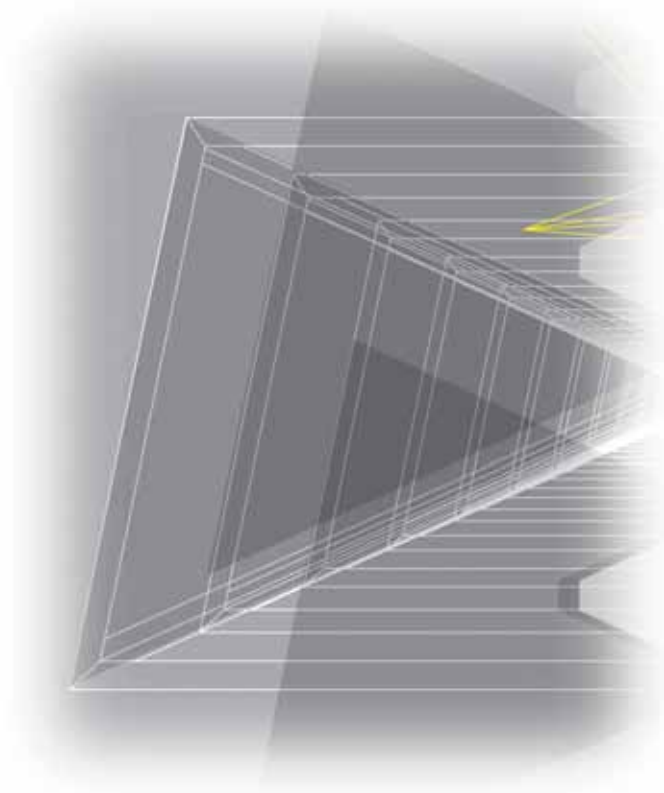


What impact will the Credit Crunch have on Network Management teams?



Network Management sits in the eye of the ongoing financial storm. Simon Shepherd, Founder and Chief Executive of Myriad Group Technologies, argues that investment in people and systems to aid activity in this area should be at the forefront of the minds of CEOs, COOs and Heads of Legal and Compliance

As 2008 has unfolded, never before has the need for organised, well-informed Network Management teams been more apparent. As the banking crisis has crystallised, so the need for transparency, cost control, risk mitigation and the provision of quality management information has steadily grown. The lack of visibility of accounts and cash volumes, basic documentation and simple contact numbers at times of crisis has meant that even the largest banks have continued paying away large sums of money to counterparties that had already 'been let go'.

As a far from disinterested participant at Sibos this year, it was a sobering sight to see so many people so palpably not in control early on the first morning in Vienna: news about Lehman Brothers had broken the previous evening and overnight Merrill Lynch had been bought by Bank of America. Feverish conversations were taking place down mobile phones from executives in Vienna to, one assumes, subordinates in far flung places. A few people had systems in place to cope

with what had been a well-flagged event and the well-prepared and better organised continue to emerge with credit from the storm that is still going on around us. But very few had all that information at the touch of a button. Even fewer had that up-to-date information immediately available, securely delivered over the web, with which they could then organise what needed to be done quickly and efficiently.

Simple reports about which counterparties are linked in which jurisdictions, what accounts may be at risk and for what reason, whether the correct documents are in place and readily accessible should they need to be referenced at short notice and, fundamentally, who owes what to who and what payments need to be stopped. These are all examples of the lack of information immediately available to participants in the market.

Poor relation

Whilst these opening remarks have centred on senior Network and

Risk Managers – who, by the way, let all security and communications protocols fly out of the window on the exhibition floor in Vienna – they were not the only ones caught up in the unfolding drama. Salespeople were faced with a shrinking landscape of clients, with little hard core intelligence to fall back on during the week. Legal and Compliance teams will have been working away in the background, desperately trying to understand how best to protect their own institution, yet they will have been relying (in large part) on elderly Access databases, incomplete libraries of Word documents, scanned images of the same spread across different systems and servers, and creaking Excel spreadsheets with macros embedded that nobody knows how to work because the guy who crafted them left two years ago.

For too long now, the Middle Office and specifically Network Management has been the poor relation when it has come to investment in technology and people, relative to both Front and Back Offices. It was once said that if the Front Office takes 90 per cent of investment in I.T., the Back Office takes 9 per cent and, well, the rest goes to the Middle Office. And yet the Network Management team runs all the relationships that ultimately get the job done and that allow the bank to offer a service in all sorts of exotic locations and products to their clients, both internal and external. Whilst one impact of the credit crisis is undoubtedly going to be less risk taking and, one assumes, lower volumes, even allowing for bursts of volatility, the reality is that whatever activity is taking place is going to come under far greater scrutiny from all quarters – and not just in-house.

So how will the credit crunch affect Network Management teams around the world? Consolidation is one glaring opportunity as different bank network

management teams are thrown together. History suggests that the process of integration is long and painful – and very costly – because neither team has a single, clear view of who they are working with, who (objectively) is good, who is expensive and, as a consequence, which relationships should survive in the brave new world. Lacking a platform that consolidates this information before going into the process means that each bank in question is stuck with manual processes and the absence of clearly documented reviews and performance measurement. Quality MIS is conspicuous by its absence.

Commercial intelligence

Regardless of whether activity is a result of a takeover or merger, cost control and risk mitigation will remain joint top of everyone's agenda. What does the network really look like? Are our relationships properly documented? Can we say what each account costs us and whether this is the best service our money – or our client's money – can buy? Generating genuine commercial intelligence from many 'systems' still in use is a virtual impossibility. Information gathering from a 'myriad' of systems takes time, it is prone to error and inaccuracy and still has to be manually pulled together into a report. The whole process is very 'reactive' and the inability to put a finger on the right information quickly has proved both alarming and eye-opening to senior management. There are a number of banks that have been forced into reviews not just of external relationships but their own internal organisation, simply because of the lack of transparency within individual and across different business lines and departments. Leveraging pan-bank intelligence often remains a pipe-dream.

The reality is that Network Management sits in the eye of the ongoing storm. Investment in both people and systems to aid activity in this area should be at the forefront of the minds of CEOs, COOs and Heads of Legal and Compliance. Looking to leverage legacy systems may be a start but the reality is that a fresh approach, starting with an integrated database that facilitates all sorts of dynamic activity may well be the quickest and cleanest approach. For too long now, Network Management has had to do with a make-do-and mend approach, often being at the end of the line for targeted I.T. investment. The argument that such investment is largely 'nice to have' is not one that is heard very often these days. It's more like, 'if only I had acted 6 months ago most of these issues would have gone away'. In that respect, it's just like the Front Office: Harry Hindsight has always been the best trader in the market. ■

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) 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.