



CAPE TOWN

24 - 25 October 2018

CLOUD-BASED MANAGED SERVICES IN BANKING

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1. The fascination of portmanteaus
2. Cloud computing
3. 'As a service' at your service
4. Managed services
5. An IFRS 9 managed service case study
6. Benefits and practical considerations
7. IFRS 9 in Africa
8. Conclusion

FINTECH

- Technologically enabled financial innovation that could result in new business models, applications, processes, or products with an associated material effect on financial markets and institutions and the provision of financial services.

REGTECH

- Technological innovation that assists organisations with regulatory compliance and with managing risk more effectively and efficiently.



■ REGTECH OFFERS:

- Agility
- Speed
- Integration
- Analytics

*"We are drowning in information, while
starving for wisdom" Edward Wilson*

■ In 2014 banks in Europe spent c.€55 billion on information technology
Only €9 billion was spent on new systems

■ REGTECH WORKS FOR:

- MI tools, health check tools, transaction reporting tools, regulatory reporting tools
- Data warehousing

BIGTECH

Google™



facebook

amazon.com

Baidu 百度

阿里巴巴
Alibaba.com™

Tencent 腾讯

sina 新浪网



Microsoft

IBM

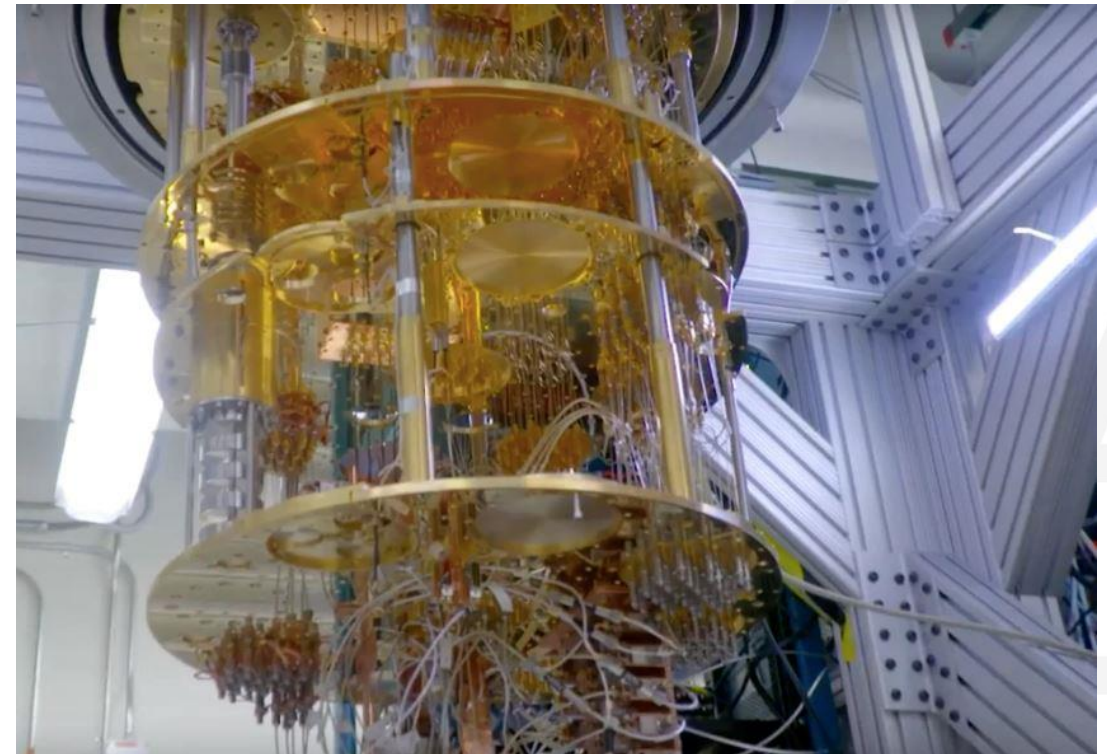
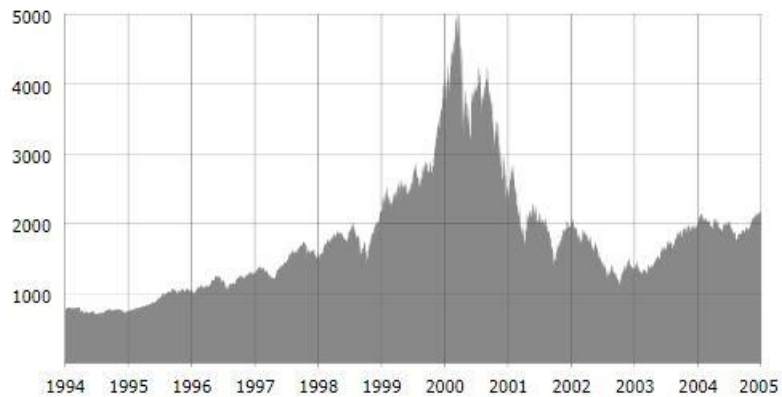


