



THE 360° BUSINESS VIEW

Alain Marbach of BNP Paribas tells *Future Banking* how a single, all-seeing IT system can provide the control, governance and innovation required in determining competitive power in the years ahead.

- BNP Paribas is one of the largest hi-tech companies in Europe, with an IT spend of €4 billion.
- The volume of data on the bank's mainframe grows 7% annually.

As reliant as banks are on technology, their IT challenges lie less in the capability of the systems they employ than in managing the breadth of those systems. As banks

'Our long-term IT goals are linked to our business goal of being a strong retail banking player in the eurozone across many customer segments, for services such as cash management. It is crucial to our development strategy, and we have many applications serving many business lines.'

In Europe, BNP Paribas has found domestic retail banking markets, including France, Italy, Belgium and Luxembourg, but its international presence extends to more than 80 countries. Abundant information passes across that broad network and, for

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look to consolidate their positions in key streams of business, many recognise the need to have a stable and manageable yet versatile technology platform in place.

Some have taken a lead on implementing such a platform, understanding the impact this can have on how effectively they can deliver on strategic goals.

'We have a €4 billion IT spend, which makes us one of the largest hi-tech companies in Europe,' says Alain Marbach, global head of information technology and process systems for BNP Paribas.

a bank that is keen to keep control of its own systems, there is a pressing need to manage this information effectively and derive direct business value from it.

For Marbach, one of the most important tasks is to ensure that the right information reaches the right people, requiring a clear view of data, products and processes across the entire organisation. He believes that this is best achieved when the bank is the proprietor of the technology as far as possible, although he recognises that no bank is an island.

BP2I: collaboration in action

At the start of 2009, BNP Paribas and IBM signed a €318 million IT services agreement spanning six years as the latest installment of the joint venture BNP Paribas Partners for Innovation (BP2I), which will support IT infrastructure and operations in the bank's subsidiary office, Banca Nazionale del Lavoro in Italy.

BP2I is a co-owned IT services company that began in 2004 as a strategic organisation to support BNP Paribas' growth by combining technology and infrastructure expertise with an in-depth understanding of banking services.

IBM has worked closely with the bank to support business initiatives and the expansion of its global network, and this work has included consolidation of some of BNP Paribas' IT operations, improving resilience and boosting productivity.

'The relationship covers company-wide issues, not just products or specific IT projects,' says Marbach. 'We are amazed by their intelligence and input. It is a true joint venture approach, and their people bridge the two organisations perfectly.'

'We want managers to understand the connection between different products in different regions and across customer groups. Our management has strong

values and for anything that is product or customer orientated that is also IT related, we own the IT. For ancillary processes, such as accounting and HR, we are open to a mutualised effort on IT,' he notes.

To address the complexity of systems within a bank and get the best value from its data, BNP Paribas is among those to develop a single foundation for the systems that support its services.

'BNP Paribas, Citibank and HSBC are the only three that have a single, international core banking system. We do, however, have many important IT relationships in the background, notably with IBM. These relationships and our core system allow us to be very fast, very responsive and very versatile. We are keen to move with our customers and so we have given the power of IT to the business,' says Marbach.

Clear, consolidated, cost effective

Through relationships with partners such as IBM (see box, left) and through its core systems, BNP Paribas has built a strong IT base from which to address many of the key challenges facing the banking industry, not least the management of liquidity.

'Liquidity is always a top concern for a bank, so we have impressive IT in place. The crisis found us prepared. Our IT people sit very close to the trading desks

and our liquidity team has always been important,' Marbach points out.

'There was a strong move to improve liquidity many years before the current crisis. Our liquidity team is very focused on giving a single central view for the treasurer.'

This single view forms the crux of the bank's approach to liquidity management and many other matters.

'We want a clear view of what is happening in liquidity terms in all the banks that make up BNP Paribas around the world. We have one central liquidity system, so we always have a global view of the business,' notes Marbach.

'Our cash management and accounting procedures are always strong because we have a clear view of everything. Of course, there are still many things that we want to do better,' he adds.

A sound IT platform, providing a cohesive view of the business, is the basis for tackling the IT challenges that arise in a complex, global, service-orientated business. Security is a perennial concern.

