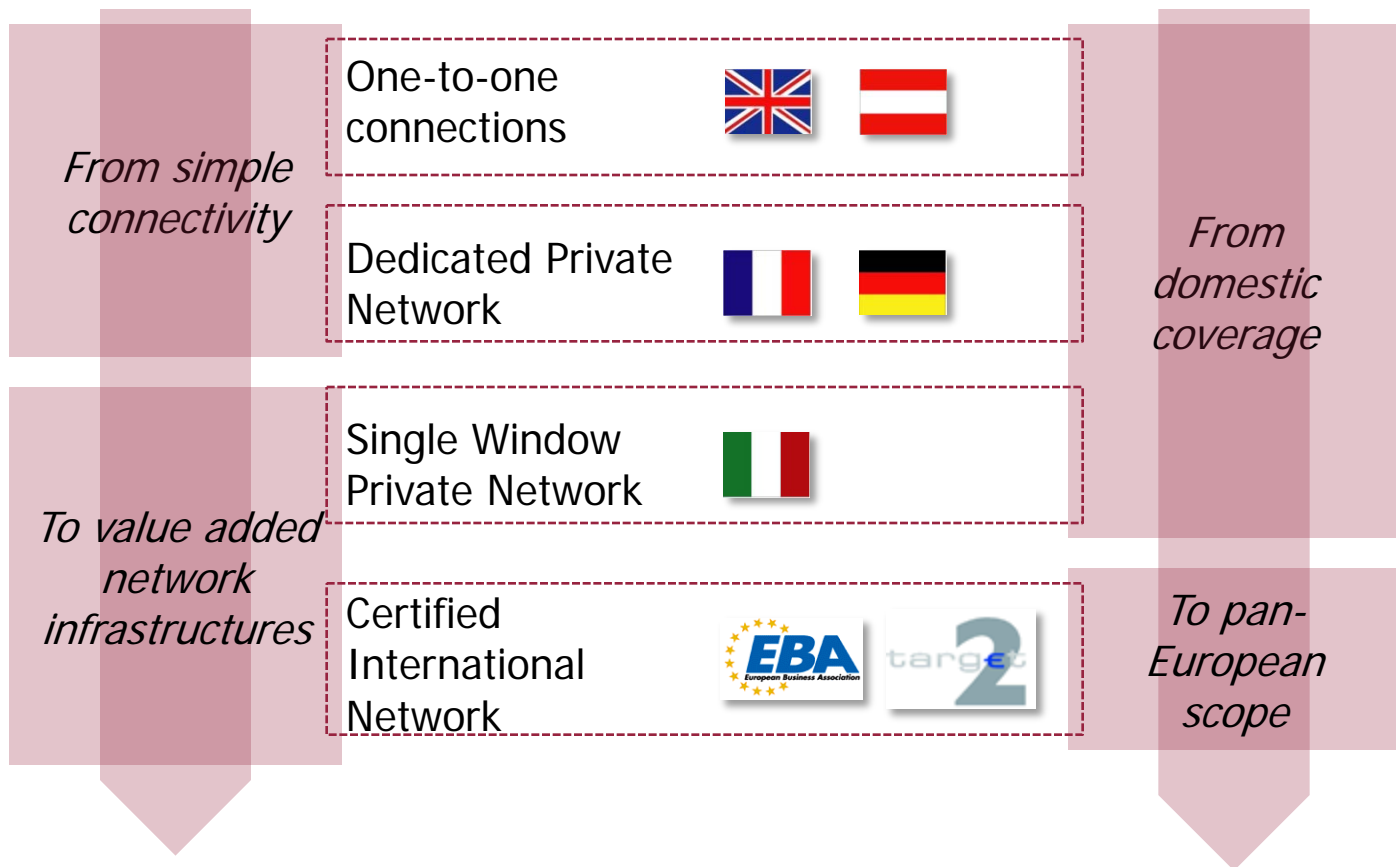


European Financial Communities are adopting different approaches

EXAMPLES



The European scenario of network infrastructure solutions adopted for payment services is quite varied



The scenario evolution is changing the role of Network Services for the Financial Industry



Regulation changes

T2, T2S, Sepa, PSD, Mifid...

