



Business opportunities of the new execution
process for retail banking and brokers: the
key role of Compliance and Technology

The Future of Banking in Greece

Athens, 21st of January 2010

Agenda



The new European Directive scenario driven by FSAP and PSD

The key role of Compliance and Technology to protect customer care in the capital markets and payment areas

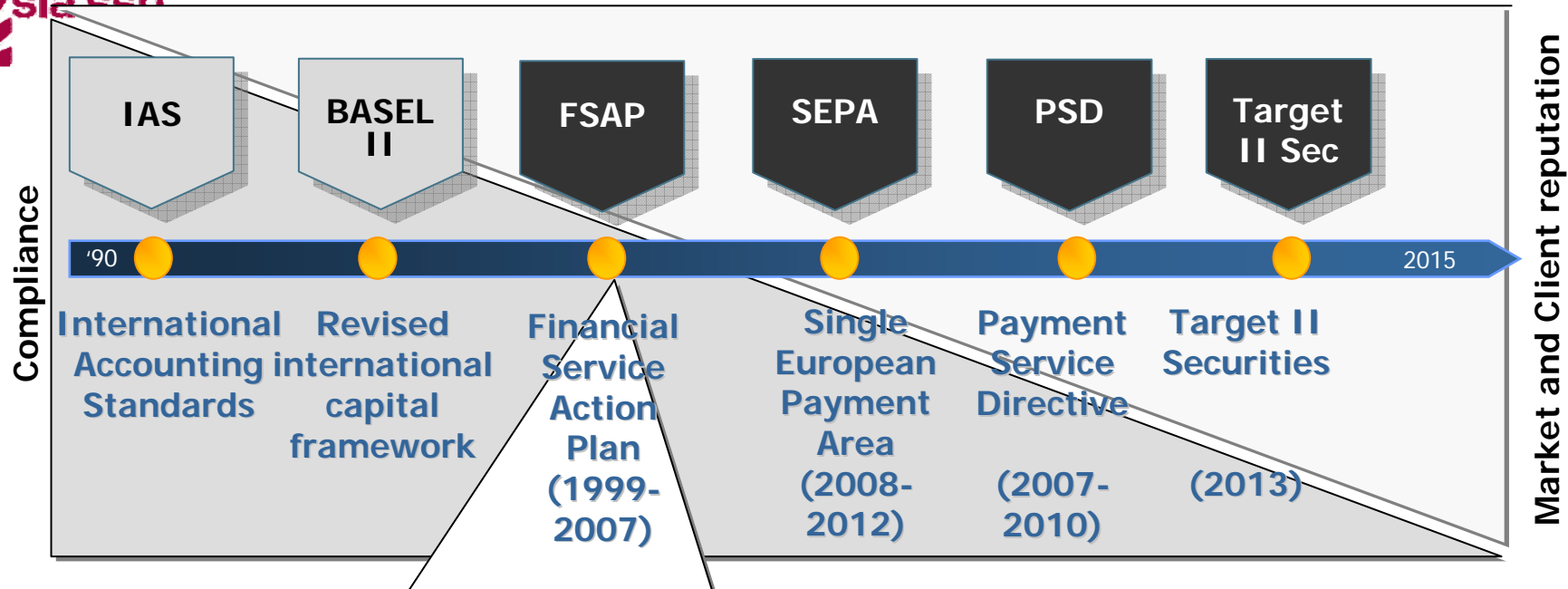
The new compliance approach from “duty driven compliance” to a “business driven compliance”

