



## Collaboration in Financial Services Conference 2004 September 29, New York City

**Review by Ross Dawson, Conference Director – Design and Content**

The Collaboration in Financial Services 2004 Inaugural Conference was held on September 29 at the Microsoft Customer Briefing Center in midtown New York. The conference was a landmark in demonstrating the importance of the topic and the attention it is gaining in the industry. With 8 major sponsors and 12 media sponsors, and attracting well over 100 senior financial services and technology executives from the US and internationally, the success of the event shows the growing appetite for these issues in the institutional financial services community.

Featuring a compelling keynote address from former SEC commissioner Steve Wallman, and speakers from many major institutions such as Goldman Sachs, Deutsche Bank, and Credit Suisse First Boston as well as the leading technology players in the field, the conference helped to bring into focus many of the critical issues financial institutions need to address in the period ahead. The fantastic response to the event has resoundingly confirmed our intention to run this as an annual event in New York, with the 2005 edition already scheduled for exactly one year later on September 29. We also envision running the conference in London—where there is very strong interest in the topic—in spring 2005.

### ***Creating an industry roadmap***

The conference was designed largely to assist the industry to create a roadmap to take advantage of the potential of collaboration and collaboration technologies. Throughout the day we applied the six-point framework below, covering ***Vision, Foundations, Roadblocks, Paths, Collaboration, and Action*** to guide our thinking and conversations, both on the panels and among conference participants. Moving forward, we will design a variety of opportunities for key players in both the financial institutions and the technology vendors to engage with these questions, and create positive momentum in the industry.

#### **Vision**

- What is the potential for collaborative technologies in the financial services industry?
- What might the future industry landscape look like, and where will value creation be focused?

#### **Foundations**

- What technologies, standards, processes, behaviors, culture, and business models need to be in place to tap this potential?
- Which of these foundations exist, what is missing, and how can these be put in place?

## **Roadblocks**

- What is currently blocking institutions tapping the full potential of collaborative technologies?
- What can be done to address or bypass these roadblocks?

## **Paths**

- What possible paths forward will move the industry towards tapping the potential of collaborative technologies?
- Which of these paths are more feasible, and what are the milestones on those paths?

## **Collaboration**

- What are the missing or incomplete standards to tap the potential of collaboration, and what must be done to establish these standards?
- What dialog is needed both between financial institutions and between banks and technology vendors to move the industry forward?

## **Action**

- What action is required by your financial institution to tap this potential?
- What action is required by the industry, and how can you contribute to that?

## ***Key issues***

It is always a challenge to condense a day of rich ideas and discussion into a brief summary. Below is a selection of six of the key issues that were raised during the day.

### **Drivers and implications**

As an industry based virtually completely on information flows, it is only natural that financial services companies have taken up collaboration technologies such as instant messaging well before most other industries. In other cases dramatic efficiencies are gained by switching from paper to digital documents, which leads naturally to the use of online deal spaces. In M&A transactions, still 75% of the average of 15,000 documents required are physical, down from 90% in 2002, however scanning these allows the entire process to shift online. In non-public transactions, digital documentation allows a broader field of participants. Inside financial institutions, workflow has already substantially shifted online. For example, Citibank's enormous Citivision project, implemented with Microsoft, has enabled shared information views across the enterprise. Now online processes are happening increasingly across organizational boundaries, albeit at a slow pace due to regulatory and other constraints.

The implications include changed roles for financial institutions relative to their clients. Process transparency is increasingly expected by clients across all sectors of the industry. Raw content is becoming commoditized, and is being integrated into business workflow. While few major institutions have enterprise-wide content management systems in place, this is a rising priority as this maps across business processes, transactions, and client value creation. Client interaction is gradually shifting from voice and email to a broad array of communication tools, with videoconferencing and collaborative analytic tools in rapid ascendancy.

## **Compliance**

Undoubtedly compliance was a key theme of the day. One of the major banks represented said that they were ensuring all their document retention procedures were fully implemented before even considering any external collaboration technologies, though they are already implementing Sharepoint for internal collaboration. The morning keynote from Guy Lander gave a comprehensive view of the various regulatory issues and hurdles facing financial institutions as they shift to richer communication media. One of his conclusions was questioning whether the current significantly overlapping regulatory requirements are cost effective.