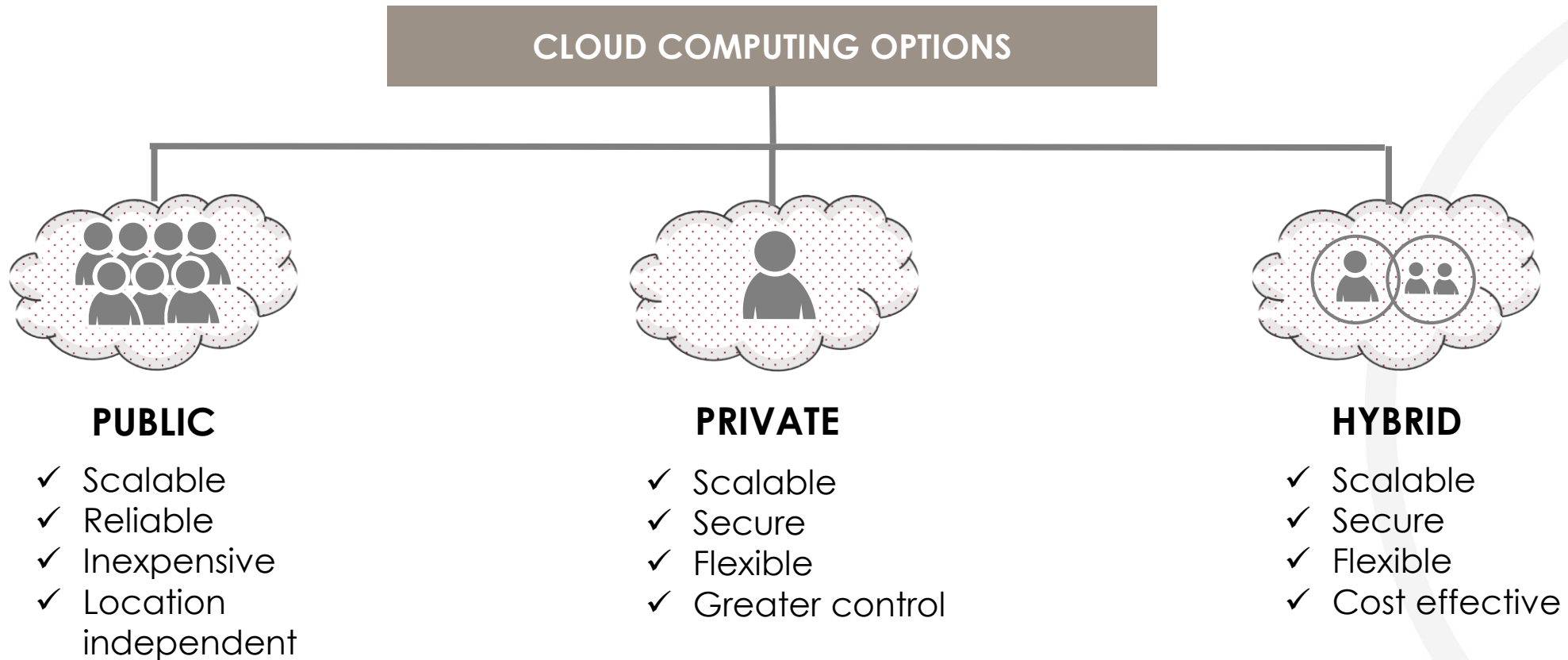
- Accessing a computer that doesn't belong to you
- Storing or processing
- Business or personal use
- Usually subscription based
- Multi-billion dollar industry



