

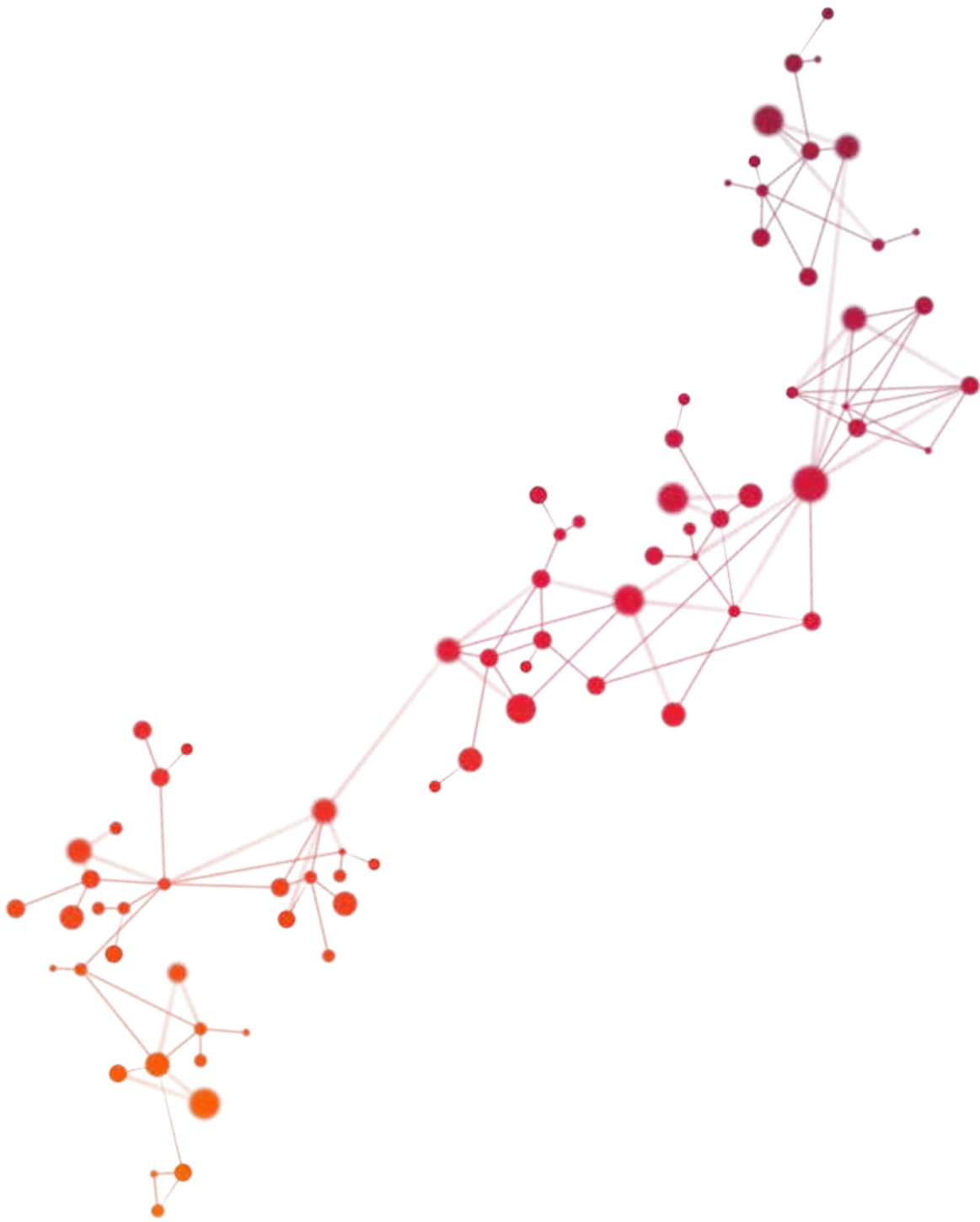
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THE VICKERS REPORT



INTRODUCTION

The Vickers Report, published in September 2011 will have a profound impact on UK banking. Written at the request of the Treasury its contents show that the Government has two key concerns. Firstly, maximise the financial stability of UK banks by ring-fencing their domestic, retail and small and medium enterprise (SME) operations away from the more risky parts of the business. Secondly, stimulate greater competition between banks in those two sectors through a combination of greater price transparency and simplifying the process of moving bank accounts.

