

Banking on the “Cloud”

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Symposium*

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Current Banking Trends

Global:

- Regulators: we do not want to deal with “too big to fail anymore”
- The era of centralization and single-platform strategies may be drawing to an end
- Increasingly, “internal” shared services entities will be decentralized, either by disbanding them altogether, or by restructuring
- For the banking industry to achieve the necessary degree of separation and componentization, its underlying IT architecture must be capable of operating in a decentralized environment
- Banks should look into Service Oriented Architecture (SOA) principles, including CLOUD computing, and try to identify the best roadmap for a componentized, service-oriented IT architecture
- This will require industry-wide data standards: data held by one bank must be held in a format that enables it to be processed simply and accurately by any other bank, as well as by any potential new structures, such as a central payments facilitator

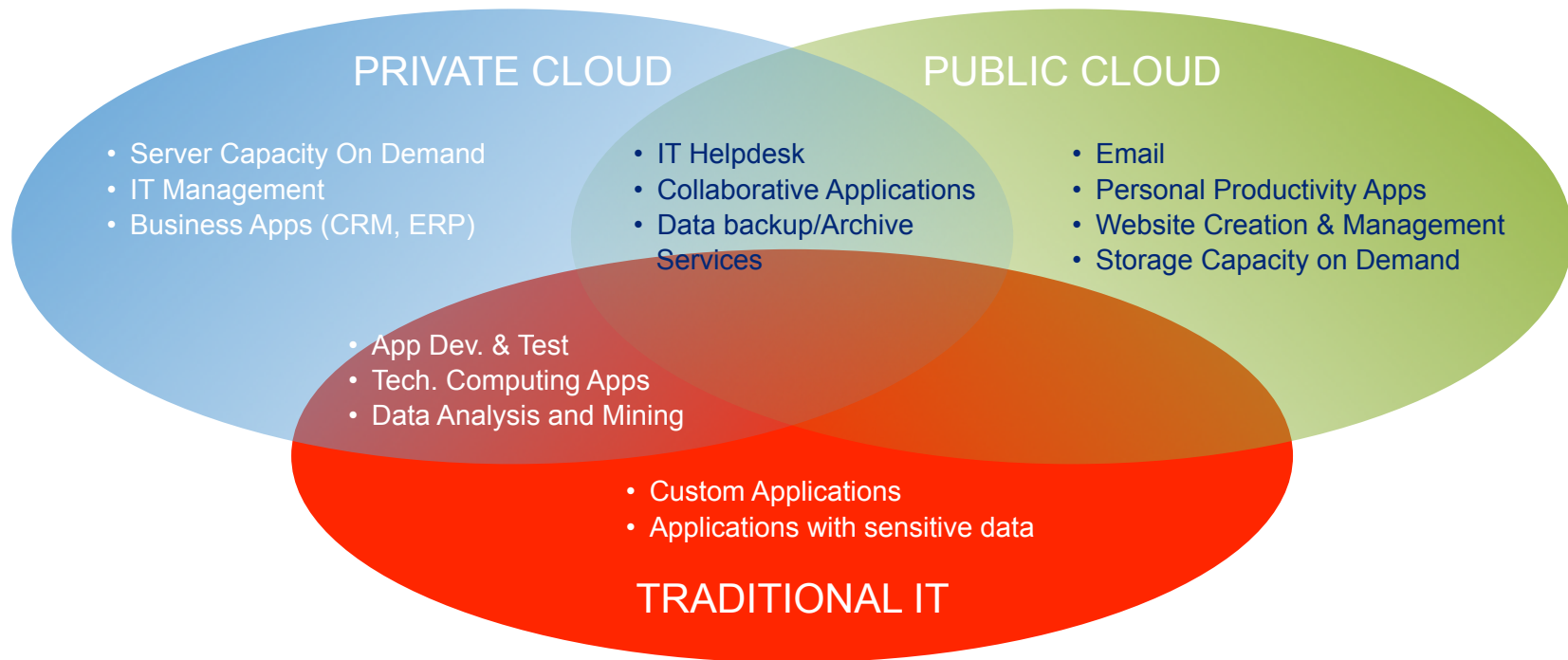
Current Banking Trends

APAC:

- Regulatory Pressures – more than a mere compliance exercise
- Banks have to assess whether they can maintain standalone operations regionally, rather than just focusing on the global picture
- Review how they are structured locally, such as the level of autonomy they have and their ability to make investment decisions, to enable themselves to be more reactive to the local and regional market
- More regional consolidation, with many banks overhauling their sourcing and outsourcing strategies to achieve COST EFFICIENCY

What's Up There?

Many workloads are migrating to public or private cloud “camps”



Why Cloud in Financial Services?