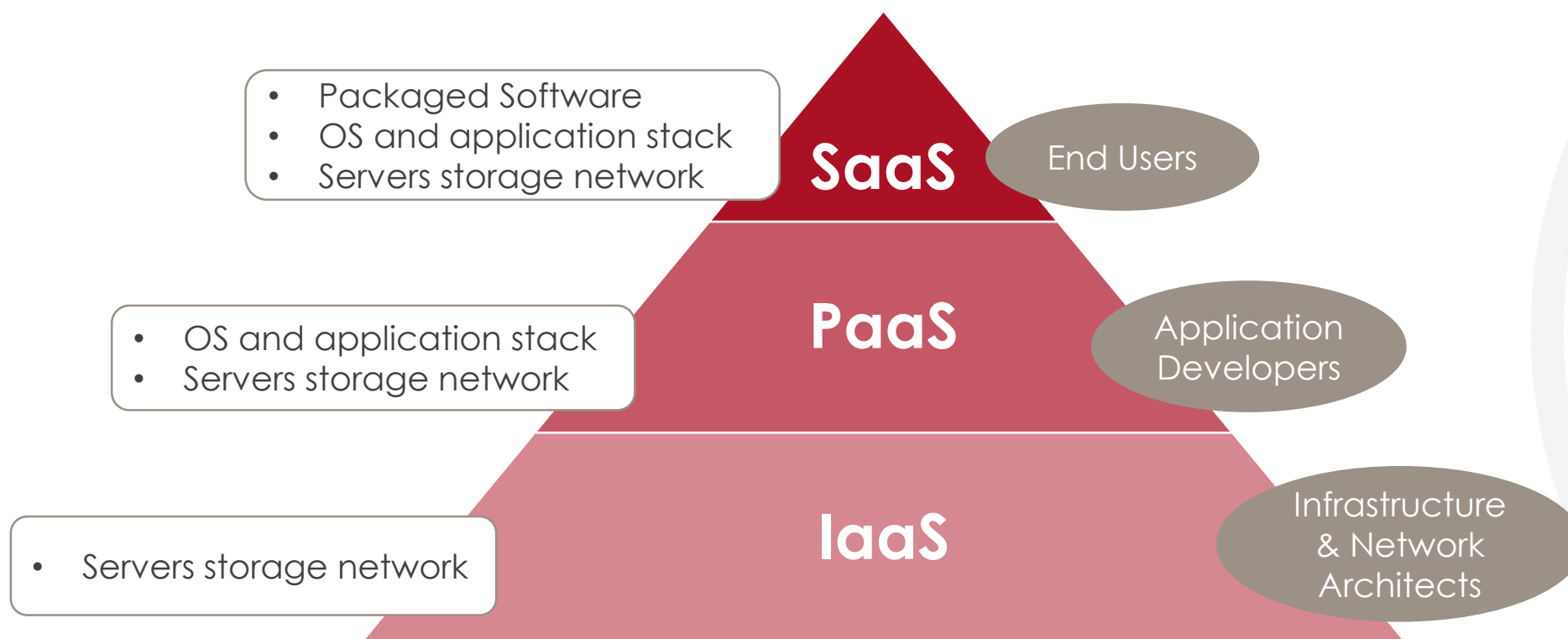
- Started becoming a buzz word in about 2008
- But first originated in the 1960s
- The IBM 1401 in c.1960 (left)
- In 1961 John McCarthy first proposed the time sharing model where computers could be provided as a utility service

CLOUD SUCCESS STORIES





■ CLOUD COMPUTING SERVICE MODELS



MANAGED SERVICES

- Managed services are strategic, experience-driven outcome-based relationships with high levels of operational integration and scalability that leverage the specialized skills, processes and technology of an external service provider.

