

Insights from Deutsche Bank
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Suresh Kumar, CIO of BNY Mellon, talks to Janet Du Chenne about trends in the banking and asset servicing industry and the importance of engaging with technology to meet clients' needs



Banks should take the leadership position in the digital transformation of financial services. That is according to Suresh Kumar, Chief Information Officer at BNY Mellon who places significant weight on the banking industry's future role in digital innovation. And the world's largest and oldest trust bank is not merely paying lip service to industry buzz words. It is itself setting up a digital ecosystem and inviting not only other financial institutions but also FinTech firms to jump on board. The ecosystem provides third parties a platform from which to offer services to their clients.

BNY Mellon uses Deutsche Bank as its agent bank in several markets and believes that the relationship is enhanced through technology. The two banks have a lot in common. The US-based bank, like its German provider, embraces disruption and technology, which it says is critical for survival. Three years ago, BNY Mellon invested in digitalising its business. Recently it launched its NEXEN digital ecosystem, a cloud-based Application User Interface (API)-enabled feature, through which different software interact to deliver services.

BNY Mellon is experiencing the same challenges as any large company that has grown through acquisitions and large technology investments. "You see Silicon Valley firms leveraging technology to change business models, to change the client experience and to change the economics of businesses," says Kumar. "We asked, how do we leverage [being] a large financial institution with all our years of experience in the business, and the new technology coming from Silicon Valley. How do we bring that together? To me, that's really the crux of the digital transformation."

Product-centric to client-centric

Kumar has found from speaking with clients that, along with the digitisation that is taking place in the industry, there is also a need for greater security and resilience. "One of the

first things I hear is 'how do we make sure the services we offer are highly secure and resilient?' The second thing people would like to know is what is our digital strategy – how can our clients consume our services in ways that enable them to provide solutions to their clients in a faster, better and cheaper way?" he says. "Historically, the way that we provided a service was to deliver files to people via portals through which they could consume our services. Today, more and more people would like to have APIs to create client solutions."

To make this possible, BNY Mellon has a central technology division called Client Technology Solutions. "We are moving from product-centric technology towards client-centric technology. We are trying to figure out, from a client's perspective, how they would like to consume services from BNY Mellon – and that may have nothing to do with the way that our product-specific technology works," says Kumar.

This transformation is also dependent on cooperation with BNY Mellon's partners. "The whole industry depends on various institutions providing services, and we all depend on one another," says Kumar. "We are a vertically integrated, large company that is accustomed to doing everything [ourselves], and now we are using different providers for different things, while honing our expertise to provide those services that give us a competitive advantage."

For Kumar, collaboration among the various stakeholders in the industry is essential if all participants are to feel the benefit of the technology revolution that is taking place today. "To that end, we need to work together to have common standards and common approaches to solving problems," says Kumar. One example he gives is BNY Mellon's work with a number of firms on blockchain technology. "I don't think any institution can solve that sort of problem alone. So at BNY Mellon, we





We need to focus on creating standards and leveraging technologies

Suresh Kumar is Senior Executive Vice President and CIO at BNY Mellon, where he leads the Client Technology Solutions organisation.

He is also the CEO of iNautix Technologies, a BNY Mellon company. Prior to his current role, Suresh was CIO for BNY Mellon's Financial Markets & Treasury Services group and Pershing LLC.

Kumar has a Technology BA degree from the Indian Institute of Technology in Madras, an MBA from the Indian Institute of Management at Ahmedabad and a Master's degree in Computer Science from the New York Institute of Technology. In 2012, he was named as one of Computerworld's 'Premier 100 IT Leaders'.

leverage our innovation centres, we hold technology leadership forums where we bring together clients and experts from the technology industry, and we also hold client collaboration events where we work together to solve common problems."

And that is where the benefits of BNY Mellon's partnership with Deutsche Bank are clear. "We offer a lot of services to Deutsche Bank and Deutsche Bank offers a lot of services to us. Collectively, our clients benefit from the collaboration," says Kumar.

In terms of solutions, a common denominator of both banks is asset servicing. "It's a fantastic franchise with a fairly large number of clients who have significant market share in many other services we offer. We understand clients' challenges and can re-imagine the services that we need to offer."

