



SWISS BANKING SOFTWARE GOES WORLDWIDE

One of the main reasons for Swiss banking success over the last years is its unique banking IT

BY MARTIN ECKERT*

Switzerland is the world's leading place for private banking. About CHF 5,017 billion of assets are trusted to Swiss banks. Despite political pressure on the Swiss banking market (bank client secrecy), Swiss bankers seem to be quite relaxed. Why? One of the main reasons for the Swiss banking success story is its unique banking IT. Since 1980, Swiss private banks have developed and refined sophisticated IT tools and systems in order to serve the needs of a highly demanding and international clientele. High net worth individuals liked to have a 360 degree view

of their banking relations. From the very beginning, the tools needed to be multi-currency as well as multi-language capable and designed to handle complex financial products. And it goes without saying that Swiss systems had and have to comply with severe data protection regulations.

Success of core banking software

In the 1990s, Swiss banks were faced with new challenges: growing the business, driving down operating costs, meeting chang-

ing market requirements and increasing regulation. The complexity of in-house developments and legacy systems came to its limits. This was the birth time of external software houses with a new concept: standard core banking software based on model banks. A model bank software (for a fictitious virtual bank) is a banking platform with pre-configured, best practice-based products, processes and functionalities used and implemented for (real) banking customers. This allows a much faster rollout time. Most of the customers' required functionalities are

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immediately available.

One of the earliest players was Finnova. The story of Finnova started in 1974 with software named FIS. At the beginning of the 1980s, several financial intermediaries came together in the FIS user bank pool. This pool became a limited company for banking software called Finis. Finis' main task was to develop an integrated modular banking solution for universal and private banks for its six shareholder banks. In the autumn of 2003, Finis completed this task and the company changed its name to Finnova. Finnova enhanced and marketed this new standard core banking solution and acquired its first clients. Up to 2008, Finnova had won more than 80 universal and private banks (mostly banks, which were based on software called IBIS).

In 1991, Francisco Fernandez started to develop a banking system called Avaloq. The Avaloq Banking System was designed to replace existing IT systems and incorporated them into a universal banking platform. The goal was to develop a modular platform that could cover all banking processes and functionalities. By 2008, Avaloq had won some 35 banks as clients.

All told, the market share of Finnova was around 43% by the end of 2008. In the small banking sector (with less than 500 employees), Finnova's market share was 52%. Avaloq is the market leader for banks with more than 500 employees (45%).

In parallel, Finnova and Avaloq teamed up with implementation and outsourcing partners, such as Comit/Swisscom and T-Systems.

Internationalisation

The strongest international player is Temenos with headquarters in Geneva. Temenos was founded by George Koukis in 1993 and grew to become the world's leading supplier of packaged banking software. With 51 offices worldwide, more than 2300 employees take care of 700 clients in 120 countries. Since the acquisition of Viveo Group, the French market leader in core banking systems, in December 2009, Temenos gained a clear leadership position in France and cemented overall leadership in core banking with its product T24.

With the first selling of the Avaloq Banking Systems in Singapore, successful access to the Asian market was achieved in 2005. Since 2007 Avaloq has expanded with offices in Luxemburg and Singapore and opened another four branches in Frankfurt, Vienna, Moscow and Dubai in 2009.

Up to now, Finnova focused on the business with Swiss universal banks. Finnova's targets are to its position itself as one of the market leaders in Switzerland, to develop strategically in private banking and to expand abroad. For this reason Finnova agreed with the German inves-

tor, msg systems AG, to tap new markets, especially in Germany. Comit followed its partners and opened offices in Singapore, Luxemburg, Germany and Austria.

Another trend is that banks that operate globally, such as Schrodgers, concentrate their group private banking IT in Switzerland. Thus international banking groups are profiting from the local know-how and efficiency. Even if salaries are high in Switzerland, the typical Swiss, non-hierarchical, goal-oriented approach in finding solutions satisfying both business and IT needs is often crucial to locating service centres in Zürich or Geneva.

Conclusion

Swiss banking standards and the Swiss pragmatic quality approach are strong selling arguments in the global private banking landscape. Swiss banking software is on the rise and expected to spread quickly. Banking software as well as IT platforms operating in Switzerland will be an important sector in the future business landscape. +

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