Technology changes

XML, ISO 2022, MPLS, Ethernet, low latency (4ms!), extended capacity

Competitive changes

- European scope
- New market players
- New operators/providers

Business requirement changes

- Increasing traffic
- Resiliency
- Security
- Proximity
- Privacy
- ...

Network infrastructures gain a central role in the industry

Network infrastructures represent a key component in the value-chain

Network is no more just a question of numbers (*one more cable or a larger bandwidth*)

Network infrastructure approaches in the European Financial Communities

> Networks are more than a commodity

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Network Services in payment value chain are more than a commodity



In the payment value chain, what is a network?



Just a necessary cost, for a tangle of wires!

That cost should be as low as possible

So, should Network be a commodity?

Are we sure that “no matter who produces it”?

*“A commodity a good that is supplied **without qualitative differentiation** across a market. A commodity has full or partial fungibility. **No matter who produces it.**”
(Wikipedia)*

Network as a commodity

The Internet

A single public network, that is the same for all the players

- Global extent ✓
- Cheap ✓
- No reliability ✗
- No security ✗
- No privacy ✗

Financial Industry needs a Network Infrastructure solution with an architectural approach



Dedicated Private Network

Network as a value added service

A network for each service

- Potentially global extent
- High reliability
- High security and privacy
- Single Service standardization
- Rationalization and scalability of the service infrastructure
- Cost efficiency for the service

Single Window Private Network

Network as a Community

A multi domain network, that really fits with all the business needs

- Potentially global extent
- High reliability
- High security and privacy
- Service unbundling
- Carrier independency
- Multi Domain platform
- Multi Service standardization
- Rationalization and scalability of the system infrastructure
- Cost efficiency for the community

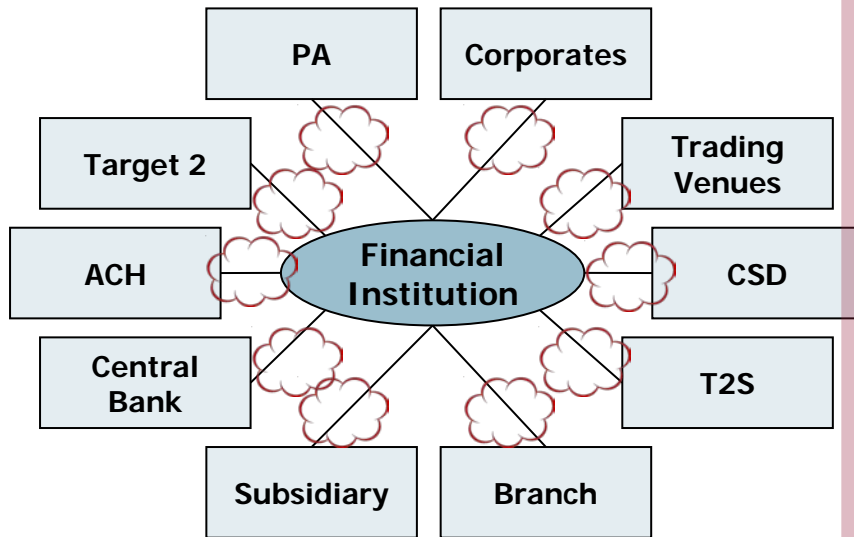
The evolution to a Single Window Network adds operational benefits and cost savings both at single player and at community level