REGULATORY AND COMPLIANCE COSTS

- Cyber risk and regulatory/compliance risk will grow the most in importance over the years 2017 to 2019.
- Globally banks spent \$270bn to meet the demands of regulatory compliance in 2016. (Approximately 10% of their annual operating cost.)

Source: 10th edition of the Deloitte Global Risk Management Survey (2017)

THE EVOLUTION OF OUTSOURCING

- In 1992 American Express spun off its transaction processing unit.
- Outsourcing is expected to increase in the future. Especially in areas of an organisation that do not enhance competitive differentiation.



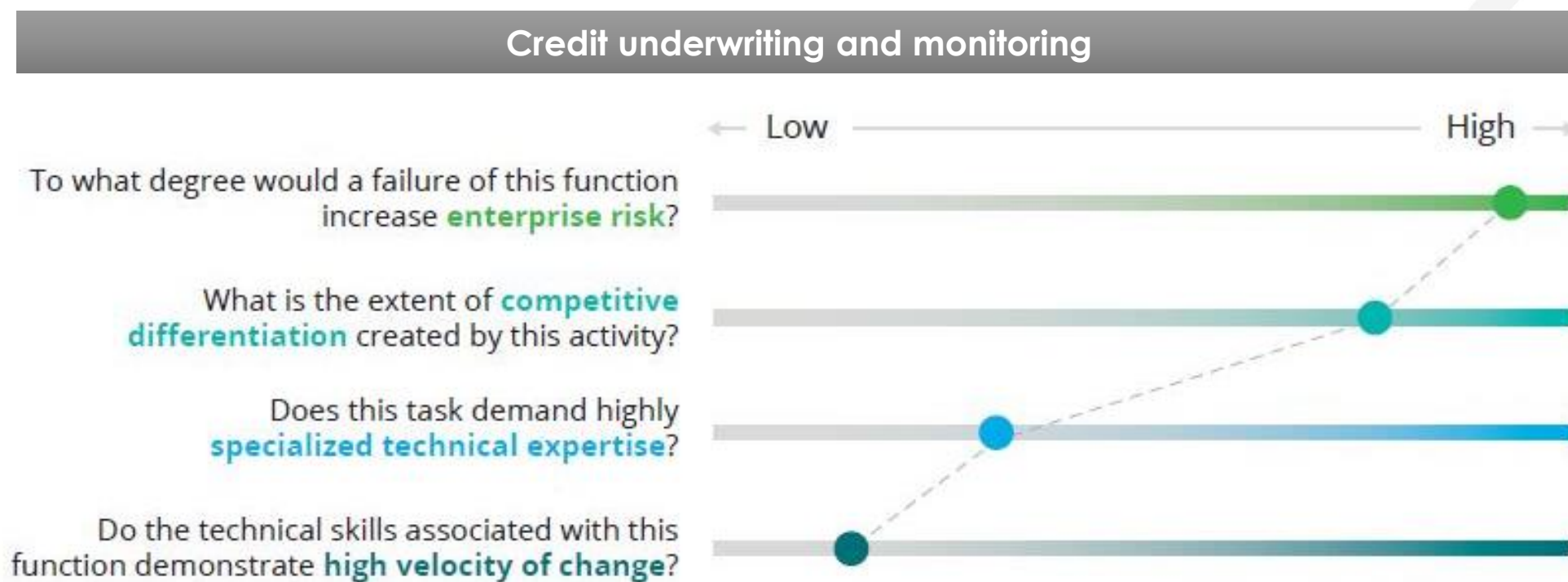
OPERATING MODEL OPTIONS

- Managed services
- Traditional outsourcing
- In-house execution

BANKING FUNCTIONS

- Designing and validating internal controls
- Managing back-office IT infrastructure
- Credit underwriting and monitoring

