

By 2010, Belgium's Dexia Group aims to be completely IT-centric. CIO **Dirk Hoebeek** tells **Barry Mansfield** why the internet is central to the future of retail banking services.

# 24-HOUR SERVICE

**BM** Why is Dexia pursuing a policy of IT-centric retail banking?

**DH** Dexia is building its long-term future on two pillars: public or project finance and credit enhancement on a global scale, and universal banking on a European scale. As a universal bank on the European scale, we are now the second biggest bank in Belgium, behind Fortis, and the second largest bank in Luxembourg. We're now a big player in Turkey following last year's acquisition of DenizBank, and Dexia also has a relatively small but growing presence in Slovakia.

To understand the culture at Dexia it's important to recognise that we have evolved from a number of separate entities, each with a life of its own, and we are evolving to a more functional and transversal model over time because of these organisational changes.

We have a 'one group' vision. And you can also see that in the IT department. Since 2006 we've been working to streamline the architectures and we've been looking to use and develop new synergies and exploit them.

**BM** How are you going about this?

**DH** As CIO management we started to streamline the IT governance, application strategy, IT strategy and architecture, and the development departments for insurance and for treasury and financial markets. Other IT departments will follow based on a project approach and in line with business drivers.

Naturally, in retail banking an important element is to realise the benefits of what we have termed the AAA, or Three As, in our architecture: Anyhow, Anytime and Anyplace. We want our applications to be available for customers 24 hours a day, seven days a week, 365 days a year. On the internet you should be able to do the same things that you can do in a branch, which means taking action and seeing the results of that action in real time.

Besides this, we apply in all our applications the principles of straight-through processing and a multi-channel architecture. Our philosophy is that any branch of Dexia and any other distribution channel should be using the same applications that are run in the back-office environment. At any moment in time, all

customers and Dexia staff should have the same view of the same methods and the same data.

**BM** What advantages does Dexia believe this will bring?

**DH** We are in a position to be very open and adaptable to any kind of new channel demand.

Let's say an additional channel becomes available through which the customers want to communicate – a new model of BlackBerry, for example. On the functional side, nothing would have to change. All Dexia would need to do is change the front end. It took us less than 100 working hours to have our mobile banking system up and running, for example.

On one side there is the operational platform and on the other is the analytical platform. We are now focused on the operating model to which we want to evolve by 2010. It's all about production and distribution: we must make the right services and products easily available to our distribution environments.

People often talk about the need to align IT with the needs of the business, and for us it's the same. We aspire to a close relationship between IT architecture and business architecture. We won't do anything that isn't directly linked to business needs; we are 100% business-driven.

**BM** How does your new acquisition, DenizBank, fit into this vision?

**DH** DenizBank, has already shown its commitment to the Three As. Although we're not using the same applications, because they have their own for the Turkish market, we're finding that we have nothing to teach them about IT. That gives us a strong advantage.

We have two very sound sets of applications in the two biggest retail banking entities within our group. We're using each other's best experience. Our Turkish colleagues are also masters of developing applications based on Microsoft tools, so that gives us another technical view. We are speaking the same language based on how to approach our customers and work most effectively from a distribution and back-office point of view.

We are very happy with our Turkish acquisition. What I see through my contacts across Europe is that everybody is looking for those synergies. However, the way to find them may vary across different countries and organisations. For example, some banks are looking to acquire synergies based on their interest in a specific application. They will choose a certain package on the market and take that as a starting point.

- Putting IT at the centre of banking means:
- Customers can access services at any time
- Adapting to new channels of communications is simple
- Migrating towards SEPA-compliant services is easier

'On the internet you should be able to do the same things that you can do in a branch.'

Taking it easy: with full banking services available online, customers can access their accounts anyhow, anytime, anywhere, says Dirk Hoebeeck.





Dexia has a different approach. We implement our functional and technical architecture, driven by the business on a project base; this path has proved highly successful so far.

**BM** Will Dexia's IT-centric strategy help with its SEPA compliance?

**DH** Back in 2000, it was decided in a plan that has since become known as the Lisbon Agenda that the EU would be one of the world's leading knowledge-based economies by 2010. Out of this came the idea of supporting innovation and the idea of a single market by making it easier and cheaper to move money around the EU. The EC decided that cross-border payments should cost no more than domestic payments, and in 2002 the European Payments Council drew up plans for how this would be done.

Thus SEPA was born. It means fewer charges on transactions and purchases. On the consumer side of things, if SEPA comes into being by 2010, it means you'll be able to buy things on your card in another European country and pay nothing more than you would domestically.

On the business side, it'll mean much the same thing but moving money around should be as cheap as it is domestically. This means banks will have to sharpen up their IT systems to replace manual processes with automatic ones in order to bring down costs.

SEPA has set certain benchmarks, and Dexia has already provided these at low cost to customers. We have a track record of responding very quickly to these new demands.

**BM** How does Belgium compare to other European countries when it comes to retail banking services?

**DH** In many respects, retail banking in Belgium is ahead of other European countries. The use of personal cheques is very rare now; more than 80% of payments are electronic. And then there are governmental initiatives such as SEPA, which Dexia has been very quick to respond to.

There is a saying here that Belgians are 'born with a brick in their stomach', which means that, like the UK, there is a strong culture of people wanting to own their own property. So the mortgage market is very important, as everybody will be making that decision at

{ 'Banks will have to sharpen up their IT systems to replace manual processes with automatic ones.' }

some point and it's an opportunity to gain a customer for life. The services we provide around mortgages are a high priority for this reason.

In Belgium all retail banks offer a complete set of credit and investment products. Besides that, there is a very intense focus on insurance, especially in the retail banking sector. In fact, insurance for the retail market is provided through banks to a very high percentage of people.

**BM** How do you think retail banking will change in the near future?

**DH** As is the case in many other sectors, a number of services are coming together in one place. And the internet is a very convenient delivery mechanism. There can be no doubt that the existence of a physical bricks-and-mortar high street bank will be less important for my grandchildren than it was for me or my parents' generation.

What banks like Dexia are providing is not an 'or' offer but an 'and' offer – it's important for us that we have one functional application used by all channels. When you go into a physical branch for a meeting, your manager can have the customer homepage already open with an immediate overview of your account. He can link to all the products, methods and services in the same way you can access them on your Dexia Direct Net. In the meantime, back-office staff at Dexia will also be using the same set of applications to carry out their processes.

On my travels I always do my own banking using Dexia Direct Net. This is usually via an internet connection in my hotel room. 'We have everything in place for mobile banking – all our applications are accessible from anywhere in the world.

Moreover, if a Dexia manager needs to leave the office to visit a customer he can connect himself to the same applications he had in the branch. Our branch directors are now very mobile; they don't have to physically be in their office to perform any task. They can even go and visit customers at home if the need is there.

We are at a stage where speaking to the interface to carry out day-to-day banking transactions looks like the next step. FBA

#### Dirk Hoebeeck

Dirk Hoebeeck was appointed CIO of Dexia Group in 2006, bringing over 32 years of experience in the IT industry and 22 years of broad industry experience in the financial services sector to the role.

He began his career as a divisional manager at Siemens, before moving to Gemeentekrediet van België in 1984, which became part of Dexia in 1996. He has also worked as ICT manager for Anhyp, which was acquired by AXA in 2000, and served as CIO for Informatica J Van Breda & Co.



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