



The Value of Industry Utilities: Perspective & Opportunities

RBI APAC
September 10, 2019



Business Growth Through Collaboration

The Financial Services industry is subjected to frequent changes in:

- Regulatory frameworks
- Business models
- Changes in technology

Impacting day-to-day customer transactions and business processes, such as:

- Processing loans
- Opening new accounts
- Processing credit applications
- Facilitate payments
- Managing import and export transactions
- Processing insurance and mortgage applications

A “utility” to manage non-differentiating industry activities helps market participants to increase their focus and investment on more strategic priorities.

Banks in collaboration and partnership with FinTech, BigTech, and governments/regulators have the opportunity to develop innovative solutions that can significantly transform the industry landscape



The global provider
of secure financial messaging services

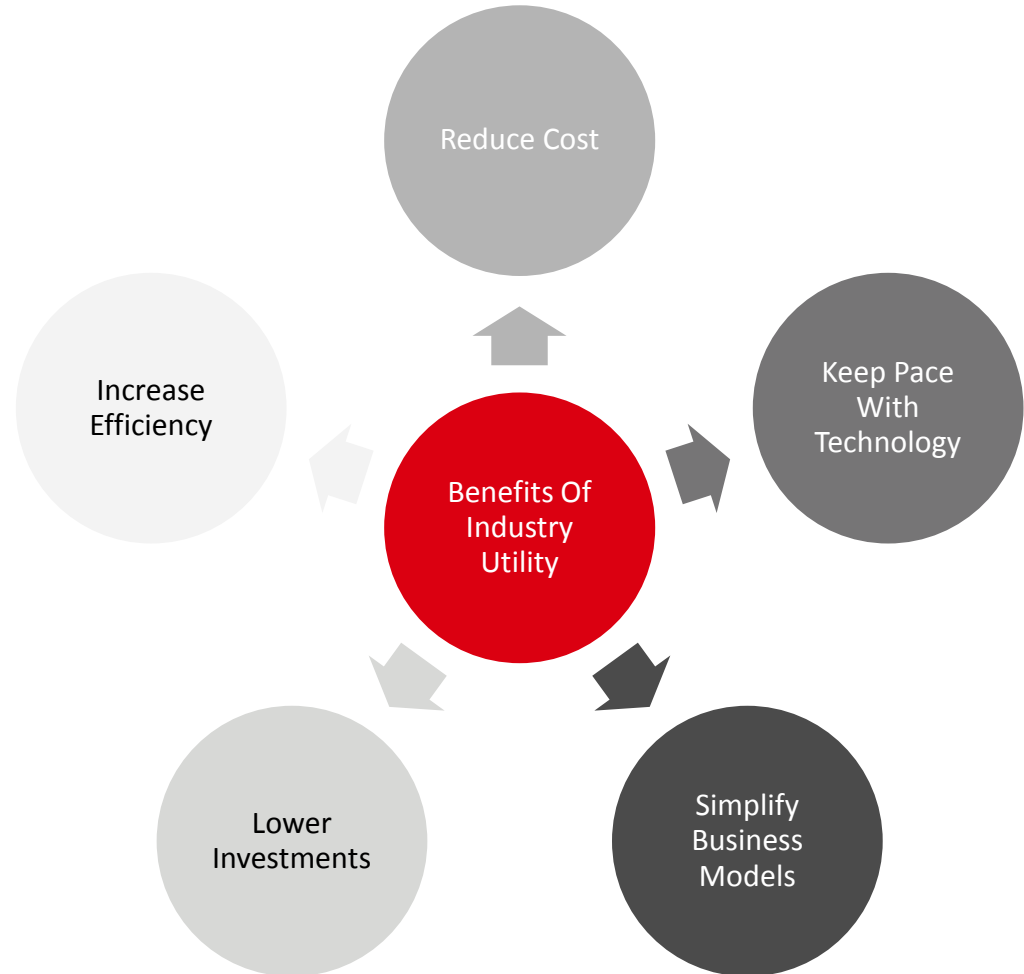


HONG KONG INTERBANK
CLEARING LIMITED
香港銀行同業結算有限公司

Collaborative Competitiveness: Utility Criteria & Collaboration Benefits

Industry Utilities Characteristics:

- Manage non-competitive, high risk, high cost activities
- Help drive industry standardization
- Level the playing field for all industry participants
- Keep pace with regulatory change and technology evolutions



Utility Example : Compliance

Outreach

ID & V

Screening

Risk Rating

Onboarding

- Major financial institutions report spending up to \$500 million each year on KYC and customer due diligence
- Onboarding now routinely takes anywhere from one to three months on average
- 12% of companies said they changed banks as a result of KYC issues
- New forms of financial crime continues to drive new, and complex, regulation

An Industry-wide KYC Utility can

- Uplift and standardize policy standards
- Reduce cost of KYC
- Improve customer experience
- Strengthen deduction of “bad guys”

REFINITIV   IHS Markit

Bloomberg



**SWIFT
KYC
Registry**

- KYC Registry for Correspondent Banks standardized industry standards, covers 4,500+ correspondent banks & fund players/ 75% of SWIFT traffic
- Being extended to top 2,000 corporates in the world and their subsidiaries/ affiliates (~100k entities)

Utility Example : Trade Finance

- US\$ 1.5 Trillion annually – estimated value of unmet trade. 40% of this demand is in developing Asia
- SMEs face the greatest hurdle in accessing affordable finance
- Highly manual/ paper based; time consuming; subject to fraud
- Perception of high regulatory risk increases compliance costs



Networked Trade Platform *Sponsored by the Government of Singapore*

Connects all players in the trade ecosystem, such as shipping and Logistics entities, Regulatory Agencies, Trade Financiers & Insurers

Improves productivity & augments AML efforts through digitization of trade data, digital exchange and re-use of data

BENEFITS FOR STAKEHOLDERS

Buyers & sellers



- IDENTITY VALIDATION
- REDUCED COSTS
- INCREASED TRUST
- EASIER FINANCING
- AUTOMATIC RECONCILIATION

Regulators



- STANDARDISED DATA

Banks



- REDUCED COSTS
- TRANSPARENCY
- FRAUD REDUCTION
- INCREASED TRUST

Logistics



- DIGITALISED DOCUMENTATION
- MONITORING
- SHORTER APPROVAL PROCESSES

Other Industry Initiatives



Marco Polo



HSBC Way: Model and Methodology for Utilities



Step 0: Feasibility Study

Develop high level business case (including core/non-core determination)

Step 1: Opportunity Assessment

Engage with other banks to more fully assess the potential, for forming a consortium to develop the Utility

Step 2: RFP Development & Solution Provider Evaluation

Draft design scope of service solution with collaborating banks and supplier(s)

Step 3: Operating Model Design & Contract Negotiation

Design the target operating model Negotiate contracts with supplier(s) and agree a deal

Step 4: Transition & Implementation

Implement a robust transition plan with the successful supplier(s) and internal BAU teams to transition work and resources (infrastructure and responsibility)

Step 5: Management & Measurement

Monitor the contractual obligations and track the vendor charges and business benefits against the original business case