EU financial service harmonization is focused on Capital Markets and Payments

Starting from Capital Markets through the FSAP



Main regulatory evolutions at EU level



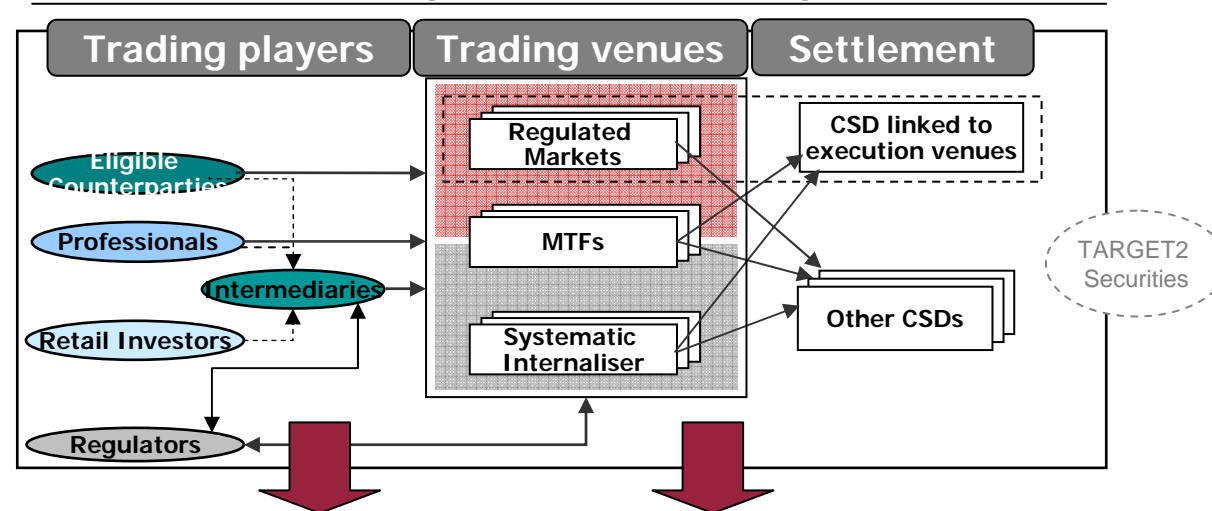
- 23 Directives with transposition deadline in each EU member country from April 2002 to 31/01/2007 (MiFID)
- EU Directives impacting mainly and directly Capital Markets:
 - Prospectus, Market Transparency,...
 - Market Abuse Directive (MAD 2006)
 - Market in Financial Instruments Directive (MiFID 2007-2008)
- 2009-2010 MiFID level III implementation and other EU Directives review

Competition increase, driven by MiFID, will bring new opportunities, imposing more investor care ...

Starting from Capital Markets through the FSAP



The new European MiFID market place



More competition and more transparency

- New players can directly access markets
- KYC: Retail, Professional, Eligible Counterparties

More investor care and transparency

- Execution policy formalisation
- Best execution guarantees
- New **transparency** obligations

More competition

- End of trading concentration on regulated markets
- Introduction of new trading venue types
- New duties on conflict of interest **transparency**