'Security has always been at the top of the list, along with resilience, which contributes to a bank's robustness. We've always had good people working on that, but an important area for the future will be user access and rights management. Vendors are doing a lot to improve workflow but we need the full picture of who has access to what, especially where different products interface,' says Marbach.

Such efforts require the bank to work closely with IT vendors but for Marbach there is a clear path to follow. 'There are thousands of applications, so the truth lies



in standards, and we must move ahead with them quickly,' he says.

The bank is not interested in investing in IT for the sake of it. Its priorities are clarity across the business and the ability to respond quickly to customer needs. It approaches IT primarily from the perspective of the business rather than the budget.

'We have no drive to increase automation or to reduce IT spend. That is determined by very detailed analysis of how to use IT to address a business need, although we are also trying to control costs for any IT project,' explains Marbach.

For him, cost control and systems efficiency are maximised by focusing on the production of data and consolidating the flows of information throughout the business.

'We work very hard on integrating data production to reduce the number of data centres. Our goal is to control costs by consolidating data production and

implementation. Whether an IT initiative affects ancillary processes such as HR or payroll, or relates to larger matters such as providing access to securities across multiple banks, all projects are governed by two rules.

'We need a clear view of who the manager is for each project, and of what the cost is,' stresses Marbach.

'Controlling all IT projects across a large group means that governance is very important. We've made new amendments to our policy this year. Reporting to central management is the bottom-up approach, but we also have a top-down process. The leaders in IT within the bank publish guidelines to enforce consistency when needed. For instance, they stipulate the kinds of software that we can or cannot accept. There are clear project management steps for everyone to follow,' he explains.

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improving quality. The volume of data on the mainframe grows 7% annually, and the storage volume by 50%, so each year we need to improve data quality by as much as 20%. You don't see that in other industries, but in financial services you have to keep on consolidating,' he remarks.

Effective implementation

The breadth of the IT challenge for any bank means it is vital to invest in those areas that will have the greatest effect on the overall business. BNP Paribas has many IT projects under way, which have been selected on the basis of clear guidelines.

These guidelines are constantly under review, and have recently been updated. Now, at the level of individual business lines, the strategy committee reports all projects of over €2 million to the central management of the company, where they are compared with other endeavours within the group.

Identifying the right targets is only part of the answer. Equally important is a bank's approach to project management and

With that well-defined structure it is also important to keep the doors open to innovation. The IT challenge does not sit still, nor can banks' efforts to overcome it. For Marbach, the importance of encouraging people throughout the organisation to generate new ideas that influence the bank's approach to IT cannot be emphasised too much.



Alain Marbach

Alain Marbach has been head of information technology and processes at BNP Paribas since 2007, and is a member of its executive committee. He was previously executive vice-president, product and technology at Schneider Electric.

Ace Manager: innovation in action

The emphasis on innovation in IT at BNP Paribas has led to many interesting ideas, one of which is Ace Manager, an online business game for students to give them more awareness of BNP Paribas. It has proved an effective tool in the bank's recruitment drive and shows that technology can serve a financial institution in many ways, from products to public relations.

Response to Ace Manager was impressive, with 4,000 students signing up in teams of four to play in the virtual Universe-City world and test their aptitude for different business lines in which the bank is active – retail banking, corporate and investment banking, and asset management. The reward for the winning team was €10,000.

Proof of this comes in the form of three guided projects for IT: collaboration, green initiatives and development/production.

'We call it "innovaction";' Marbach remarks. 'We motivate our employees to submit innovative ideas and we reward managers who can bring something new out of a team. We make it part of our culture.'

Keeping the approach to IT and innovation central to the bank's culture will be a big task in the year ahead. Fortis Bank became part of BNP Paribas in May this year, making it the biggest player in the Eurozone in terms of deposits. Integrating Fortis Bank will be a complex but no doubt rewarding undertaking.

'Fortis is a very serious player in Europe, and in the first few weeks of integration we have found some real jewels that we could use,' says Marbach.

Consistency, consolidation and flexibility are the cornerstones of BNP Paribas' approach to IT. With its core banking system in place and a culture of IT innovation firmly embedded, Marbach feels the bank has the right platform to meet tomorrow's IT challenges, and its approach could hold valuable lessons for other financial services institutions. FBA