Road Blocks and Ways to Success

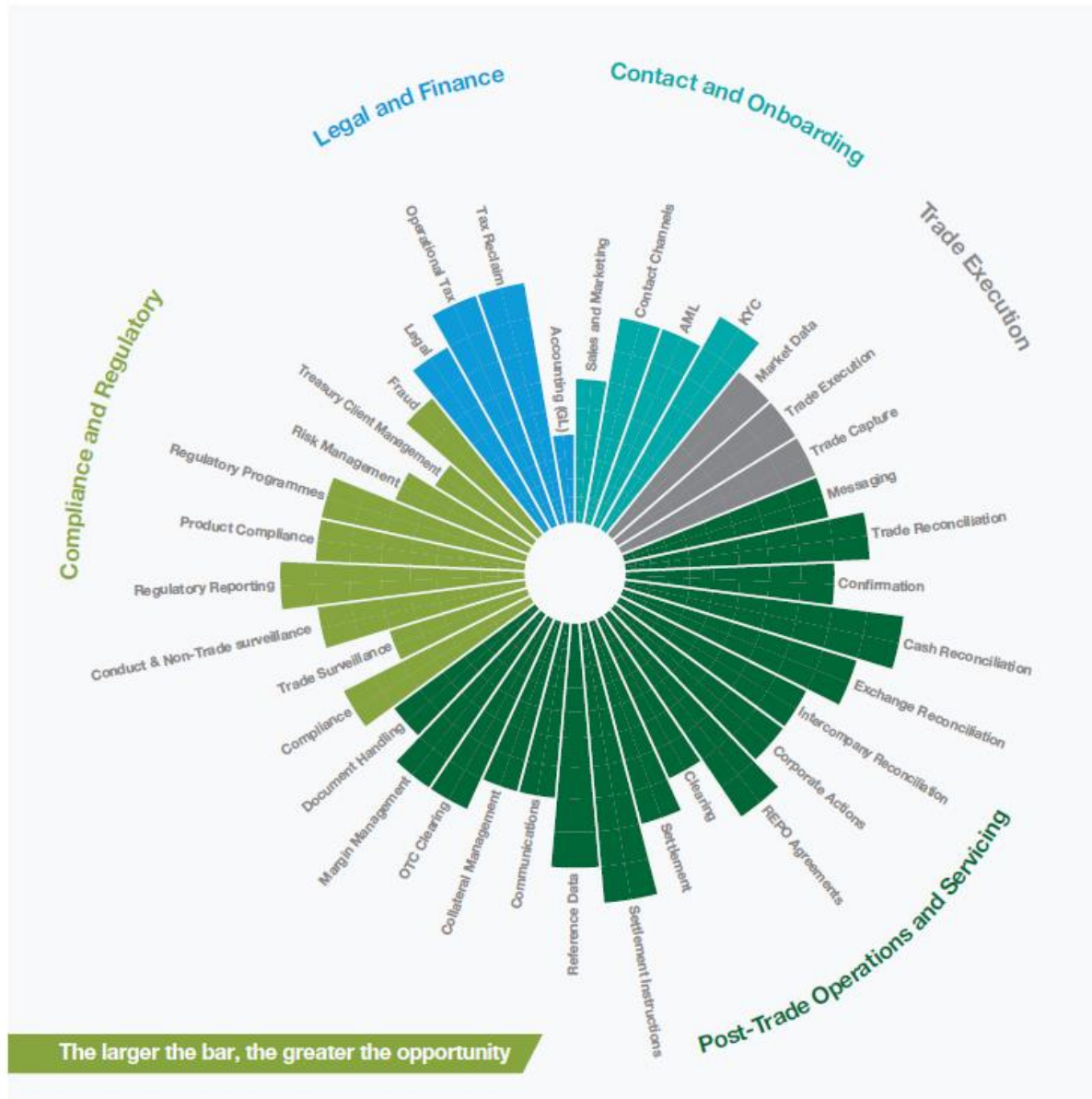
Common challenges to creating an industry utility:

- Meeting all applicable compliance obligations in all jurisdictions
- Competition requirements
- Commitment to investment/ conflict with internal priorities
- Re-architecting a participant's internal processes & technology
- Potentially long time to go-live

Some keys for success:

- Agreement on scope and feasible operating model amongst participants
- Development of common standards, where applicable
- Rapid prototyping & testing
- Partnering with trusted vendors
- Continuous government/ regulatory engagement
- Dedicated change resources

Collaboration Opportunities



Some areas with greater opportunity for industry utilities are:

- Regulatory reporting
- Settlement Instructions
- Trade reconciliation
- Compliance/ KYC
- Cash reconciliation
- Operational Tax/ Tax reclaim

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Thank You!