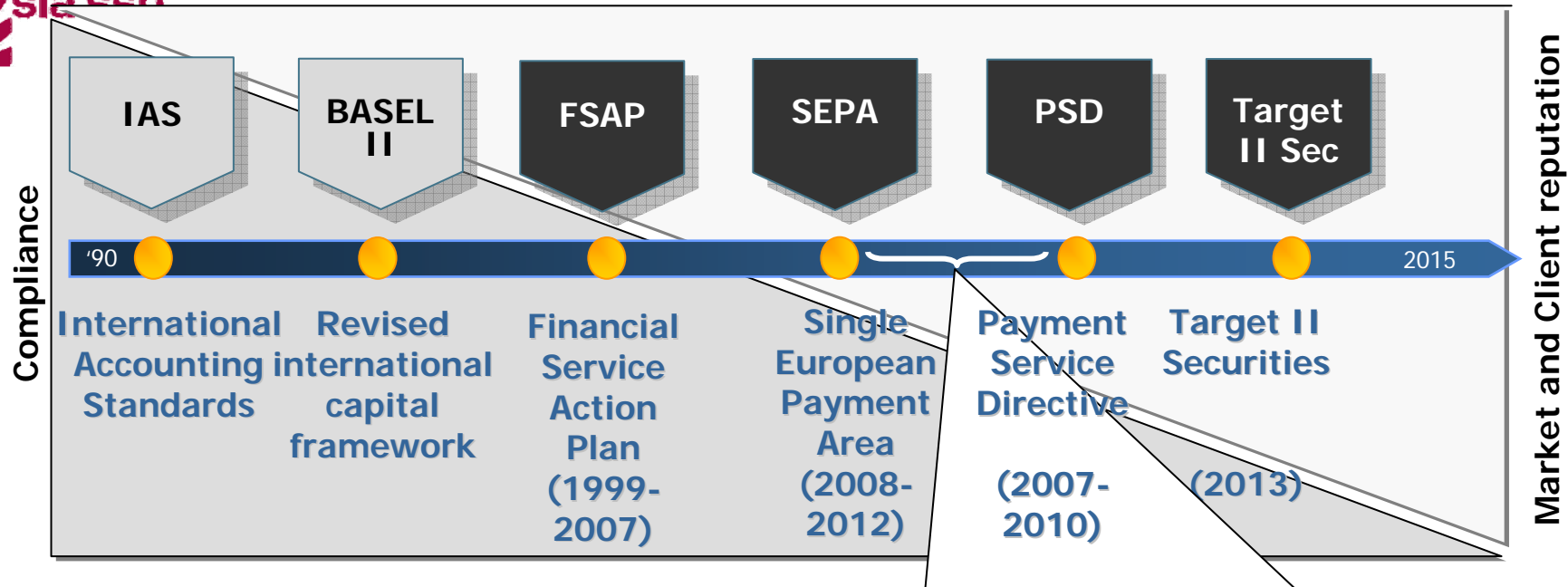
... virtuous Banking Groups will leverage on new TRANSPARENCY to improve their relationship with Clients: targeting them only with services where they recognise value and are willing to pay for

EU financial service harmonization is focused on Capital Markets and Payments

Moving to Payments through SEPA and PSD



Main regulatory evolutions at EU level



- **Live and growing SEPA Credit Transfer Scheme** (4.500 banks in 31 countries, usage still low 4,5% in Euro area)
- **2/11/2009: launch of SEPA Core Direct Debit Scheme and SEPA Business to Business Direct Debit Scheme**
- **Q2 2010: national law transposition deadline for PSD** (1/11/2009 the original required deadline)
- **EC long-term perspectives** for the multilateral interchange fees (MIFs) for direct debits: **no reason to remain in place both at national and cross border level after 31/10/2012**
- **Some points still open:** public administration role, PSD worrying forecasts in the harmonization, cards payments standard requisite still to be finalised

