



More 'Bang for Your Buck'

Information lifecycle management gives transparency of operations and customers over multiple products, markets and information types, making investment banks more competitive, saving them money and ensuring worldwide internal and external compliance.

As downsizing and consolidation in the investment banking sector continue, cost cutting has moved to cost containment. Commoditisation of services and web delivery are cutting margins to the core in some areas of the business, increasing the emphasis on creating value through customer service in other areas.

As new means for communicating with clients emerge, their usage quickly explodes, making it hard for managers and staff to deal effectively with customers on a global basis.

POOR DECISIONS

No banker ever intentionally makes a bad decision. Nevertheless, more often than banks would like to admit, their executives and staff make decisions that are based upon poor or incomplete information. Unfortunately, these can significantly harm their organisations, both financially and through loss of reputation.

The problem is that most of the information flowing through a typical 21st century enterprise consists of unstructured information, often in poorly managed systems, such as faxes, electronic mail, instant messages, text messages, scanned documents, word processor files, spreadsheets, presentations, instant messages, audio and video. Investment banks are very complex, with large number of departments and geographical markets, each with its own systems, such as equities, eurobonds, derivatives, private placements, private equity, foreign exchange, asset management and wealth management. Information is held throughout the organisation as many different data types and stored in a wide range of servers and storage devices.

It is impossible for a bank to manage its business in the 21st century, especially its global customers, without holistically managing the myriad of information types exploding around the world. Transactional information must be combined with all other communications to give a 360 degree view of the client. Only this will put the information into a context as part of a wider business process.

MANAGING THE INFORMATION LIFECYCLE

The solution is to develop an information lifecycle management (ILM) strategy. This ensures everybody in the bank gets all the information they require, when they need it, in the format they want and in the right context. The result is that the bank operates with the best possible information available to it, at the lowest possible cost and at the lowest possible risk, whilst still complying with all internal and external regulations.

ILM is closely linked to different business processes and with solving business problems. It could be finding information within the bank on which to make a proposal to a customer on financing for a new project, assessing operations for risk management, complying with Financial Services Authority or Bank of England regulations or discovering facts connected with a legal dispute.

Many information technology companies are taking a much broader view of ILM. For instance, the storage hardware vendors see it as a new way of packaging hierarchical storage management. This involves nothing more than moving data from online storage to cheaper offline storage.



REGULATIONS EVERYWHERE

21st century investment banks are subject to a wide range of regulations, including the Basel II accord, European Union anti-money laundering directives and the Patriot Act, the Data Protection Act, cross-border transmission of data, complex taxation legislation, Financial Services Authority and Securities and Exchange Commission regulations, environmental protection, etc. All these different government agencies have different rules on the time that each type of data is to be kept and require it to be authenticated and kept secure.

The Basel II accord introduces assessment of operational risk, as well as credit and market risks, when determining the minimum capital requirement for each bank. It defines operational risk as 'the risk of loss, resulting from inadequate or failed internal processes, people or systems, or from external events.' It excludes strategic and reputational risk, but includes areas like business procedures and controls, legal proceedings, regulatory non-compliance, theft, poor management information, business disasters and failure of computers and networks.

These are areas where investment banks already have a good track record. Nevertheless, they must conduct exhaustive reviews of their work in these areas in time to be able to report on up to three years historical data by 2006.

The Sarbanes-Oxley Act requires banks to have well designed management information systems and strong internal controls. This is in order to ensure the accuracy and completeness of the financial information they publish.

In the United Kingdom, a new Combined Code for Corporate Governance has followed the Higgs Report. It requires boards to 'be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.' It also recommends that 'non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves that financial information is accurate and financial controls and systems of risk management are robust and defensible.'

Banks also have their own internal governance rules, corporate social responsibility policies, business rules, commercial policies and operating procedures. For example, they have policies on staff recruitment, age discrimination, sexual harassment, sexual discrimination, giving quotations, allocating leads to brokers, procurement and dealing with policyholders. The board needs to ensure that all these regulations and policies are being consistently and uniformly adhered to in every part of the organisation at all times.

MARKET ADVANTAGE

The banking industry is highly regulated and its managers sometimes feel that this is placing a burden upon them. However, no government should ever ask a bank to report more detailed or more accurate information than it should already be closely monitoring, in order to compete successfully and to meet its objectives and its responsibilities to its shareholders, clients and other stakeholders.

If a bank meets its own operational needs for information, it should more than meet the needs that any external agency would ever put on it. If a company uses ILM properly meet its own internal requirements for information, compliance with external regulations should be virtually free.