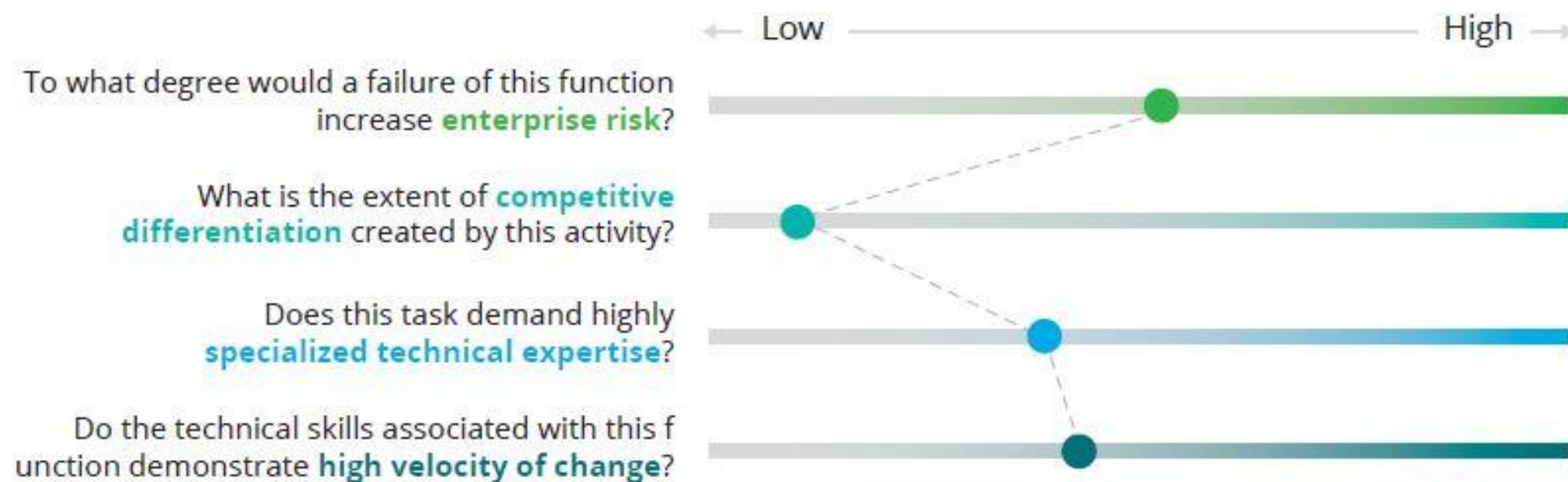
CONDITIONS FAVOURING IN-HOUSE EXECUTION



Source: Deloitte analysis, Deloitte University Press

CONDITIONS FAVOURING TRADITIONAL OUTSOURCING

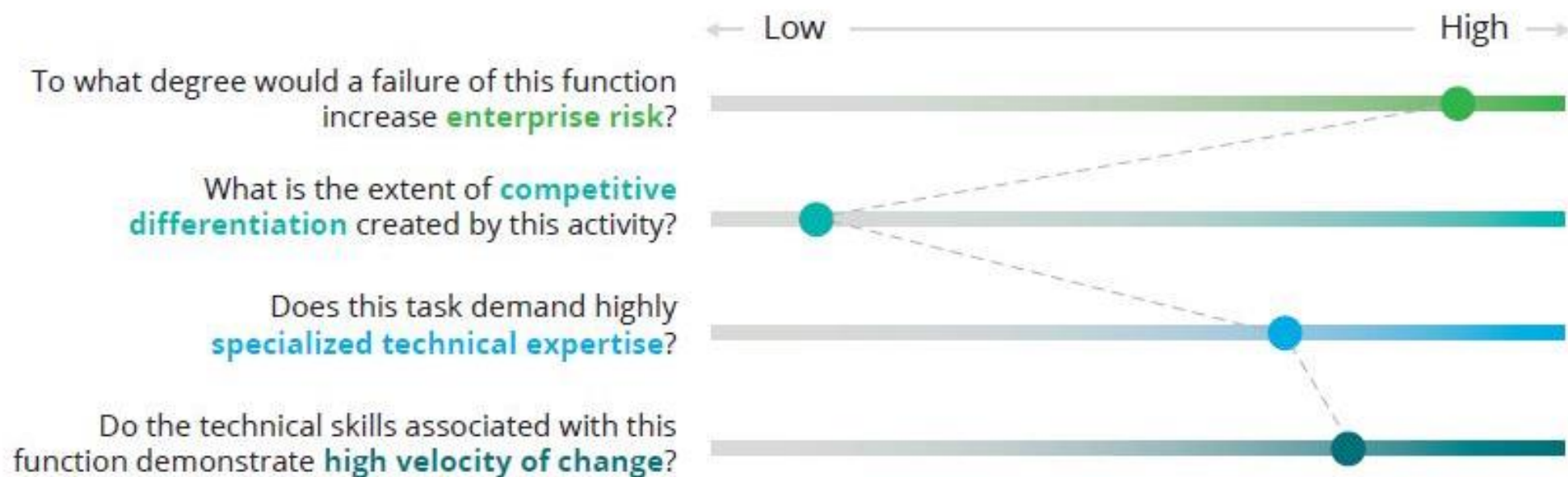