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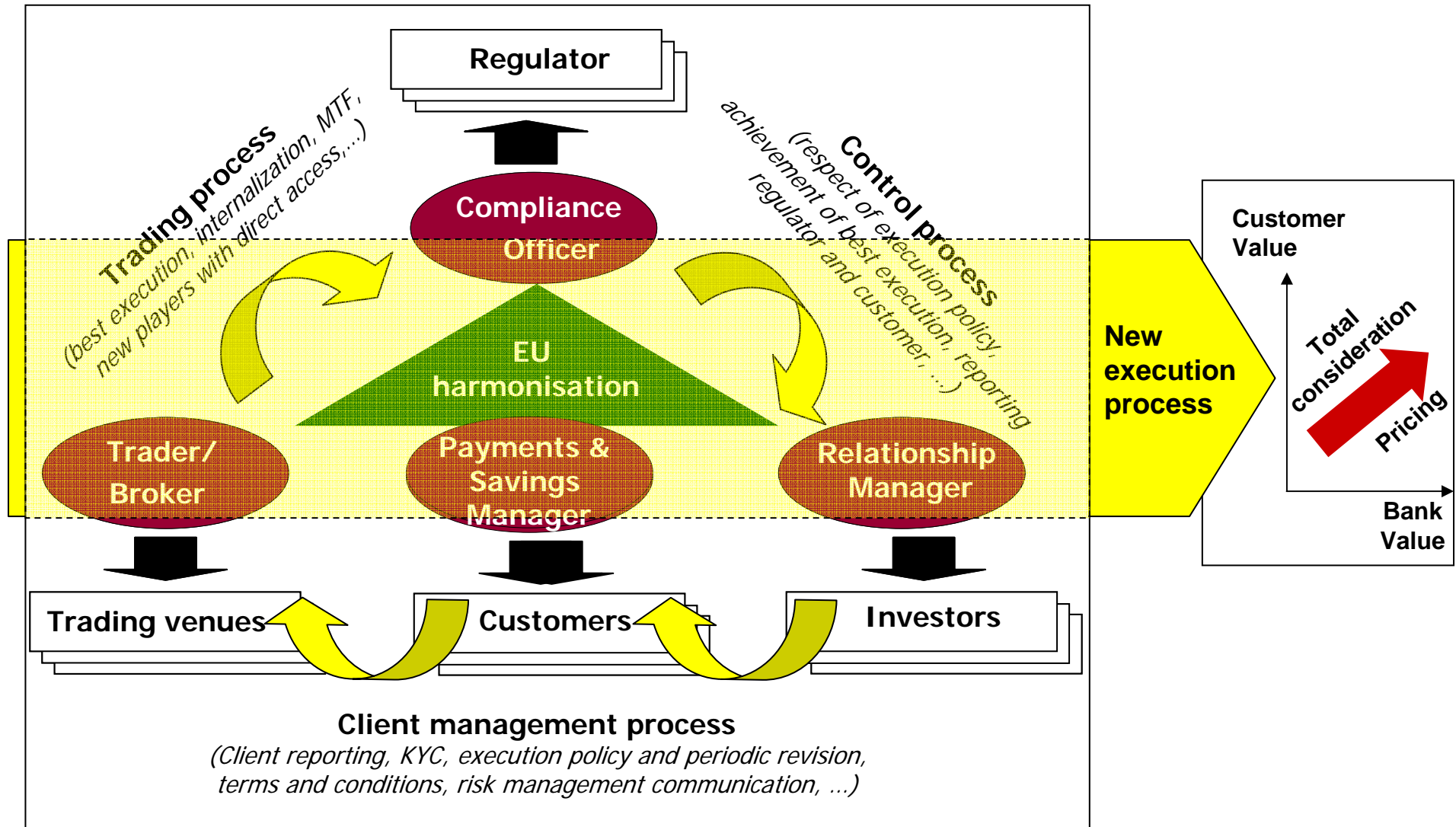