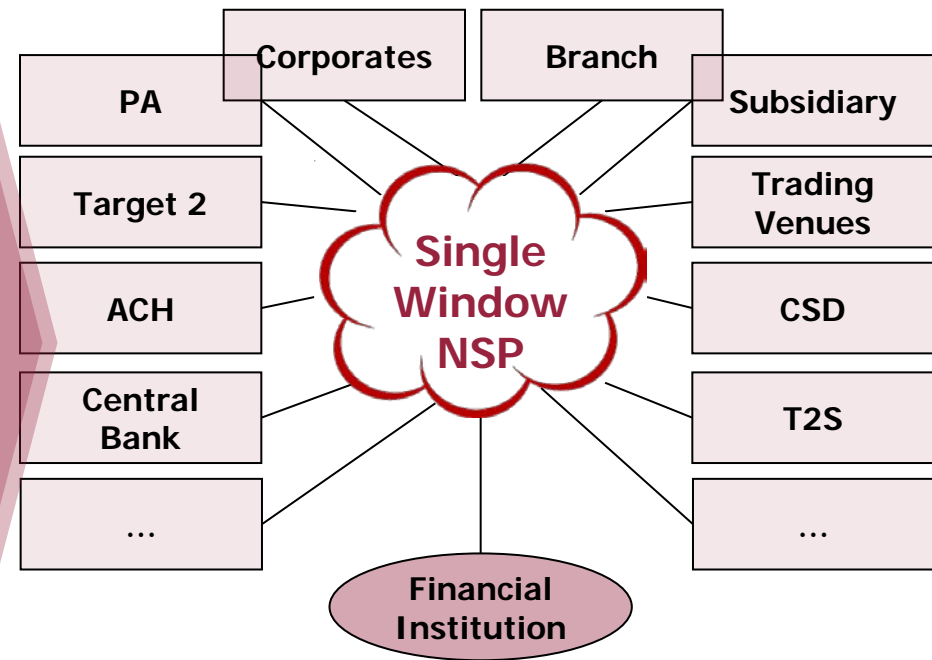
A Dedicated Network for each service multiples infrastructural costs and makes not clear the overall costs

A Single Window Network reduces network costs, optimizing the whole infrastructure

Dedicated Network



Single Window Network



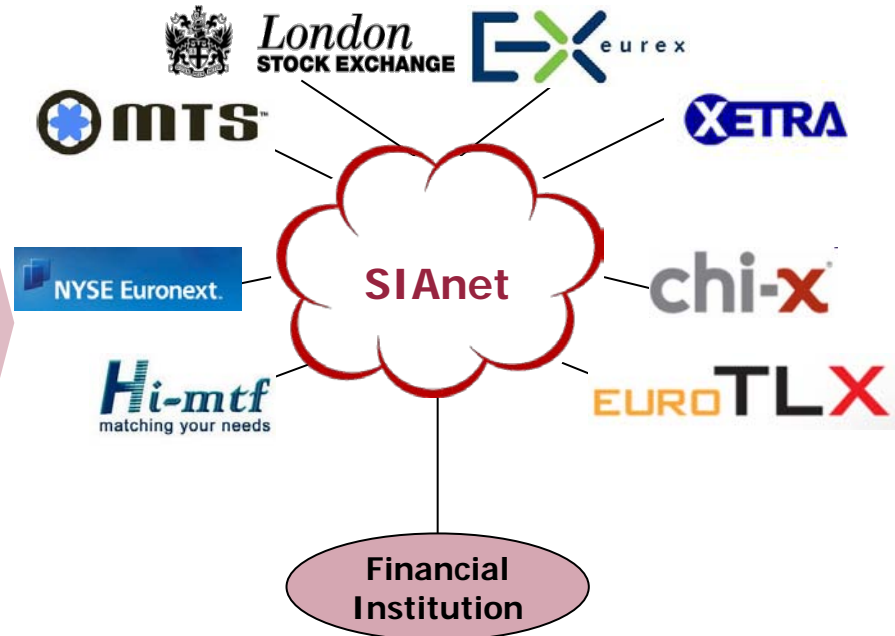
The example of SIAnet optimization of trading venues accesses



Dedicated Network



Single Window Network



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Only a real and strong competition between Network Service Providers can guarantee the price level consistent with an efficient market

EXAMPLES



SEPA is a good example of the power of competition in reducing costs

Network cost for a Credit Transfer before SEPA: up to **30** eurocents per transaction (SWIFT FIN messaging service)



SEPA introduced competition between NSPs



The new SWIFT File Transfer Service proposed for a Credit Transfer under SEPA, dropped to **0.07** eurocents