Managing back-office IT infrastructure



Source: Deloitte analysis, Deloitte University Press

■ CONDITIONS FAVOURING MANAGED SERVICES

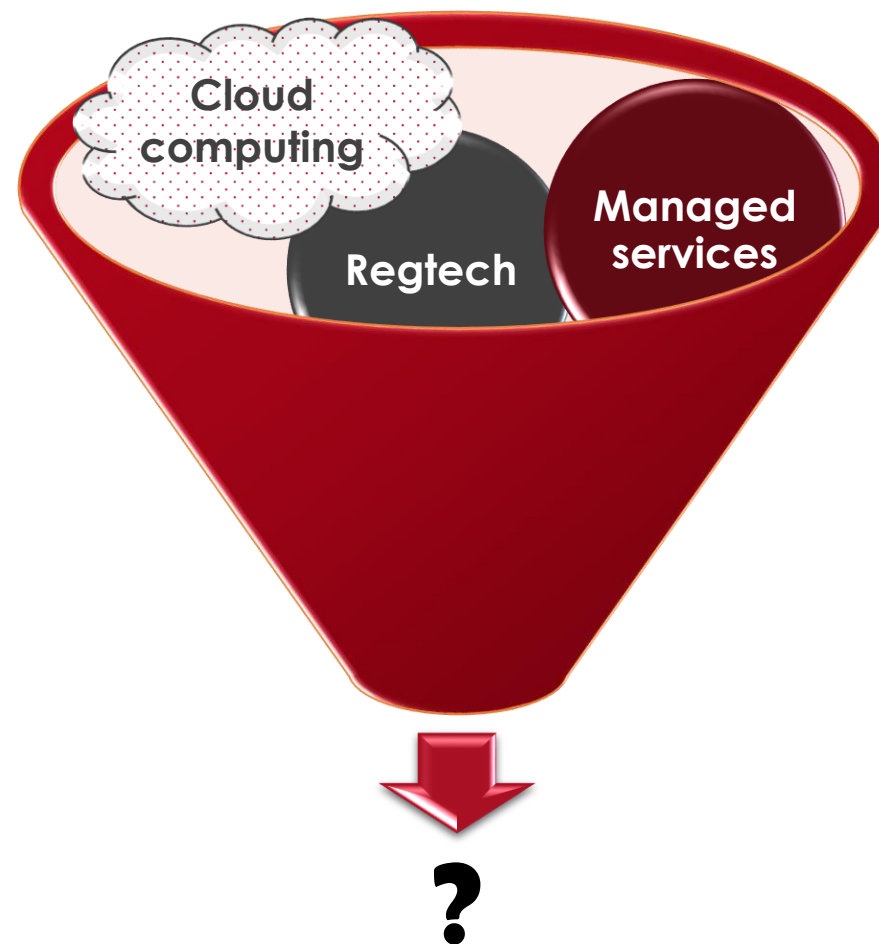
Designing and validating internal controls