The new European Directive scenario driven by FSAP and PSD

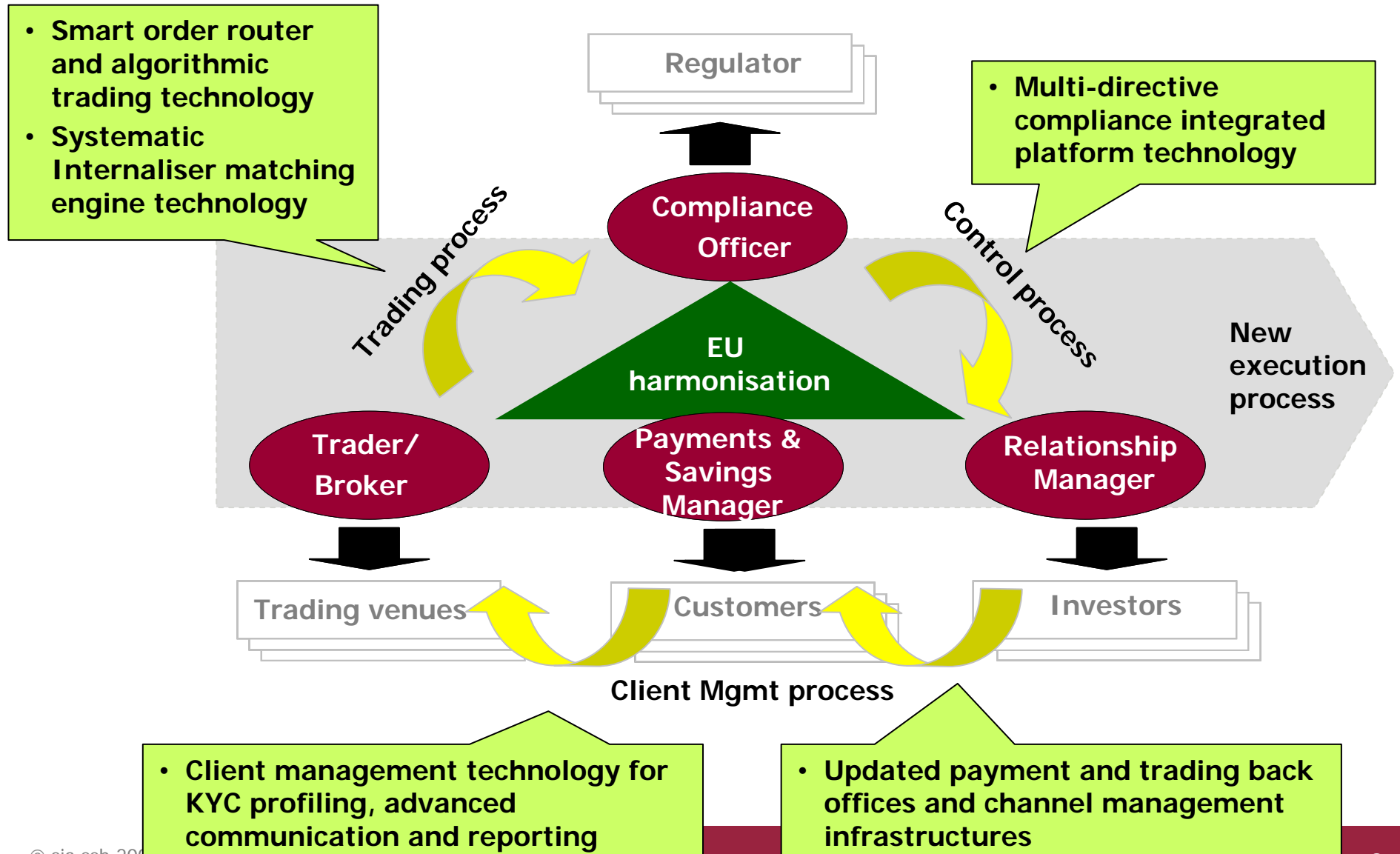
The key role of Compliance and Technology to protect customer care in the capital markets and payment areas

The new compliance approach from “duty driven compliance” to a “business driven compliance”

The new competitive execution process imposes to Banking Group a systematic redesign of processes and procedures to maximise Client and Bank value



Compliance and IT support Banking Groups along the whole new execution process to maximise investor care and returns



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The new European Directive scenario driven by FSAP and PSD

The key role of Compliance and Technology to protect customer care in the capital markets and payment areas

The new compliance approach from “duty driven compliance” to a “business driven compliance”

The Compliance function needs dedicated technology to fully support its company (from compliance duty to business opportunity)



Process and tools to address the new Compliance function needs

- A **FULLY INTEGRATED** platform and **INDEPENDENT** from execution systems allowing Compliance to be
 - **Efficient**: in the **MULTI-SOURCE** collection and storing of data
 - **Effective**, giving a new **INTER-DIRECTIVE MONITORING**
- A technology that allows the Compliance to implement a **PROACTIVE MONITORING** (**real time** and **ex post**)
 - Checking on all single transactions (full audit trail) and providing only the evidence of the non standard/compliant behaviors
 - Completing the case analysis with qualitative elements to decide appropriate next steps (Regulator reporting, Client action...)
- **STANDARD MONITORING ALGORITHMS**, according to EU rules and domestic transpositions, that can be easily tailored, supporting also Group views

The "business driven compliance": a market abuse management case study

SIA-SSB case study evidences

Regulation principles

Duty requirements ...

