Cost out, future in
Financial industries solutions
The real measurement of operational efficiency

With the complexities facing IT and business organizations in the financial industries today, basic cost cutting is only a start. You also need to squeeze more tangible business value from flat or shrinking budgets to prepare your institution for a strong future.

Taking the cost out while building the future in. Call it the operational efficiency challenge. If it sounds complex, there’s a good reason. It is.

Getting to operational efficiency

Achieving operational efficiency requires optimal balance among IT resources to create a cost out, future in environment. When you achieve this balance, your institution has people, processes, and technologies working together with optimal business agility to meet evolving requirements. A financial institution’s capability to adapt with agility is the real measurement of its operational efficiency.

Unfortunately, technology for business agility isn’t something you can buy off the shelf. It requires the best people in your organization working with a technology partner whose in-depth understanding can ensure your success. At HP, we understand how business agility applies to our customers because we’re also creating it for ourselves. If your business goals are to leverage existing automation while reducing business process failures, streamlining exception management, and providing efficient information to enhance productivity, HP can help.

HP in the financial industries

- Powering more than 100 of the world’s largest stock and commodity exchanges
- Handling two of every three credit card transactions worldwide
- Supporting 95% of the world’s securities transactions
- Supporting 75% of the world’s electronic funds transfers

Technology in the financial industry

Financial institutions rely on technology to build a strong future, even as they mandate IT organizations and business managers to eliminate excess cost right now. Technology is the key to:

- Retaining profitable customers
- Preparing for Basel II
- Implementing anti-money-laundering (AML) systems
- Monitoring for fraudulent trading activities
- Expanding STP initiatives
- Reinforcing business continuity plans
- Implementing next-generation payments

“When cost is king, like now, financial institutions find themselves under enormous pressure to lower their bottom line while still delivering the best possible service.”

Wall Street and Technology, “In Search of Savings”
An adaptive infrastructure

First-hand business agility from HP

Today’s financial institutions are leading examples of global, 24x7 technology-enabled enterprises. When it comes to selecting technology partners, financial institutions look for vendor solutions that integrate well with existing resources and that can be centrally managed, regardless of location. For institutions today, the era of best-of-breed niche players is giving way to more centrally integrated enterprise IT solutions.

With operations in more than 160 countries, HP has long been an example of a global-reach technology partner, and our market share in financial industries solutions has grown substantially over the past year. Our solutions go beyond technology products. The HP Services organization helps financial firms get more value from their infrastructure, and our business alliance with Capco not only extends our financial industries knowledgebase but also provides end-to-end business and technology solutions to complex industry problems.

Now HP is making another leap forward for our customers by offering next-generation technology for business agility using an adaptive infrastructure. Adaptive infrastructure is already helping institutions establish a robust technology foundation that evolves with the business.

An adaptive infrastructure

HP’s utility strategy helps IT investments flex with the evolving business requirements of a global enterprise

An adaptive infrastructure delivers business agility

• Automated intelligent management
• Dynamic resource optimization
• Continuous secure operations

INFRASTRUCTURE ADAPTABILITY

UTILITY INFRASTRUCTURE
Cost out, future in
We understand what it takes

Driving out cost
Cost out, future in initiatives often begin by lowering cost of ownership. HP offers you a global array of TCO options, including infrastructure efficiencies, On Demand Solutions, and the fine-tuning of your environment by HP Services.

HP On Demand Solutions provide an alternative to traditional IT ownership and support that simplifies the alignment of your IT resources with fluctuating demand. It is a utility approach that delivers enormous efficiency. On Demand Solutions integrate products, services, and financing to deliver IT resources as utilities, when you need them and where you need them—with payment based on usage.

HP’s Linux® expertise is another example of TCO efficiency. We are helping financial institutions deliver clear cost-reduction benefits by moving applications to Linux on Intel® platforms from HP. Because of our multi-OS strategy, HP is equally adept at assisting with Linux, UNIX®, or Windows® solutions. Our prime goal is to support your choices. HP’s long-term support for industry standards was one reason why Reuters made its first Linux port for RMDS on the HP platform.

Smart sourcing offers a growing opportunity for financial institutions to drive out cost. HP research shows that outsourcing is on the rise—and is being used for an increasing variety of IT projects. But it is no panacea. Knowing what to source is key, and developing an outsourcing policy is something that HP can help you with. Our sourcing service results in a custom-built solution that incorporates the best offerings from in-house and third-party sources. In addition, the HP Services organization provides a full portfolio of IT outsourcing options, and Information Week ranked HP #1 among all outsourcing firms in customer satisfaction.