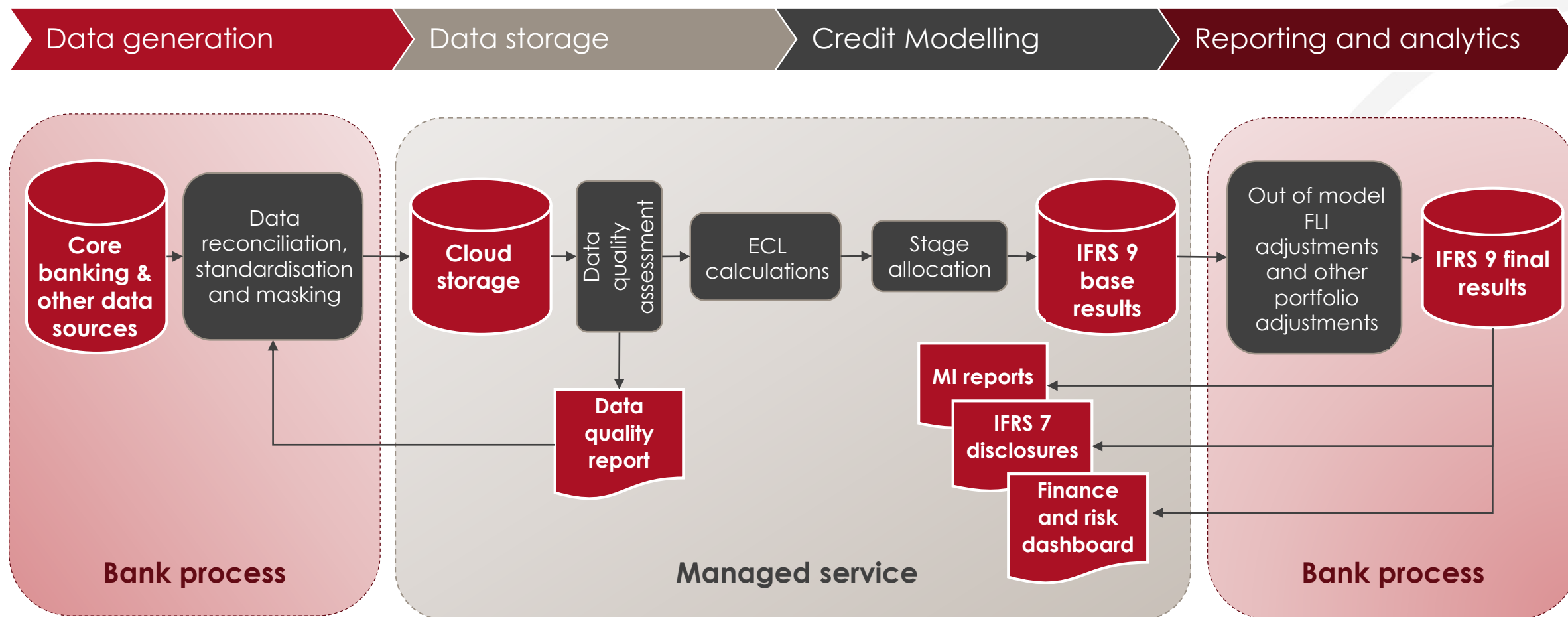
Source: Deloitte analysis, Deloitte University Press

SUMMARY

- A managed service relationship is often most applicable when resource needs are urgent, specialized and evolving quickly.
- But where competitive differentiation from the task is low or moderate.
- They are outcome focused strategic relationships that allow banks to focus on top strategic priorities, like growth and profitability.