From past experience we expect the real challenge and risk to be in the implementation and operational details. We have seen before that imprecise or ambiguous definitions and statements can lead to multiple distinct interpretations by businesses and organisations. It is in our interest as providers of advice and solutions to seek clarity and resolution of such issues.

Since its publication the Vickers Report has generated an enormous amount of comment across the finance sector. Given the massive changes that it will bring to banks in the UK this is hardly surprising. However much of the comment is focused around whether the report has in fact achieved its aims. The Treasury has made it clear in both its initial response of 19th December 2011 and its white paper of June 2012 that it endorses the recommendations. While there are still issues to clarify, this does send out a very clear message: that these recommendations are for the most part, going to be implemented.

This white paper therefore is focused very much on the practical realities around implementation, particularly the operational and technological implications.



BRIEF OVERVIEW

The Vickers Report recommendations address three areas:

<p>Corporate structure</p>	<p>The report recommends ring-fencing the retail and small business operations of UK banks from the rest of the group, with its own board, balance sheet and regulatory obligations. This is designed to protect it from fall-out arising from failure of the riskier part of the group. It is also designed to ensure that in the event of a financial crisis, the ring-fenced bank could be efficiently wound up, both preserving the operation of mandatory services and ensuring limited liability for taxpayers.</p>
<p>Competition</p>	<p>A number of recommendations have been made here to promote competition including greater price transparency and the creation of a new centralised account switching re-direction service. This latter measure is designed to make it easier for retail and small business customers to move bank accounts.</p>
<p>Loss absorbency</p>	<p>The report recommends minimum tier 1 capital of 10% plus additional wider loss absorbency of at least 7%. It also makes a number of other recommendations including the creation of so-called bail-in bonds, a process by which, in a crisis, unsecured debt can be either converted into equity or be subject to write-down.</p>



DELIVERABLES AND IMPACTS

TIMETABLE

The timetable for implementation of the recommendations is as follows:

Account switching	September 2013
Ring-fencing	May 2015 for legislation and banks to implement by 2019
Price transparency	May 2015 for legislation and banks to implement by 2019
Loss absorbency	May 2015 for legislation and banks to implement by 2019

Much has already been said about the loss absorbency recommendations and this paper does not intend addressing these. Instead given the practical thrust, it shall concentrate on the issues surrounding the other areas.

ACCOUNT SWITCHING

There has been very little comment on this aspect of the report compared to other issues. Yet this will be the first part to go live and will cause fairly major operational changes within a reasonably tight timescale.

Having worked with the Payments Council to both design and implement the new service, CGI has a very clear picture of the challenges that banks are facing to accommodate the new standards. Account switching will have a powerful effect on the Retail and Commercial areas of banks with implications for Payments, Operations, Accounting, IT, Product and Legal amongst others. Every single process, application and system relating to account switching will have to be reviewed to ensure that it can meet the new standards. This is a particular challenge for banks that are in the midst of implementing new platforms as they are obliged to factor account switching changes into their plans.

As mentioned the report has recommended the introduction of a central re-direction service which will allow retail and small business customers to move their current accounts and associated recurring transactions (direct debits, direct credits, standing orders, bill payments and debit cards) in a guaranteed, simple as well as hassle free way. In addition, CEOs of those UK banks which are members of the UK Payments Council have committed to the Treasury that this service will complete the process in seven working days and be introduced in September 2013. After the seven days are over there will also be a further 13 month period when both the recurring transactions mentioned above and other payments will be automatically redirected to the new bank.

The drive for this new service came primarily from the Treasury Select Committee (TSC) who published a report in April 2011 on competition and choice in retail banking. Part of this report focused on the perceived low levels of account switching which on average are around 9% within the UK market. While



the TSC recognised that levels of switching had improved in recent years it was still very low, especially compared to other industries such as Utilities. In 2011, according to a survey by Accenture, out of 4,000 current account customers only 6% had switched accounts. One of the key reasons for this is a perception amongst customers that moving accounts is both difficult and risky (for example, the new bank not settling mortgage payments in time or salary being delayed).

The new service therefore introduces the concept of a written guarantee to customers from the new bank committing to the seven working day service as well as setting out the obligations of both parties. Discussions around penalties for breaches of this guarantee are still being discussed, but it is likely that customers seeking redress would use the normal commercial channels such as the banking ombudsman. The account switching service is governed by the UK payments schemes and they are not allowed to apply penalties. However they can apply commercial charges to scheme members and this may become the appropriate route.

