

Building on stable technology

The need for greater transparency, improved systems and processes, and better MIS will all necessitate investment in technology. Simon Shepherd, Founder and Chief Executive of MYRIAD Group Technologies, reviews the challenges facing network management groups as they redesign their IT arrangements to cope with operational complexity, regulatory burden and lost headcount

Picture the scene: at the height of the crisis in September last year, with Lehman Brothers in administration and big bank and broker mergers – forced or otherwise – being announced almost daily, the Global Head of Operations at a major investment bank in the City of London is standing in the office of the Head of NetMan EMEA:

GHO (looking concerned): “I need to know who is in our Network”

Head NM (hesitating): “....errrr....OK.....”

GHO: “In fact I need the global picture; have you got access to that information?”

Head NM: “Yes, of course, somewhere.....(hesitating some more).....errrr....(glancing nervously at screen and avoiding eye contact)....can I get back to you on that in a couple of weeks.....?”

Whilst this is anecdotal and apocryphal in equal measure (and is categorically not the answer the GHO was looking for), rumour has it that such conversations have taken place in many different institutions, involving many different players and personalities in the last nine

months. This is not in any way designed to downplay the seriousness of the situation we are still in, but it does suit to highlight just one of the issues Network Management teams have faced recently and which they are likely to face much more in the coming months and years: a critical shortfall in management information systems.

New investors

Taken together with the arrival of governments and other ‘new investors’ on shareholder registers, this type of enquiry is only going to quicken and grow in the near future. The pressure to get houses in order will filter down to the deepest operational levels and this means Network Management. Please note I have avoided using the term ‘lowest operational level’ in conjunction with Network Management because the function is currently, and quite rightly, in the ascendant and reversing a dangerous trend of under-investment over the last five to ten years. Comments like this have undoubtedly struck a positive chord with industry incumbents who are often on the receiving end of such enquiries, but who now feel the time is absolutely right for much greater investment in this area. Banks



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suddenly value their networks and their NetMan teams much more highly than they did two or three years ago.

The need for increased transparency, improved systems and processes, and better MIS will all necessitate increased investment. The banks that make that investment in robust, proven systems with long-term views and capabilities already built-in will be the ones that emerge stronger and with better value-for-money solutions than those that do not.

Governance, risk and compliance

The big consultancies are never far away from these industry trends. As recent victims of the downturn in banking markets, there has been substantial re-jigging of resource allocation at the large consultancies, away from traditional practices and into new areas like Governance, Risk and Compliance (another TLA for you: 'GRC'). You know this trend is well-established when someone schedules a conference on the self-same topic (I believe the first GRC conference is taking place in London in November 2009).

We recently wrote to clients and prospects highlighting this subject and the need for some clear thinking in this space: we firmly believe that whilst the good times rolled, focus was mainly on top line growth, with minimal regard for underlying costs. That has now changed in many spheres of banking activity, not least Network Management, and the wise approach is to put in place the technology which gives capacity to cope with added future complexity, additional regulatory burden and to replace lost headcount. Financial institutions also need to cater for expanded volumes when they return.

At times like this in an investment cycle, there is immense pressure on budgets. But the banks cannot have it all their own way and simply going for the cheapest option is often doomed to failure. Historically, the buy-vs-build argument has been won by the build camp when budgets are tight. But I have yet to come across a truly successful, properly executed internal project in the NetMan space that has met (internal) client criteria completely, and has been delivered on time and to budget. We regularly hear cost estimates of hundreds of thousands of dollars, sterling or euro for what can best be termed marginal improvements. Much activity at the moment is actually scurrying around digging out third party estimates for projects, both costs and timescales, because in-house projects have palpably failed to deliver.

Governance, Risk and Compliance are watchwords which have grown in provenance in the last 12 months. Whether banks and financial institutions of all flavours like it or not, the level of scrutiny and regulation is only going to grow. Shotgun marriages between banks are not merely symptomatic of the problems facing the Industry. They will become emblematic of the new world order when, with governments as major if not majority shareholders, it will be an even higher priority to demonstrate that houses are in order. See the press for recent announcements in this area. The immediacy of well organised and better presented information, no longer masquerading as intelligence but being genuinely couched as such, is at the forefront of senior management, and particularly Network Management teams', minds. Banks with a good technology platform like MYRIAD can absorb new networks speedily and efficiently. Where a network needs reviving, then the resurrection and on-boarding/integration of multiple relationships can happen in a manner that meshes instantaneously with existing standards and practices.

When asked the question 'Who do we have in our Network?' or 'What accounts do we have with Counterparty 'X'?' by the Global Head of Operations, it is deeply unwise to respond with 'I'm not sure, but can I check and get back to you in three weeks time?'. ■

Simon Shepherd is a Founder and the CEO of MYRIAD Group Technologies Limited. After 12 years in Investment Banking, he became a private investor in 2000 and has since 'followed his money' and taken senior management positions in his investee companies. MYRIAD was founded in August 2004 and since then has been his sole focus, as other investee companies have been sold or floated.

MYRIAD (www.myriadgt.com and info@myriadgt.com) is a secure, web-based, integrated Network Management platform available to all flavours of banks, financial institutions, insurance and legal companies, as well as treasury teams at large corporates. The single platform approach integrates each institution's own database of suppliers and providers (in the widest sense) and, having established static 'context', facilitates an array of dynamic activities like invoice capture and validation, document management, workflow and RFPs.