Lunchtime keynote speaker Steve Wallman drew on his experience as SEC Commissioner 1994-97 to give a compelling case that regulatory caution is stymying innovation. The current highly politicized SEC, ultra-sensitive in the wake of presiding over Enron and other scandals, fears change and the potential for criticism for being too lax. Wallman believes that the US regulatory regime—which by nature of its capital markets leads global financial regulation—is the best in the world, but now, partly driven by powerful vested interests, it is blocking important innovations.

## **Shift to synchronous work**

Several speakers, including Ed Muth of Microsoft, pointed to the current and future shift to synchronous communication. This is most prominent in the massive uptake of IM in markets, however also gaining traction in videoconferencing, webconferencing, collaborative analytics, and other emerging communication tools. The presence function of IM, when embedded in software and business processes, will allow people to access and engage real-time with relevant people on an as-needed basis. This will create a strong shift in how work is done within and across firms.

## **Behaviors**

The institutional financial services industry is in the main not famed for highly collaborative behavior. While IM has been taken up with alacrity in a number of specific market contexts, collaboration more broadly across the industry will require shifts in behavior. Many institutions are gradually getting traction with this in their internal operations, however it will be necessary for these behaviors to apply in interactions across clients, partners, and sometimes competitors. We heard the story of an executive who laughed at the idea of sharing information with his competitors in a deal-making environment, who just two years later shifted to believe this was essential for running his business effectively.

## **Industry collaboration**

Industry participants need to collaborate in order to reap benefits for themselves and the industry. An example is in syndication, where the Bond Market Association is helping establish guidelines for sharing information in the syndication process. Instead of protecting information by default, firms can think through and agree of what information can be shared to create mutual value. There are still many technology standards required for interoperability and process integration, and insufficient efforts on these fronts. Document component-level markup standards will be critical in the next phase of shifting business processes and enabling higher-level value creation, yet we are only in the early stages of developing these.

### **Making the business case**

While we have moved out of the post-bust technology nadir, it is still very challenging in financial institutions to make compelling business cases for investment when the benefits are difficult to measure. Some investments in collaboration technologies are still justified by saving on printing costs, with no reference to broader issues such as process flow improvement or relationship benefits. However the competitive environment is increasingly forcing firms to differentiate themselves in how they create value with and for clients.

### ***Industry Knowledge Exchange***

A key aspect of the conference was creating effective knowledge exchange between participants. The presence of many of the leading executives driving collaboration in financial services was an opportunity not to be missed in sharing challenges, issues, current experiences, and lessons learned.

Given a variety of potential topics for delegates to choose to discuss, it was enlightening to find out which were the dominant issues for attendees. By far the most popular topic was *Implementing Collaborative Workflow and Business Processes*, with five large tables devoted to discussion of this theme. Two tables of participants chose to grapple with the issues of *Collaboration and Implementing Content Management Systems*. The next most popular theme was *Shifts in Research Workflow and Distribution*, with one table of executives each devoted to the themes of *Implications for Industry Structure and Value Creation*; *Security and Digital Rights Management in Collaboration*; and *Moving Syndication Online*.

Just a few of the many interesting conclusions of the working groups were:

- Establishing a clear process and framework for defining information entitlements inside the enterprise is a critical and powerful enabler for implementing collaborative workflow and business processes.
- One of the biggest impacts of collaborative technologies is in shifting buy-side/sell-side relationships, with value creation increasingly focused on firm interaction rather than execution or internal business processes. However internal demands are slowing the adoption of new approaches to client interaction.
- The buy-side is expressing a strong desire for more control over the research and information they receive, including detailed filtering and granular control over document components. This will require embedding rich tagging into research workflow, and an increased need for customized research creation in order to cut through massive overload.

### ***Comments from conference attendees***

"Must congratulate you for such a wonderful conference. I have not seen such a good quality focused audience in a long time."

*Global investment bank*

"All keynote speakers were excellent and contributed insights into the drivers and barriers to collaborative systems in the finance industry."

*Industry analyst*

“Great, because I didn't know much on the subject going in and now feel quite up to speed.”

*Top tier management consultancy*

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