The key challenge for banks is quite simply the timing. According to the TSC report, switching accounts between UK banks presently can take anywhere from two weeks to two months with transfer of direct debits causing the biggest delay. A number of banks use the BACS ToDDaSO (Transfer of Direct Debits and Standing Orders) service to automatically amend direct debits and standing orders. However not all banks use this and so levels of automation vary. By definition banks are dependent on each other for a smooth switching process and hence levels of customer service in this area will differ. Now they are faced with a binding legal agreement which commits every bank, regardless of process, to have everything in place in seven working days.

In addition banks will also have to cater for a new suite of over 30 messages based on the ISO20022 standard. Finally there may also be impacts on personnel depending on the level of automation within each bank. Not all banks have an automated account switching process and for them a seven day guarantee represents a fairly substantial challenge.

Compliance is of course the most immediate issue, but there is also the wider question of whether the new service will meet the Government's aim, i.e. greater competition in the UK current account market.

Three questions in particular need to be addressed and should inform and guide the business strategies of banks:

Does simply making the process easier guarantee an increased uptake from consumers?

Customers generally move either because they are unhappy with the level of service from the existing provider or because they have found a better deal elsewhere. However the latter is very much dependent on customers understanding bank pricing structures. Significantly a number of contributors to the TSC report complained that lack of transparency in bank pricing made it difficult for customers to compare banks. This was picked up by the Vickers Report and recommendations have been made in this area (see below). Ease of account switching alone may not be a stimulus to competition, but ease of account switching combined with price transparency could well be the trigger to a more fluid current account market.

Will account switching only be a matter of regulatory compliance or are there market opportunities as well?

If it really does become easier for customers to move accounts, then there is surely an incentive for banks to invest in more attractive and sophisticated products. After all, a current account in itself is not an intrinsic money spinner, certainly not in the present world of free banking. Rather,

it is all the ancillary services that lie behind (such as channel services, data provision, lending, investment services etc). A genuinely competitive market makes a more compelling business case for product investment.

However this also means that one bank's gain will be another bank's loss. Account switching is as much about retaining existing customers as it is about gaining new ones. Therefore product investment is not the only concern. There also needs to be a greater emphasis on customer metrics. Understanding your customer behaviour is key. Those banks that manage client data effectively and have a single customer view will be far better at understanding their clients' behaviour patterns. More importantly they will be better at spotting problems before they become problems. An effective social media strategy can play a key part in this. It enables banks to proactively engage with clients and identify complaints or issues before they get out of control. CGI's work with clients in the whole area of customer metrics has already clearly shown the power of such an approach.

Will this lead to a larger number of providers in the UK retail/SME market?

There are already new entrants such as Tesco Bank, Virgin Money and Metro Bank who form part of a wider group of so-called agency banks. These are either smaller British or foreign banks offering Sterling banking

services to their clients while using one of the big UK banks as settlement agents. If they want to compete effectively with the incumbent players then it would make sense for them to be able to offer the account switching service and thus gain more clients. Politicians such as Ed Balls, the Shadow Chancellor are also pushing for two more new players to be in the market by 2015. Committing to a unified account switching service would give them a level playing field, at least in the current account processing space. The whole area of agency banks raises an interesting question for the larger High Street Banks. How far will the Government expect them to help the former get ready for account switching? After all they are keen to stimulate competition in the market and will be reluctant to see operational or technological barriers get in the way. Therefore will it be enough for the larger banks merely to continue their traditional role as sponsors or will implementation assistance be expected as well?

Account switching represents more challenge and opportunity for banks. However it will become a reality and the sooner banks prepare for it, the sooner they can take advantage of the opportunities.





PRICE TRANSPARENCY

As already mentioned The Vickers Report states there must be transparency in bank price tariffs to allow customers to make genuine comparisons. This issue was raised in the TSC with a number of consumer groups complaining about the opacity of bank charges. The bulk of current account revenues come from overdraft charges and foregone interest, two areas where consumers have the least information to enable a proper comparison. The Vickers report made a number of recommendations which in brief are:

- Information concerning interest forgone, i.e. what clients have lost by not receiving any credit interest on their current account should be clearly stated on customer statements. This was re-emphasised by the Government white paper which advises that The Office of Fair Trading will host a review with all relevant stakeholders in late 2012 to discuss how this should be presented.
- Make full account usage information for at least the previous 12 months available in electronic form. This will allow banks to create suitable price comparison models in a way that will help clients identify suitable products to match their portfolio.
- The new Financial Conduct Authority should examine how price tariffs can be made more comprehensible and indeed establish its own electronic price comparison web tool. The Government advises in its white paper that it has set up a new Money Advice Service which amongst other customer aids will offer a current account pricing tool.
- A similar tool could be established to show non price attributes of bank products. Although not specified these could be attributes such as customer service or provision of information.