BNY Mellon's focus is on digitising the business, and this, says Kumar, involves answering some key questions: How do we enable our clients to launch a new product or how do we enable them to distribute their products to a larger client base? How do we help them improve their client experience or service levels? How do we get them to lower expenses in this marketplace? "I think we are going to see a lot more competition from the FinTechs and I think we have an opportunity to compete with them effectively with our offering," he says.

Inefficiencies as opportunities

Kumar believes that there are substantial inefficiencies in the way the industry works, and therein lies opportunity. "Identifying those inefficiencies through innovative approaches to process and engineering and identifying standards that require fewer reconciliations, or real-time information being available, are areas where we can work together well.

"Between Deutsche Bank and us, we understand all the non value-added friction points that exist in the industry – it's about identifying what we can do collaboratively to remove those inefficiencies from the marketplace."

How does Kumar think this can be accomplished? "We need to get together with participants in the industry who are part of the value chain. We need to focus on creating standards and leveraging technologies like blockchain to collectively figure out how to solve these inefficiencies."

Blockchain as an enabler

In the same way that standards such as FIX and SWIFT, and utilities such as Euroclear and the DTCC, brought efficiencies to the marketplace, Kumar believes blockchain can streamline processes. "Blockchain is an enabler. It can help us to make things happen differently to how we've done them historically." But Kumar is quick to point out that innovations such as blockchain are not

so drastically different from the past, nor does he think they will replace banking as we know it.

“Blockchain is an additional technology that we can leverage and use to complement what we do today – it provides the bank with opportunities. It won’t eliminate the industry,” Kumar asserts. “It can certainly help the industry in improving client experience, cycle time and service levels. It can remove costs from the equation in the same way that the previous innovations like FIX did with regard to trading. Blockchain can do the same for functions like settlement, client, tax and regulatory reporting, corporate actions and cross-border payments. It will force banks to come up with common standards to make the exchange of transactions and information a lot easier.”

The FinTech question

Kumar has the same opportunistic stance towards FinTech firms. “Let’s look at what makes a FinTech effective versus a financial institution that has been around a long time, and has lots of clients and capital. Banks have a phenomenal amount of data about the way the industry works and excellent relationships with the regulators – we understand the regulations to make the marketplace better for our clients. FinTechs have none of these, but they have the technology expertise and they have a desire to disrupt the industry. They believe technology can make that happen and they have a culture that enables people to get things done faster.”

For Kumar, strong collaboration with the FinTech sector relies on working out how to take the strengths that BNY Mellon has – its clients, capital, data, and regulatory and business expertise – and leverage the innovative technology, culture and processes that enable FinTechs to try different things faster, to provide clients with what they need.

“It is better to leverage the FinTechs than to see them as competitors,” says Kumar. “And that is core to the strategy of our NEXEN platform and its App store. The philosophy of the App store is that we don’t need to build everything ourselves. There is a lot of talent within these FinTechs and they have different ways of solving problems.”

Also, banks can enable FinTechs, says Kumar. “Our clients don’t want to spend a lot of money evaluating providers,

integrating them and expending capital to try them out. We want to make it easy for FinTech firms to offer their services on our platform. Our job is to provide that variable cost base, with lots of choices, to our clients.”

Collaboration with providers

The future of collaboration is in APIs, explains Kumar, as they provide a common language to developers across the industry – Deutsche Bank, BNY Mellon and FinTechs can all use APIs to create innovative solutions that are faster, better and cheaper. “I see APIs as a major enabler for us to work together. There’s also the potential to invest in some ventures and consortiums, and to create new products and services that would not have been possible before.”

With financial services becoming increasingly global, Kumar considers the role of banks such as BNY Mellon as vital. “The financial services sector is reaching people who have not been reached before – the number will go through the roof in 15 years. You need secure, resilient and flexible financial engines to make this possible.

“Banks like us can play a huge role in providing the basic plumbing. We can enable the various industry firms, such as FinTechs, to leverage financial services and to provide completely new services – ones that we haven’t even thought of yet.”



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