- Realistically, somewhere between 75% and 95% of the software used by most businesses today is a commodity
- It offers no competitive advantage because the competition has access to the exact same capabilities from a plethora of software vendors, SaaS vendors, open-source projects and home-grown systems
- If your financial services IT department does everything in-house, pretty much 75%-95% of your IT department's hard work and budgetary expense offers a competitive advantage of exactly zero
- Only the 5%-25% spent on systems that help your business stand out from the competition make a real difference to top line revenue
- The first consideration in any analysis of cloud computing should be to weigh the competitive importance of the various systems under IT management, and to look for opportunities to free up resources by pushing systems that do not offer competitive advantage to the cloud

Cloud Benefits

- By some estimates spending by financial-services firms on the cloud will total \$26 billion in 2015
- By using standard software and running it in existing data centres, a firm should be able to dramatically cut its costs
- OECD banks have started outsourcing the processing of data that does not involve sensitive client information but does require massive computing resources
- A tech-savvy Spanish bank, runs its complex credit-risk simulations on Amazon's cloud platform. Calculations that previously took more than 20 hours to complete on the bank's own systems are now done in 20 minutes

Cloud for Small to Medium Size Banking Institutions

- Ability to rent modern IT infrastructure at monthly fees rather than having to invest tens of millions of dollars upfront to build their own secure data centres

Cloud Benefits – Case of Renaissance Credit

- “I’VE only got one IT guy.”
Segun Akintemi, CEO of Renaissance Credit
- RC is a Nigerian moneylender, which is ahead of its time when it comes to technology. Its information processing takes place in the “cloud”
- Renaissance Credit’s embrace of cloud computing has been almost total. Its employees type documents, run spreadsheets and read e-mails in the cloud
- Its core-banking also runs on a cloud-computing platform using off-the-shelf banking software of one of the major vendors
- By using standard software and running it in existing data centres, the firm has dramatically cut its costs; it pays a fee based on the number of clients it has and can simply keep scaling up as it grows