The Government white paper re-emphasised the importance of price transparency and indeed it announced that the Office of Fair Trading would conduct a review of the current account market in late 2012. In addition the new Financial Conduct Authority will carry out a fundamental review of the quantity and quality of information that customers receive.

Transparency may well cause banks to review their pricing strategy and there will need to be much greater analysis around the costs as well as benefits of running current accounts. This is not an easy exercise since it is impacted by a whole host of factors including people, processes and systems. (The actual cost of processing a payment for example has been debated for years). In addition customers use their banks for a wide variety of services and it will be vital to gain a holistic view of their business to achieve optimum pricing levels. As an example, processing a customer's payment transactions may in itself be a loss leader, but the revenues earned elsewhere in the bank from more sophisticated services may be considerable. The retail division of a bank is expected to be profitable like the rest of the group and therefore cross subsidisation of loss making activity may be needed from other more profitable areas.

Alternatively banks may look at a more blended pricing model, with clients being charged a single fee across a range of services. Tiered pricing may well be yet another approach with customers being charged premium fees for value added services such as alerts or real time account information. All this of course presents challenges around billing. CGI has experienced the issues banks face in this area and has worked with them, using our experience from other industries such as Telcos and Utilities. Whatever the pricing strategy chosen it will be vital to have the proper data available to make the choice effectively. As with account switching, this requires a single customer view across the

bank and careful consideration will need to be given to the IT/process changes that will be needed to achieve this.

Whether banks choose to charge per service or to bundle services under a fee, the key requirement will be the metrics to support full exposure of the costs and activity on which charges and fees are based. They should also understand and expect that clients, consumers, corporate businesses and SMEs, will compare and contrast bank offerings.

The interest foregone issue may have a wider impact than first realised. Since price transparency is designed to stimulate competition what does the report actually expect clients to do with the information? The obvious answer is that they expect them to pressure the banks for credit interest with the implied threat that they will move elsewhere. However if the customer does insist on credit interest the margin that the bank makes on the interbank market will be reduced and the latter may well have to look for compensatory income elsewhere. Fees would be an obvious alternative. In other words the interest foregone issue could become a primary driver towards the end of free banking.

Following on from this last sentence, one interesting question is whether price transparency would actually be aided by the end of free banking? At the moment most current account customers receive banking services free "at point of sale". However as we have already seen clients are in effect charged in other ways that they find very difficult to measure.

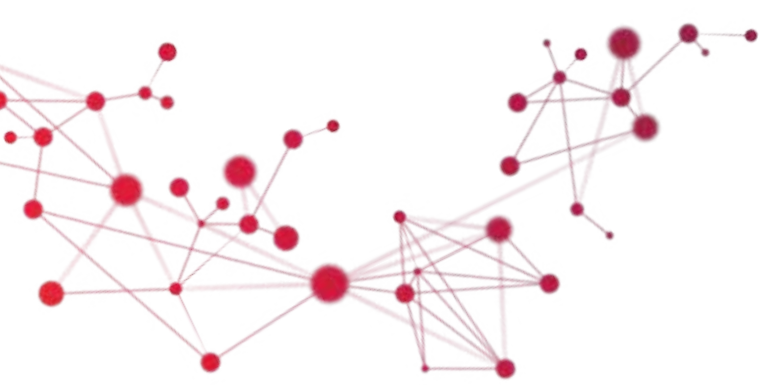
Transparent current account charges would at least enable much easier price comparison. It may also reduce the risk of misselling scandals such as PPI and derivatives since banks would be under much less pressure to make revenue in more questionable areas. Interestingly in a

recent speech the current chairman of the FSA suggested that free current accounts for those in credit was harming competition among high street banks. On the other hand, banks should also factor in the value of retail/SME deposits from a revenue perspective. Not just direct revenue, but the indirect regulatory value of such deposits under Basel III/CRD 4 (such deposits have lower liquidity requirements).

