

# A TECHNICAL SOLUTION

CDO Software's **Sunay Shah** and Eagle Investment Systems' **Danielle Newland** discuss the technology space and how investment is key during these troubled times.

**FST.** Given the current uncertain financial environment, why should financial organisations consider investing in technology? Can such solutions offer real ROI?

**DN.** These uncertain times are precisely when financial organisations need to know they can rely on their technologies to fully support the execution of their business strategy. If organisations don't have appropriate information, answers and perspectives about questions they have in 2008, it's clear they can't afford not to invest in technology.

It is possible that much of what has transpired in the global markets over the past year could have been avoided if financial institutions had better visibility, which is only possible with a data management solution in place. In other words, the efficient execution of risk mitigation, a key element of every sound business strategy, demands accurate visibility into the business. The ROI on good data governance, risk mitigation and compliance is real and all three are founded on a data management solution.

**SS.** When revenue has been increasing and businesses have been growing rapidly, as we have seen in the past six years, interim measures are put in place that may not be the ideal long-term solution. As such, now is the best time to review and put in place robust systems and processes to help support the growth of both existing and new businesses so that when volumes return, technology is in place to support this.

There is also the need to use technology to help eliminate operational risks and increase efficiency across businesses. The return on investment for many firms will be immediate and, as businesses grow, the relative cost will remain low, leading to real growth in margins that will result in real ROI growth. Technology developed intelligently, and applied with the right specialist knowledge will always continue to produce ROI, both in the short and long term.

**FST.** What operational and competitive benefits can up to the minute technology bring to financial organisations?

**SS.** Living in a truly global market, information is readily available and location does not act as an obstacle, so how quickly information can be absorbed, analysed and reported both internally and to clients, proves to be incredibly valuable.

Operationally, up to the minute technology provides efficiency gains; operations teams within financial institutions are still doing far too much manually and although there is still a strong case to have human oversight, technology used effectively simply helps people do their jobs better and

provides both operational and business benefits. The real competitive edge is technology's ability to help people spot trends, outliers, and anomalies and answer the questions the market is asking today versus last month. Like any good tool, business intelligence technology requires accurate, sourced, validated data to supply the view or answer requested, and that means a well-executed data management solution must already be in place.

**FST.** How important are flexibility and agility in a technology solution?

**DN.** Enterprise technology that enables the daily



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more efficiently so that the firm benefits. It is crucial that by adopting technology, the quality of information is not compromised and accuracy of information is maintained.

**DN.** The operational benefits of technology are largely around automating processes to remove human intervention and, thus, increase throughput, minimise errors and lower costs. Technology that consistently applies business rules to evaluate, validate and transform data, and free subject experts to deal with exceptions and sound deci-

investment process of a financial service business must be flexible and agile because business changes faster than systems can be replaced. Firms require solutions that can easily and quickly adapt to changing business processes, markets, regulations or requests. A good example is the rate at which complex security instruments are developing. Technology solutions must be able to adapt to accommodate and support these new instruments within existing processes and provide multiple, appropriate points of integration with other enterprise applications to exist ef-

ficiently from an operational standpoint within a firm's technology infrastructure.

**SS.** Flexibility and agility are essential. One of the biggest challenges faced by financial institutions is the inherent legacy system that is part of existing infrastructure. In order to adapt these systems to be able to handle new products, often the interim solution is simply fudged, forcing a system to accept a product or process that hasn't been designed to manage. This causes more problems in the future, as firms become further dependent on such systems to be the heart of the fix for new business. It is essential for firms to look at new technology that has flexibility built in, but to remember that the concept of a one-size-fits-all approach is simply not realistic.

As new products continue to be created by bankers, expertise is needed to support this. Attempting to build this in-house often becomes far more costly than buying specialist knowledge in. Partnering with service providers can help give a fresh understanding of requirements and optimum solutions available.

**FST.** Security issues are a major concern across the industry. How are technology providers responding to this threat in their solutions?

**SS.** Security is crucial and one of the key concerns is around an ASP model where information is passed over the web. However, security is being addressed in this area. Security is crucial operationally; giving individuals access to perform any function within an application poses great risk. This is magnified where you have systems that are designed to be used across business areas and departments. Technology must have embedded security based on role and specific users. We have seen too many instances where banks have taken large losses due to inadequate security and when trying to prove or diagnose what actually happened is even harder, firms must have audit trails built into their systems.

**DN.** Security is another key issue that cuts across governance, risk management, compliance and technology. Data governance policies will dictate who has access to what data and exactly what they are allowed to do with it. Risk management and compliance will validate and audit to ensure that the business objectives aren't jeopardised by the policies and procedures in



**Danielle Newland**, Data Management Project Manager, Eagle Investment Systems, joined the company 2000; her level of experience gives her an impressive breadth of knowledge across the financial services industry. As the Data Management Product Manager, Newland is responsible for leading the definition, design and development for Eagle's data management solution.

place and compliance needs to be able to prove, via ongoing monitoring and audits, that external laws and internal policies are being met. Technology's role is to facilitate these key business activities, not dictate or constrict them, by providing flexible, sustainable, transparent systems that can leverage within a common framework and technology infrastructure.

**FST.** How do you see the financial technology space progressing over the coming months and years? Do you have any major developments on the horizon?

**DN.** Data management and the business solutions it supports will be major focuses in the near

future. Given current conditions, firms are obliged to implement data management solutions to supply the requisite transparency to recognise market shifts and risk exposure. To cut costs, firms cite the requirement to improve data aggregation and integration technology.

Data management figures prominently to service more sophisticated clients with new and complex instruments and to further globalise their business. Both initiatives require access to accurate, timely, aggregated data across global regions. The popularity of derivatives, coupled with their complexities, is overwhelming firms with manual processes and left them unable to uncover hidden risk.

Eagle's data management solution currently provides the foundation financial services firms require gaining transparency into their business. Eagle's is partnering with clients and other industry thought leaders, is to simplify the challenges firms are facing in regards to data governance and derivatives.

**SS.** Financial technology will continue to become more important as all firms look to attract new business. Transparency and timeliness of information will be the main demands of clients, taking data and turning this into meaningful information for clients will continue to form part of the value added services that will give firms their competitive edge.

There will continue to be much more consolidation in the financial technology space as firms look to provide services across assets and where larger technology providers do not have this expertise they will look to buy versus build.

We at CDO Software continue to develop leading technology and have some new products on the horizon catered for the needs of today's credit markets. The markets continue to be nervous and transparency is critical to help bring back confidence. Our focus is on building flexible, robust and needed functionality to help better manage risk operationally and technically, and provide efficiency gains so that firms benefit immediately when growth returns and new products are launched. We will continue to work closely with our clients to develop technology as their requirements change, as markets evolve and investment products come to market, and we will continue to work with investors to give them independent solutions to monitor their investments. ■