... business opportunities ...

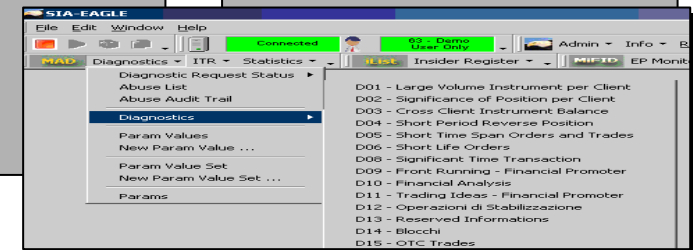
... leveraging on IT (Illustrative: SIA-EAGLE powered by SIA-SSB)

Grant market fairness and investor care

Identification of all suspect transactions for market manipulation, insider trading and internal dealing with a proactive reporting to the Regulator

Avoiding/managing market reputation negative impacts
Reputational risk management with positive impact on the capital ratio
Leveraging on Client investment data to improve customer know-how and market competitive advantages

Technology grants an automatic monitoring of all transactions (near real time and ex-post) vs standard behaviours of Clients, own banking accounts, own asset managers and traders per instrument type, client segment and trading venues



The "business driven compliance": a conflict of interest management case study

SIA-SSB case study evidences

Regulation principles

Duty requirements ...

... business opportunities ...

... leveraging on IT
(Illustrative: SIA-EAGLE powered by SIA-SSB)

Conflict case monitoring to preserve investor care and returns

Creation of a conflict case registry with a full audit trail

Leveraging on the information of deals in potential conflict to define business priorities that can maximise banking returns, fully granting investor respect

Technology allows an automatic and dynamic conflict case identification and registry at Group level (cross business, cross countries and cross legal entities) granting full audit trail

Member Name	Flow ID	Description	Flow Type	Last End Date	Start Time	End Time	Update Time	No Flow Start	No Flow Enter	No Flow Received	No NoG To Download
Bank1	CRDPS	CRDPS	CRDPS	18/09/2009	13:01:57	13:01:57	13:02:01	1	0	2	
Bank1	CRDPS	CRDPS	CRDPS	18/09/2009	13:01:57	13:01:57	13:02:01	1	0	2	

Fully integrated Compliance technology supports Banking Groups to maximise: investor care, market reputation and competitive advantages, efficiency as well as high quality conformity standards

Compliance to PSD requires a combined approach to maximise the value for the Bank and for the Client

SIA-SSB case studies evidences



PSD has strong impact on

- Banks' budget
- Banks' revenues

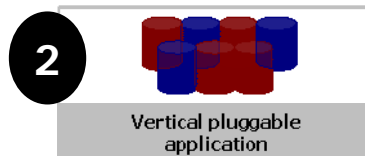
... therefore

- Banks are asked for **investment to reach compliancy**
- Payment instruments, potentially becoming commodities, push for an **innovative services portfolio**

... several approaches can be chosen to be compliant



"Application Upgrade" regarding the PSD requirements (vertical proposition)



"Common Services" introduction, to complete the Bank's Information System Application upgrade



Creation of a **"Cross Application"** (Illustrative: Suite PSD powered by SIA-SSB)

... each bank needs to manage a combined approach to move from a purely duty driven compliance (cost/investment based) to a more business driven compliance (new reporting, data mining, ...)



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SIA-SSB enables innovation for the players committed in capital markets, card processing, payment systems and network services

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ATM/POS terminal management	Card processing issuing and acquiring	Payment solutions and services for corporates and public sector bodies	Back-office for banking, public and private sectors	Solutions for central banks	Back-office & financial information dissemination services