17 IFRS 9 CASE STUDY



 BENEFITS

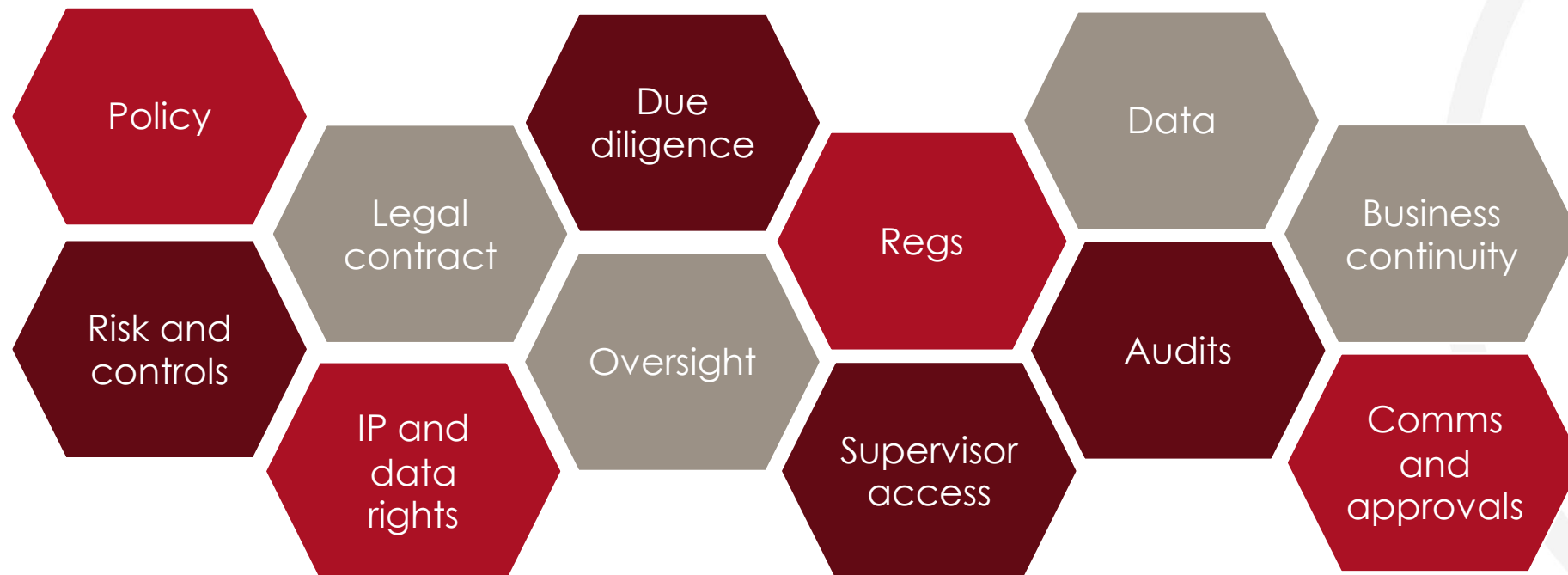
- Scalability / Agility
- Security
- Flexibility
- Convenience of access
- Always up to date
- Pay as you use

PRACTICAL CONSIDERATIONS

- Provider should have 'skin in the game'
- Piloting, transitioning control and establishing oversight
- The concerns of different stakeholders
- Track record of provider
- Quality and continuity of staff
- Provider's reputation and institutional strength
- A global footprint assists in understanding cross-border business
- Consider tangibles (e.g. technology) and intangibles (e.g. culture)
- Cost versus benefit

THE SARB'S VIEW

- Cloud computing: Directive 3/2018 and Guidance Note 5/2018
- Outsourcing: 2014



Challenges

- Interpretation of accounting standards
- Data integrity
- Systems and technology
- Lack of skills



CONSIDER

- Are you getting the most out of your data?
- Do you understand your organisation's existing regulatory technology?
- Are you leveraging your existing technology to the full extent of its capability?
(Or are you paying for things you don't need.)