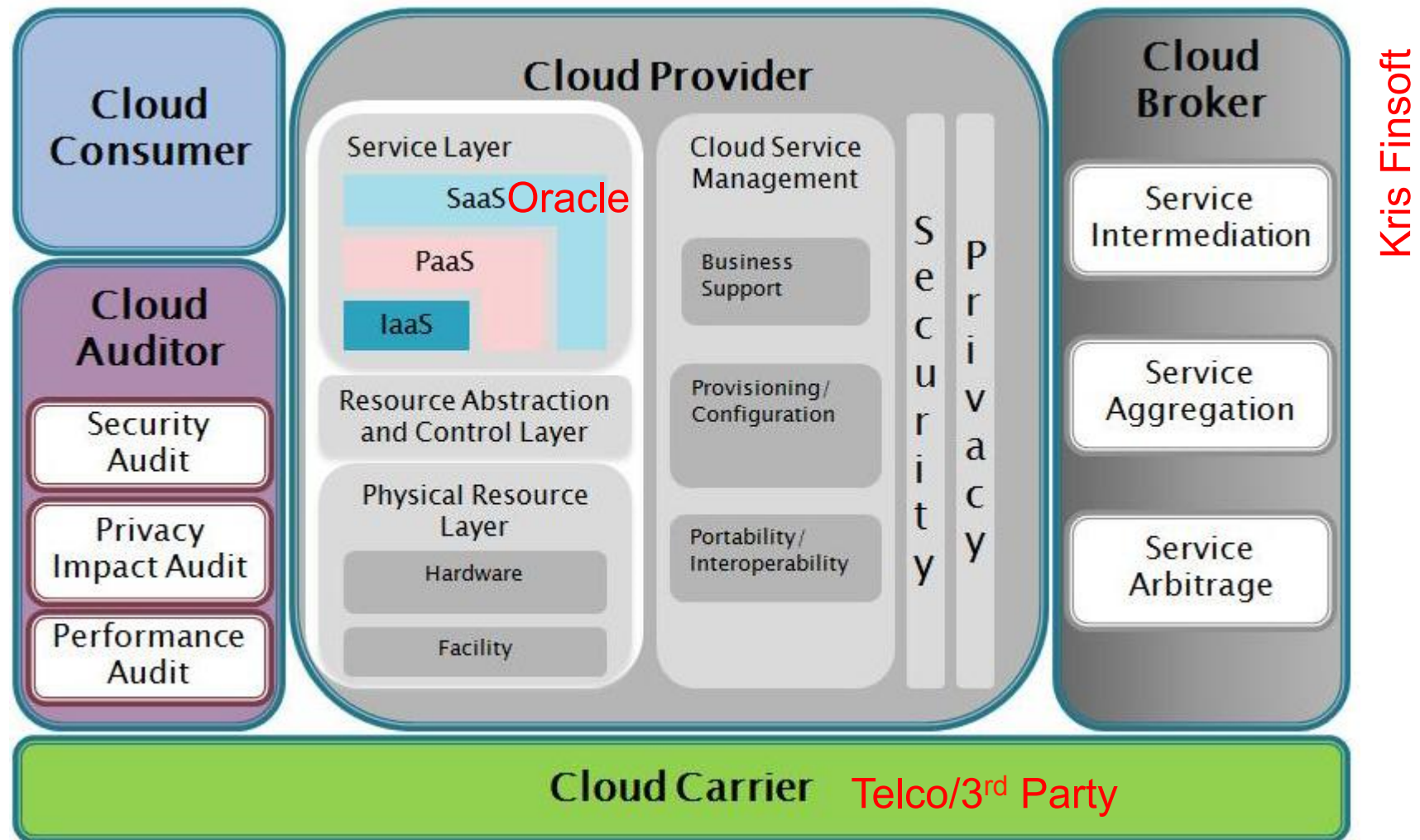
Risks of Walking on the Cloud

- Risk are quite a few: financial, regulatory, security, performance, compliance risks.
- Do not equate risk reduction with internal control: it is often the case that the focused expertise and scale of a cloud computing vendor provides significantly lower risk than an in-house system
- Fear of flying metaphor: just because you'd feel safer if you were flying the plane, doesn't mean you'd actually be safer.
- Evaluate the risks of cloud computing as objectively as possible.
- Does the vendor publish an SLA and public performance statistics? Who are its current customers and what do they say about the vendor? What are the vendor's security and disaster recovery policies? What kind of support is available? All these questions should be asked of a cloud vendor. And, all of these questions should be asked of the comparable internal IT operation.
- If you're not a pilot, you might just be better off taking a commercial flight

Regulatory Framework for Cloud Computing in the Philippines

- Under Resolution 1286, the MB approved the issuance of the enhanced Information Technology Risk Management (ITRM) framework, which updates existing IT-related Guidelines in Sections X176 and X705 of the Manual of Regulations for Banks (MORB)
- Apart from all types of banks, the resolution shall likewise cover nonbank financial institutions, electronic money issuers and other nonbank entities that are subject to BSP supervision and/or regulation
- The salient features of the ITRM include adoption of well-structured IT governance model and processes that ensure alignment of IT strategic plan with the institution's business strategy, IT value delivery and effective IT risk management implementation; maintenance of risk identification and assessment process to continuously evaluate IT environment and potential changes; and establishment of overall IT risk mitigation strategy
- The framework likewise provides direction on the adoption of cloud computing for rural banks. The provision of cloud computing services pertains to the delivery of software, infrastructure and storage over the Internet based on user demand

High Level Infrastructure for Cloud Core Banking



KrisFinSoft - Going for Growth while Managing Risks

Key Elements of Success	Available in Philippines?	Impacts
World class product	Yes	<ul style="list-style-type: none">• Affects your time to market• Cost overruns and delays in project• Lost of competitive advantage• Manual reporting• Non compliance with BSP regulations• Going back and make arrangements for additional support / costs
Integration with current systems	Limited	
Management and BSP reporting	Limited	
Timely delivery of projects	No	
High quality after sales support	No	

KrisFinSoft Role

- Help our Clients manage & mitigate risks in their business by combining best of both worlds World Class Products and
- Implementation by qualified & dedicated resources on the ground
- To Deliver seamless Projects by Working with You, for You

We are bridging the GAP

RESOURCES

We supplement World Class Products with World Class Services delivered through our dedicated teams on the ground and our local partner, Headstrong, a company based in Manila with over 600 employees.

EXPERIENCE

We are start-up company with years of international experience, dedicated to delivering first-rate services to you on a truly local scale. Our experience includes implementing over fifty successful Projects for clients in Manila alone.

KNOWLEDGE

We have extensive knowledge of local culture and BSP requirements. We are committed to sourcing the best-suited products for your business from leading software vendors and delivering Projects with the interests of your business in mind.



Our Approach

Doing it Cost-Effectively:

- We understand your business and are committed to do what it takes to not only meet but surpass Client expectations
- We allocate experienced and trained local teams to each Project, with a dedicated local Account Manager to ensure comprehensive coverage of our Services
- We deliver Financial Software Solutions with pre-packaged configurations for interfaces and reports, tailored especially for our smaller Clients with limited business and budget

First Level Support – Issue Resolutions:

- We provide our Customers with first-line support to swiftly identify errors so that issues can be resolved within the shortest possible time lines

Client Testimonies

- Reliable and always listen to what clients need
- Understands our business and are willing to go out of way to ensure customer satisfaction
- Knowledgeable and innovative
- Dependable and trustworthy
- Available when needed



Thank you!