Underpinning all these changes is the challenge of data. To manage the impacts of price transparency effectively and take best advantage of it, banks must have a clear single view of their clients' data. However, from our experience working with global banks CGI knows the substantial challenges of data management. Information tends to be held in a range of siloed databases with very little integration between them. Extracting this and presenting it in a meaningful way is no easy matter.

This was powerfully highlighted recently in a survey done by the Institute of International Finance which showed that 75% of banks still cannot aggregate their exposure to a single counterparty without manual intervention. This manual intervention included adding together results from multiple computer systems. However those banks that can develop a highly sophisticated data strategy will gain competitive advantage. They will be able to see exactly how much revenue they earn from their customers and price their services more efficiently. It will also help them to understand their customers better and target them more effectively with the right product set. UK banks are already on this path after new measures introduced by the FSA obliged them to have a single customer view of their deposit account clients. This was to ensure that they could give information to the Financial Services Compensation Scheme within seven days of default.





RING-FENCING

Ring-fencing will present profound challenges for UK banks. In particular those UK banks which are global in nature will potentially find their whole legal and operational structure being altered to the very core. The impact of ring-fencing the bank's retail and small business areas away from the rest of the group will be felt across processes, people and architectures. It will also affect a range of areas across the bank including treasury, payment operations, financial institutions, corporate banking, product sales HR and legal.

Banks are already facing a similar exercise with the Recovery and Resolution Plans (RRPs). These set out how the banks would be wound up in a financial crisis and as part of this will have to address issues around the management of processes and systems. These are the very areas which will need to be addressed in ring-fencing and it will be interesting to see how actions agreed in the former will impact the latter or vice versa. It is interesting to note that the ring-fencing recommendations of the Vickers Report are now attracting interest beyond the UK. The European Commission set up the Liikanen Group this year to assess whether the structure of EU banks needs to be reformed. It actually used the Vickers Report as one of its key study documents and interestingly has recommended that European banks ring-fence their trading assets away from the rest of the Group.

Before taking a more detailed look at the implications, there is one important question the Government needs to address. The nature of the mandated services which the ring-fenced bank will offer. At the moment the report specifies these as overdrafts and deposits. However the report also states that one of the purposes of ring-fencing is to insulate vital banking services on which households and SMEs depend. This must surely go beyond

overdrafts and deposits. In its recent white paper the only service described as mandatory by the Treasury is the taking of deposits. It goes on to say that further mandated services may be created in secondary legislation and it is 'expected' that banking services which 'are important to the domestic economy' will be undertaken by the ring-fenced entity. However these services need to be clearly spelt out. Severe disruption to payment and ATM networks due to the failure of a major bank would for example surely fall under this heading. The recent Royal Bank of Scotland (RBS) payment system problems are a salutary reminder of how important such services are to the British public.

Turning to the operational implications of ring-fencing the first question to be considered is the business model of the bank concerned. Where that model is entirely European Economic Area (EEA) centric with no investment banking activities or activities that expose it to non ring-fenced banks and no services that involve setting aside regulatory capital against market risk, then there is no impact. However as soon as the bank is engaged in any of these activities its operational business model is potentially going to have to change. The more global the bank, the greater that change will be. The report states that the ring-fenced entity should be operationally separable from the rest of the group. Interestingly it also states that the wider organisation should ensure that the ring-fenced part of the bank has access to all of the operations, staff, data and so on that it needs irrespective of the health of the rest of the group. However that begs the question: if the rest of the group does fail, how can it guarantee operational provision to the surviving ring-fenced entity? Even if they can offer the service, for how long and of what quality?

The Vickers Report suggests a number of operational structures including creating a separate independent operational subsidiary

within the group or the ring-fenced entity owning its own operational infrastructure. The Government in its white paper does not state any specific preference. Instead it lays down the general principles that the ring-fenced bank must be easy to separate in a period of stress and demonstrate operational independence at all times. It then goes on to say that providing these principles and the principles contained in its response of 19th December are met, banks are free to organise their operational infrastructures as they wish. However it then adds a caveat. The regulator can force a change in operational infrastructure if the present one can be proven to impede either the separation of the ring-fenced bank or its operational independence. It does not give any details at this stage about the level or type of impedence. It would seem to be extraordinarily difficult to meet the requirements of this last point unless the ring-fenced bank was already operationally separate. Banks where operational services are co-mingled across a range of client business lines would have to show that their systems and processes for ring-fenced activity can be effectively isolated

in an emergency. Even the most detailed contingency plan may not give the regulator the necessary comfort factor.

