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banking technology

Bloomberg tech summit predicts a fall in IT spending for 2012

The prospects for IT spending at financial institutions next year do not look good after almost a third of the high level attendees at the *Bloomberg Enterprise Technology Summit* at the Millbank Tower in London, on 6 December, said they are expecting a double digit fall in 2012 budgets.

The snap poll of the fintech executives gathered at the *Summit* showed that 29% of the approximately 200 delegates in the room for the first session of the day, entitled *Outlook for IT Spending*, thought that there would be a decrease of more than 10% in technology spending next year. Attendees included Fareed Ali, head of technology infrastructure at Goldman Sachs and Robin Chatfield, head of core information services, Lloyds Bank Corporate Markets, among many others, so although the sample was small and not necessarily representative, it is high level.

Bank technologists discuss the future of enterprise technology at Bloomberg's recent London tech summit at the Millbank Tower.

One of the panellists discussing the IT spend outlook – and where cuts might fall – Domhnall McCormack, investment bank Chief Technology Officer and group head of business and application architecture at UBS, said that it was important to know, "what is a fixed cost and what is a variable cost. So that you can 'keep the lights on' and run the bank [during tough times]."

Fellow panellist, Stephen Norman, Chief Information Officer at RBS Global Banking & Markets (and a judge at the annual *Banking Technology Awards*) said that his bank: "Thinks of technology as a competitive edge – as I'm sure UBS does – and this is even more true during tough times. It comes down to getting the battle of priorities right."

Expanding on his point exclusively to *Banking Technology* after the first session of the day at the *Bloomberg Enterprise Technology Summit* Norman said: "So-called 'run the bank' expenses is where costs will be reduced – without impacting operations – because there is not much scope for cuts in ensuring information security, providing transaction banking or meeting regulatory demands on the investment banking side." You still need to find money for revenue generating, competitive edge technology as well however, and that is where the "battle of priorities" lies, said Norman.

Big Data

Big data was one of the key areas highlighted as necessary for on-going investment with Norman asserting that the aim must be to "keep enterprise data in the middle of an organisation, and then put compute resources around it [whether that is virtualisation, outsourced cloud/data centre services or whatever]."

Big Data had its own session at the *Summit* with Bindia Hallauer, chief technology strategist and CTO, worldwide financial services sector, Microsoft, stating that: "The convergence of Big Data and Big Compute (i.e. huge, cheap computing power) is the key point. You need to marry these two trends together and then add commoditisation and monetisation processes to these key resources. That is how you'll succeed in the future."

According to Simon Asplen-Taylor, a financial services consultant for business analytics and optimisation at IBM, who has previously worked at UBS and Merrill Lynch, mastering unstructured data, which is booming with email and the rise of social media, is the key challenge. "FS firms need to focus more on this, using crowd sourcing techniques to get ideas and do product development well – and some retail banks like First Direct are doing it – but other sectors are generally ahead of financial services."

Search is an art, explained Irfan Khan, SVP and CTO at SAP Sybase, during the same Big Data session, but you also need to sift data before you can search it effectively. "This is why Sybase is seeing a lot of investment in bespoke search engines and enterprise BI …to sum up, Chief Data Officer is a fast rising new job title for a reason – as firms are keen to use analytics to take advantage of big data."

Cloud Computing

Cloud computing too had an entire session devoted to it during the day-long *Bloomberg Enterprise Technology Summit*, with David King the CTO at Logica expounding upon this, among others. Other hot topic issues such as the mobile computing and payments, high frequency trading and securing data, were discussed in standalone sessions, as was a *Memo to Management*, which discussed the most pressing issues that CIOs and CTOs would like to raise with non-technology executives who hold the budgetary purse strings. Alexey Buditskiy, investment director at Amoo Venture Capital Advisory and Simon Goodman, CTO at Marshall Wace, discussed this with other panellists.

Other interesting sessions included a talk with Mike Lynch, chief executive and founder of Autonomy, recently acquired by HP for £7 billion of course, and Russell M Artzt, vice chairman and founder of CA Technologies, about *Disruptive Innovation in the IT Industry*. The former said that, "you can be nimble in the technology world and that is why you get disruptive innovation". Talking about the recent acquisition Lynch said: "HP brought us because they understand we're on the verge of another leap forward in technology and they think we're well placed to benefit – they understand that Autonomy is different, however, and should be left alone to innovate [while still giving us the ability to ring up a hardware expert and integrate a services business into our offerings]."

Disruptive Technology

One of the leading UK tech gurus believes that the sector is about to enter the biggest disruptive period since he's been in IT. "Massive change is imminent," added Lynch, "as the huge amount of unstructured data becomes more 'human friendly'. Video, social media, QR codes on smartphones, and technologies like this mean that IT isn't just text-based anymore. You'll no longer just sit and interact with IT in the future, it will be all around you as the physical and the virtual worlds merge. This is a fundamental change that is likely to be driven by consumers, not enterprises, and it means companies have to be more flexible in their thinking."

Similarly interesting was the session at mid-day called *Disruptive Innovation in Markets and Business* with Peter Randall, chief executive of Equiduct and the man who delivered the MiFID-compliant Chi-X platform in Europe as ex-CEO there, alongside Carl-Magnus Hallberg SVP of global IT services at Nasdaq OMX Group, among others. Randall made the forthright comment that he thought SWIFT was in trouble. "FIX is an industry owned standard that all can contribute towards and is a great example of a market, business and technology innovation in financial services. It is ubiquitous now and deservedly so. Contrast that to the SWIFT protocol which is much less flexible. It was set up 35 years ago before the internet and SWIFT is an enormous and slow organisation because of it.

"SWIFT is clearly in great trouble," he added. "FIX will become the new protocol. Yes, it took a long time to gain ground but that is because it was a bottom up innovation, but it is now everywhere in trading and moving into other areas."

Stanley Young, chief executive of NYSE Technologies contributed the important point that large companies also innovate by acquisition. "Large FIs understand smaller businesses are sometimes more nimble so they accept the need to buy."

Stephen Minton, vice president of the IDC Worldwide IT Markets Research Group, and also a member of the first Outlook for IT Spending panel, pointed out that with the eurozone crisis growing in the last two months the prospects for IT budgets look worse than they did recently, suggesting the prevailing mood at the *Bloomberg Enterprise Technology Summit* was accurate. "Our last big IDC survey from a couple of months ago actually showed a 7% growth in worldwide IT spending but that included China, India and smartphones. These countries, at least, will be adversely impacted by any fallout from the eurozone crisis and Europe itself was already showing a 4% decline in IT spending in our survey, which is only likely to have been exacerbated since then. Better batten down the hatches for 2012.