

## Why banks mustn't delay in finding the right systems solutions

[Nicholas Hacking](#), director of sales at banking software specialist ERI Bancaire, discusses the regulatory and compliance requirements worrying banks today, along with issues they should be considering within the wider technology trends within wealth management.

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Tags: [Technology](#), [Regulation](#), [Mobile](#)



### What are the main issues concerning your clients at the moment?

In general, banks still face considerable cost pressures. There has been so much emphasis on costs over the last few years that a lot of organisations thought they couldn't possibly squeeze any more out. However, there are still businesses whose cost-income ratio could improve. In addition, smaller banks are struggling to bear the regulatory cost burden.

In addition, across our broad base of clients in Switzerland and internationally, we are

observing that while offshore banking will always exist, the potential to do more onshore, as a proportion of the overall business, is growing.

That has a lot of implications on the way banks run their operations, how they on-board customers, and how they then process transactions from those customers.

The margins for onshore business tend to be lower than offshore because what the customers expect is more complex. There is not so much difference in terms of product, but on the regulatory side, and especially fiscally, the differences are of course much more significant.

### What specific tax-related challenges do banks face?

Doing onshore business means customers have declared their money. But they want the bank to help them with all the work linked to their declarations.

Yet if a bank has a customer who is using multiple booking centres, he won't want multiple bits of paper from various bank branches or subsidiaries all over the world, which aren't consolidated. The client is looking for a coordinated and consolidated approach to reporting and this includes tax reporting.

### What are some of the other compliance challenges?

We're seeing a lot of demand from customers to automate their on-boarding processes, which can sometimes still be fairly manual and create issues in relation to customer confidentiality.

### How are you helping clients in these and other areas?

We are looking at the role of technology in helping clients address these challenges. The use of iPads and mobile banking generally is still in its infancy, but banks will increasingly face significant changes in the way they communicate with customers, and in the way in which relationships are managed.

Not only will that require a lot of technological advances, but there is also a way to go in terms of reassuring clients on security and authentication issues.

### So have banks been putting these issues on hold until now?

Some banks have been investing in their systems, but there are also those which have found they've got so many regulatory requirements to deal with that their budget gets allocated to those items and a number of other key projects have fallen down their priority list.

Many organisations, however, now realise that this year they have to get those projects back on track.

In addition, one area that sometimes gets overlooked is the way the regulators approach the back-office. That includes issues around business

continuity for data and systems. Banks have to be serious about putting in place procedures in the case of an incident and really testing these. This includes protecting their data from internal breaches.

### How do you expect the competitive environment to evolve in Asian [wealth management](#)?

In today's private banking and [wealth management](#) environment, the established players tend to be European and US banks. However, many regional and local banks have also moved, or are moving, into private banking – and this trend will continue.

Going forward, I expect to see a shake-out after some banks experience a few years of not being profitable.

### What opportunities does Asia represent to you?

I foresee Asia as being an important market for us and growing for at least the next 10 to 15 years.

Many of the regional banks are multi-dimensional businesses, particularly the larger players. Most of their systems are geared to the retail and corporate markets, and not to private banking or [wealth management](#).

The systems are not geared to the type of service [wealth management](#) clients expect or to the type of information that needs to be provided to the client and to the relationship manager (RM). And, frequently, they're not geared to the types of products and transactions such clients require.

Bigger banks often decide to take a departmental approach to their private banking or [wealth management](#) system requirements. However, whatever architecture they settle on needs to integrate back into the core corporate reporting system; this fits very well with what our offering provides.