Also the reference to the principles laid down in the response of 19th December is interesting. Although not explicit in its preference within that paper, the Treasury does use the term, 'operational subsidiary' a number of times in the principles section. It talks about the funding and capitalisation of such entities, the services they may offer as well as their potential regulation. This seems to indicate that there is a preference for that option. If that is the case, it needs to be spelt out more clearly and sooner rather than later.

If the creation of an independent operational subsidiary is the route that the Government wishes banks to pursue then this would presumably serve both sides of the fence. This raises a number of issues:

- There will almost certainly be a substantial impact on HR with many staff contracts having to be renegotiated.





- Banks with disparate payments architectures in different parts of the group will have to centralise into a single platform – a challenge given the relatively short time frame.
- If the subsidiary is to be independently capitalised and funded, will it have its own treasury function or will it liaise with the group's treasury management? Will it need to manage its own intraday liquidity provisions and flows and associated collateral costs? Also will it join all the UK payment infrastructures in its own name and if so what will that mean for other existing group memberships?
- The payments architecture within the subsidiary will have to be highly sophisticated. It will have to separately manage the payment flows of the ring-fenced and non ring-fenced bank, as well as their respective cash positions. This will become absolutely crucial in the event of one side of the group failing. Payments and cash positions will have to be quickly isolated to protect the surviving side of the group. To illustrate the challenge of this issue, in a recent survey, 91% of banks claimed they could work out their unsettled payment transactions if a crisis struck, but only 29% could do so in real time.
- Data management reporting would also have to be extremely efficient. The operational subsidiary would not only have to manage the data surrounding the payment flows, but potentially also data for regulatory reporting. The two sides of the bank will be required to do this separately under the recommendations. Information tends to be stored in a wide variety of databases within banks and capturing this in a single view will not be easy.
- Service level agreements would have to be very carefully negotiated with both sides of the group.
- One simple but very vital question has not been addressed in all of this so far. What would happen if the operational subsidiary itself failed? The Government response talks about a 'bankruptcy remote company'. However that term needs clarification. If the subsidiary is independently capitalised then it has the propensity to go bankrupt. What kind of guarantee would there be that it would be able to carry on making payments? This may also impact the question of offshore models. If the subsidiary was located overseas and went bankrupt, how easy would it be for the UK Government to assist in a crisis and what are the legal implications?

Having spent a lot of time on the operational subsidiary model, it is worth commenting briefly on the independent model - the ring-fenced bank owning its own infrastructure. This does seem a very expensive option given that the bank would have to buy its own payments and accounting platform. It may of course be possible to take advantage of the rest of the group's relationship with an existing provider to gain a good deal. Nevertheless it will still be an onerous and fairly expensive task with all the staff implications mentioned above. The data challenge would also be immense with all information relating to the ring-fenced bank having to be extracted from existing databases and transferred into the new ones. The know your customer (KYC) and other regulatory reporting issues would be to put it mildly difficult. One option may be for the ring-fenced bank to inherit the existing infrastructure and sell services to the rest of the group. Another would be for UK banks collectively to consider a central utility managed by a third party in which they all invest.

Aside from the operational impacts of ring-fencing, the implications for Treasury also have to be factored in. Will there be one Treasury for the whole group or separate Treasury functions in each? If it is the former, it will have to run

separate funding operations for the ring-fenced and non-ring-fenced banks. There may also be an argument that says having one Treasury means combining two risk cultures which could be seen as defeating the purpose of the report.

Three other particular areas just need to be highlighted in closing this section.

WHERE WILL CORPORATE CUSTOMERS SIT IN THE NEW STRUCTURE?

The report states that they can be offered services by either side of the ring-fence providing they are not prohibited. As an illustration the ring-fenced bank can offer them lending and payment services, but not complex derivatives products or cash equities. Clients themselves may well have very clear opinions about where they wish to be placed. They need to consider what services they want from the banks concerned and the business model they want to use. If the corporates requires prohibited services, they will either obtain these through the ring-fenced bank on an agency basis or from the non-ring-fenced

bank directly. In other words they will have to consider whether they wish a single or multiple relationship model with the same group.