EBA Step2 and T2S represent the opportunity to transfer the competition benefits to final users

Eurosystem bets on network competition



Eurosystem is introducing the Network Service Providers (NSP) competition approach in the Target 2 Security (T2S) project

For T2S, that will be a single pan-European platform for securities settlement in central bank money, Eurosystem is going to publish an RfP for the selection of 2 certified NSPs

This approach will delineate a scenario characterized by:

- a strong price competition between NSPs
- a service level defined and monitored by the Eurosystem

... why don't extend this approach to Target 2 Cash, where Eurosystem decided to work with a single NSP?

Network infrastructure approaches in the European Financial Communities

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> SIA-SSB profile

SIA-SSB Group – The technology provider for the European Financial Community in the areas of payment card processing, payment systems, capital markets and network services for connectivity and messaging



Operates in over 30 countries also beyond the EU countries (Africa, Middle East and South America)

Volumes trend

	2010	Delta 2010 vs 2009	Delta %
Transactions (mln)	7,514	476	6,8%
Payment systems	2,645	147	5,9%
Cards	4,869	329	7,2%
Cards (mln)	62,4	0,7	1,1%
Merchants (thousands)	1,026	-18	-1,8%
MTS (mln quotes)	8,811	1,696	23,8%
Monte Titoli (mln transactions)	348	5	1,5%
Volume of data transfer (Gigabyte)	11,142	71	0,6%

Geographical coverage (EU)



SIA-SSB Group is composed by 6 companies:

SIA-SSB; **RA Computer** (Back-office applications for the banking, public and private sectors) and **TSP** (Payment solutions and services for Corporate and Public Sector bodies) located in Italy, **SiNSYS** (card processing) in Belgium; **Perago** (Solutions for Central Banks) in South Africa and **GBC** (ATM/POS terminal management) in Hungary.

SIA-SSB Network Services – Presence and Domains

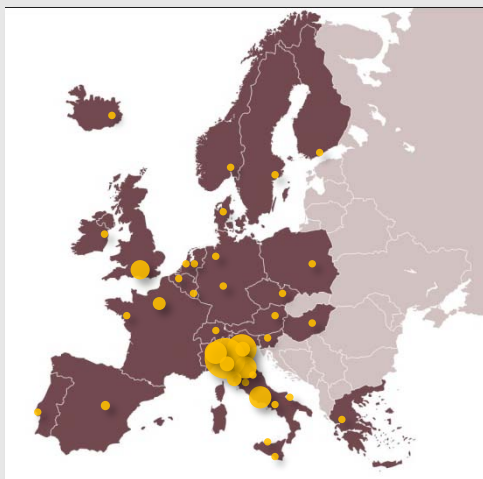


SIA-SSB Network connects the European Financial Community to a galaxy of services

Presence

582 SIANet connections in 22 European Countries

- in Italy: 80%
- abroad: 20%



Domains

RNI



London
STOCK EXCHANGE



SIA-SSB Network Services – Technology and Figures



SIA-SSB is the leading provider of connectivity and messaging services for the European Banking and Financial Industry

Technology

Scalable technology:

- from ADSL to Dark-Fiber

Scalable solutions:

- from single to geo-cluster configurations

Scalable bandwidth:

- From 128Kbps up to 1GBps

Low latency:

- 11m sec from Milano to London using the Financial Ring technology

Easy integration:

- Ethernet for all services

Security:

- Firewalling & IPSEC



Figures 2010

13 Gbps bandwidth availability

100% service availability, carrying:

- File Transfers: 42 Million
- Message Switching: 498 Million
- Transactional Service: 198 Million

In 2010 SIANet handled ca. 3 Mio transactions/day





1

Network infrastructures are key factors both for domestic and European financial communities

2

A network architecture at community level can maximize benefits in terms of:

- costs
- unbundling
- operations
- multi services
- carrier independency

3

NSPs competition is a mandatory requirement

SIA-SSB is the right partner to get the best opportunities from network infrastructures and boost your core business