Technology helps ease regulatory pressure for Swiss advisers

Banks in Switzerland are allocating substantial sums of money to dealing with upcoming changes to the way they must do business. Technology will be a vital element in helping them manage this transition, says Jean-Philippe Bersier at ERI Bancaire.

From 2017 or 2018, new rules from FINMA (the Swiss Financial Market Supervisory Authority) will increase Swiss banks' capital requirements.

Furthermore, the new rules will require separate registration of the country's external asset managers (EAM) at an estimated annual cost of at least US$1 million each.

According to Jean-Philippe Bersier, director of business development at banking IT provider ERI Bancaire, these institutions are now allocating substantial sums of money to addressing such issues, and have a relatively short time to do so.

"They will have to interpret the text [of regulation] and how to implement it in

JEAN-PHILIPPE BERSIER
ERI Bancaire

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terms of technology and services as well as people and skills," he says. "Every bank will need a compliance officer for both front and back office, and a chief technology officer. The fixed costs of running a bank are rising all the time and at the same time margins are shrinking."

Swiss institutions also have to deal with rules from overseas jurisdictions, such as the US FATCA requirements, among other regulatory demands.

MERGE OR REINVENT?

In this environment, Bersier believes, smaller Swiss institutions have two options on the technology front. "They will either merge so they become big enough to support the evolution of their in-house IT platforms. Or, if they want to keep your existing business, the only way to do this is to get rid of those ongoing issues and costs," he explains.

Large banks will be more able to cope on their own, even as they enhance their online offerings, Bersier believes. There is little risk in them making incremental changes, but it would threaten their businesses if they tried to start from scratch.

"For the big players it is almost impossible to change their global IT infrastructure unless they complete redefine their banks in the way low-cost airlines redefined their business model," he says. "And the online banks are just a distribution channel for their parent groups so their IT will ultimately rely on the same back office system."

The boutique providers, meanwhile, should find it relatively easier to redefine themselves by scrapping old systems and putting entirely new ones in their place.

For ERI, the biggest issue will be how effectively it can implement these changes on behalf of clients.

"Implementation [of a project] is the biggest risk," he says. "There is no bad product on the market today, and in the software industry all the companies that are still in the game are solid partners, so at the end of the day it all comes down to implementation."

For ERI's part, Bersier says it aims to demonstrate to clients its capacity to successfully implement new processes within a specified time frame.

The company also has to show cost advantages and that its technology is up-to-date. He suggests small and mid-sized banks should be best served by adopting standardised processes rather than trying to use a modified version of their legacy systems.

For these clients, Bersier believes ERI can turn a project around in a relatively short time-frame of six to 12 months. Any longer and it would detrimentally impact their business, he adds.

"The first thing we need to do with clients is agree the scope of the project," says Bersier. "In any project the biggest risk is an ever-changing scope, although even if this is defined very precisely, market conditions and the business itself will impose changes which you have to manage."

Although some clients have been using the Olympic system for more than 25 years, Bersier says ERI still has to show them how well it can adapt to future changes in how they do business.

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FUTURE PROOFING

"We know that we are not going to revolutionise how a bank handles payments," he adds. "However, you have to ensure that the platform and operating system that you provide will still be the right one in 10 years' time."

He cites the example of ERI setting up a version of its Olympic platform in Taiwan for a large international bank, including dual-language, and in some cases three-language electronic documentation.

As well as back office systems, ERI is also helping clients provide technology support for the front office. Bersier believes this will be the area of most growth in future, with technology helping relationship managers serve "a larger number of clients in a better way."

"We have invested heavily in front office solutions over the last five years, such as CRM and portfolio management for advisory business and discretionary management," he adds. "We are also helping clients on distribution channels such as mobile and e-banking."

However, he suggests that despite the pressures of regulation and squeezed margins, ERI's home market could be regarded as being less willing to accept digital innovation. He notes that a tablet the company developed for wealth advisers has had a relatively low adoption rate so far, but this may change quickly.

"We signed a new deal in a new market a few weeks ago and it was very clear that e-banking and mobile banking were part of the picture from the very beginning," says Bersier. ■