Banks will also need to think very carefully about the implications of this. If a major UK corporate is currently serviced in what will be the non ring-fenced bank and wishes to cross over, what will be the challenges in terms of moving operational data? What will be the challenges of managing a split relationship in terms of risk management? The issue of data also arises in the question of turnover. The Government white paper is reviewing what level of turnover needs to be achieved before an SME becomes a larger corporate and is considering a range of figures between GBP6.9 million and GBP25.9 million. Once the figure is agreed, banks will then have to review their whole customer base and change location accordingly. They also have to consider what action to take when a customer's turnover changes and goes above/below the limit specified. The Treasury proposes that turnover be reviewed over a given (yet to be decided) period. However long the period is, there will still be potential disruption to customers if the turnover changes and banks need to consider how they manage this.





WHAT ABOUT CUSTOMERS OUTSIDE THE EEA?

The report also states that the ring-fenced bank cannot offer any services to customers outside of the EEA. As it stands, this means that for example Sterling payment services cannot be offered to financial institutions in Asia or the USA. The non ring-fenced bank would thus be obliged to offer these services. The Government white paper has subtly changed the emphasis of the report and states that the ring-fenced bank cannot offer services through a non EEA branch or subsidiary. It does not actually prevent the ring-fenced bank from offering services directly to a non EEA client. Therefore any banks who do provide operational services via local subsidiaries will have to review their business model. Either the operation is brought back onshore or the customer has to be transferred into the non-ring-fenced bank. If the operational business model today is to service financial institutions and corporates totally separately to other business areas, these clients may well be serviced from the non-ring-fenced bank anyway.

WHAT ABOUT THE WIDER QUESTION AROUND THE PROVISION OF PAYMENT SERVICES?

The report states that ring-fenced banks should be direct members of all the payment systems they use. This was re-emphasised by the Government's initial response paper in December. However the Government white paper makes no mention of this requirement, but simply states that ring-fenced banks should not use non ring-fenced banks to access 'business critical UK payment systems'.

This change in emphasis between the two Government papers needs to be clarified because ring-fenced banks may well offer foreign currency accounts to their customers. If they were required to be direct members of all payment systems relating to those currencies this would have substantial operational and liquidity implications. Also which part of the bank would be responsible for payment services? In the independent operational subsidiary model mentioned above, that is fairly clear cut. However if payment services remain within the group, which side would provide them? Would the ring-fenced bank provide services to all customers in all currencies or only Sterling? This question may be driven by where larger customers decide to place their accounts. If they decide to move into the ring-fenced bank and payment services are offered from outside the fence, this may have to be re-visited.

What the Government white paper does say is that provision of payment services to non-ring-fenced banks will be subject to approval and be based around levels of risk exposure and collateralisation. This could mean the non ring-fenced bank being obliged to cover additional intraday exposures with collateral that today is used for other purposes. It also raises the fascinating question of what would happen if the Government refused to allow the ring-fenced bank to offer these services. The non-ring-fenced bank would presumably be obliged to join the UK clearing systems separately creating fairly complicated settlement issues for the bank. All of this raises one important general point. Although mentioned in all the reports, limited attention has been paid to the role of payment systems. Given their essential role in the economy, more considered thought needs to be given to these questions in the legislation.

However the operational ring-fencing is ultimately achieved, it will be a complicated exercise.

CONCLUSION

The Greek philosopher Heraclitus once remarked that “The only constant in life is change”. His words have certainly come true in the banking world. Regulations such as FATCA, Basel III and Dodd Frank are constantly changing the whole way we do business.

The Vickers Report which will become regulation is now adding to the mix. In addition the Libor scandal is in danger of shifting the goalposts again. A growing number of MPs including Andrea Leadsom of the treasury select committee are already calling for the Government to go beyond ring-fencing and legislate for a complete separation of retail and investment banking in the UK. That would have profound infrastructural implications for global UK banks. In addition to that there is also pressure to re-examine the proposed account switching model and move beyond a central redirection service to complete account portability, that is customers retaining the same account number regardless of where their bank account is located. That would lead to changes in the central UK banking infrastructure. All of this combined with growing Government

pressure on banks to divest more branches to allow more competition means that the larger banks may well face even more radical reform to their infrastructures in the future. Moreover these infrastructures will have to be designed in a way that maximises flexibility so that banks can respond rapidly both to regulatory and market change.

Large UK banks face pressure not just from regulators, but from new entrants that are free from the issues of legacy systems and able to respond quicker to customer demand. The challenge for the larger banks therefore is to develop holistic technology and processes that can cope not just with a more prescriptive world, but one where client demand is changing almost every day.

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