For instance, Basel II compliance offers banks the potential to reduce their capital requirements, thereby allowing them to increase margins. Compliance is also critical to brand and reputation in a crowded marketplace.

Datamonitor believes that financial services companies should not view compliance simply as a costly short-term obligation, but as a strategic long-term investment that can deliver significant returns in terms of competitive advantage.

AUTOMATION

Datamonitor, the industry analyst, forecasts that western European banks will spend almost €1.7 billion on credit risk/Basel II related projects in 2004. However, installing software on its own will not get control of the information in the organisation. ILM is an approach to solving business problems that is supported by technology. It requires a new way of life in the way people are organised and business processes are used. Technology will then be able to support those new ways of working.

The AXS-One Compliance Platform™ supports this by allowing investment banks to capture all the various information types that circulate through its different departments and offices, irrespective of how it is generated, where it is generated and the form it is in, in a transparent fashion that is not invasive to computer systems.

It is stored in a 'repository' database that has the ability to search, drill down or mine the information across multiple data types. Most importantly, it puts all of this information in the context of a business process. This is important, because banks have traditionally taken a fragmented approach to compliance, putting in departmental and point solutions to create 'islands of compliance.'

This could be determining the potential of a new derivative, marketing programme or national market, reducing administration costs, risk management, compliance, legal discovery, etc. Senior bank executives can compare work in the mergers and acquisitions department with trades being made by the equities group.

For compliance, AXS-One software helps companies to codify their written business policies and regulatory requirements, so that they are electronically enforceable. It then provides electronic audit to ensure they are complied with and provides the security necessary to ensure that evidence can be reproduced irrefutably. The software is industrial strength and scales to petabytes of information in a way that few, if any, other companies in the world can do.

It stores and captures information in states of time, so for reporting under Sarbanes-Oxley it can show what financial reports looked like at any time over the weeks during which they were being prepared. During client quiet periods the ILM software can supervise electronic mail supervision to ensure that financial information is not disclosed. Similarly, it can enforce Chinese Walls, by preventing direct communications between groups of executives, such as research analysts and deal-makers.

COST SAVINGS

Investment banks that adopt ILM across the whole enterprise quickly recover their investment through improved operations. They need fewer computers, less storage, less expensive storage and less network capacity. A smaller number of people are needed to maintain the computers and storage devices and they suffer fewer failures and can recover better.

Less time is required to record new information policies and to provision new storage. Better information also eliminates errors, improves customer service and enables better customer relationship management, thereby increasing revenue from each client.

AXS-One believes that its software does this better, faster and cheaper than any other product, so its total cost of ownership for storing petabytes of policyholder data is orders of magnitude lower than other IT companies. In particular, its software needs approximately half the IT environment that its competitors need.

A major global investment and commercial bank is saving £1 million per month on infrastructure and service cost by using AXS-One Compliance Platform™ to manage its information. Similarly, an international corporate and investment banking organisation, headquartered in the United Kingdom, is using the AXS-One Compliance Platform™ to support its key business processes and identify bottlenecks: saving it over 25% in staff costs.

Datamonitor warns that if banks are to get the maximum 'bang for the buck' and generate the cost efficiencies they so badly need, it is crucial that they seek to leverage compliance synergies across the enterprise by formulating and designing fully integrated solutions and processes. A plethora of siloed compliance systems can only cause additional pain when an enterprise-wide view is required, as well as significantly raise the cost of ownership.

CONCLUSION

ILM allows an investment bank to manage information across the whole organisation, rather than store it in separate best-of-breed departmental and market systems that are separate from enterprise-wide communications systems. It can combine transactional information with electronic mail and other unstructured information, so it is in a better position to make decisions, develop pro-active deals for clients, manage the business, react to changes in different markets, minimise operational risk and preserve its reputation.

It will not only meet its business objectives, but will do so in a very cost efficient manner. Furthermore, internal and external compliance in a highly regulated industry will come free.

ILM will result in better corporate management, because directors and senior managers have access to information across all the bank's departments at their fingertips. Putting data in motion is important, because in order to compete effectively for business with major global clients, bankers need to know what every department in the enterprise is doing.

'Good housekeeping makes an organisation more efficient and cost-effective,' says the Butler Group, the independent analyst. 'If looked at as an opportunity to improve business processes and procedures, then information lifecycle management has the potential to be a great differentiator for organisations.'

ABOUT AXS-ONE

AXS-One provides process centric solutions for corporate governance to extend collaboration between employees, partners, customers, and suppliers, while preserving investments in existing systems and implementing high-volume, interoperable, scaleable, and secure business solutions for the global 2000. Its Web Services-based technology has been critically acclaimed as best of class.

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