Reducing core system downtime also helps institutions reduce cost by preventing lost income. According to Gartner, HP NonStop servers deliver the highest levels of server availability: 2.2 lost hours per year, compared with as many as 69.9 hours in other high-availability operating environments. A study by the Standish Group determined that the NonStop server family also offers the lowest cost of ownership while delivering 99.99% uptime.

“On average, data centers have asset utilization rates of just 35%. In today’s tough economic climate, financial institutions are desperate to find new ways to increase these rates closer to 75% and to reduce overall data center costs without jeopardizing service levels.”

Vernon Turner
Vice President, IDC, Worldwide Commercial Systems and Servers
Business agility

Driving up regulatory compliance

Other business agility initiatives are driven by the need to meet regulatory requirements. These include operational risk models to meet Basel II requirements and, in the U.S., anti-money-laundering (AML) software required by the U.S. Patriot Act. HP offers a complete Operational Risk service to help institutions at all stages develop an end-to-end operational risk program.

Even in areas where legislation has not been passed, financial institutions remain aware of industry best practices that may indicate operational efficiency changes in IT. For example, most firms keep a keen watch on evolving recommendations for business continuity planning. HP’s business continuity solution services provide assessment, planning, and asset protection for firms that are ready to implement best-in-class business continuity.

The need for shorter trading settlement times also influences operational decisions. Re-engineered back-office operations that support higher straight-through rates are the primary enabler of reduced settlement time, and HP can help you identify STP barriers and achieve the highest level of straight-through rate with our STP and Exception Management Services. In addition, HP Services and technology can help streamline the exception management process to reduce costs and improve customer service levels.

Driving customer service toward the future

Cost out, future in initiatives would be incomplete without attention to supporting a strong, competitively successful future for the institution, one built around solid customer relations. HP can help institutions identify and improve relations with their most profitable customers.

• Building a zero-latency enterprise (ZLE) for financial services lays the foundation for a real-time institution that can maximize profit and customer service simultaneously. ZLE is a revolutionary framework for enterprise application integration using real-time business models. Each ZLE solution is custom-built around the HP NonStop server family, configured with software and solutions engineered to remove latency and provide real-time response rates.

• HP’s retail banking initiative provides a multi-channel integration approach to address critical financial industry issues in achieving operational efficiency while innovating and responding to changing customer needs. HP helps institutions increase customer retention and profitability by upgrading core systems and integrating multi-channel CRM.

• Investment advisor solutions from HP help institutions expand their service levels and business processes to provide a 24x7 services portfolio tailored to a growing base of financial consumers interested in wealth building and other personalized investment services.

• HP can also provide the infrastructure to support a mobile customer base or workforce. As more financial and insurance business is conducted away from the home or workplace, insurance agents, financial markets brokers, and other workforce partners can benefit from doing business with your institution using mobile channels.

• Next-generation payments use technology to improve retail and institutional customer service with features such as e-commerce debit- and credit-card payments, ATMs, point-of-sale terminals, person-to-person payments, and electronic bill presentment. HP can support a fault-tolerant, zero-latency back end for rising payment volumes while incorporating wireless payment options for superior customer convenience.

90% of the profitability at a major North American bank came from 20% of the bank’s customers, according to Meridien Research.

U.S. Patriot Act. HP offers a complete Operational Risk service to help institutions at all stages develop an end-to-end operational risk program.

90% of the profitability at a major North American bank came from 20% of the bank’s customers, according to Meridien Research.
Delivering world-class solutions

HP solutions for financial industries

HP focuses on key financial industries areas, offering end-to-end solutions composed of infrastructure and services combined with applications from our preferred partners—major financial industry solution providers. Focus areas are:

- Banking
- Payments
- Financial markets
- Insurance

HP and Capco: alliance for operational excellence

As changing market and regulatory issues continue to confront the financial industry, institutions need more operationally efficient ways to manage ongoing IT requirements. Now they can turn to a single source for expert help. The HP and Capco alliance offers the resources of two thought leaders in financial services IT teaming up to provide a whole that’s more than the sum of its parts.

- **Capco**—Leading global services and solutions provider exclusively focused on the financial industries
- **HP**—Leading global provider of IT architecture, hardware, integration, and services to the financial industries; HP and Capco offer four joint solutions designed to deliver increased operational excellence to financial institutions
- **Operational excellence**—Helps solve pressing challenges: STP, commoditization, and disintermediation, as well as threats posed by new entrants and new regulations; based on a modular suite of products and services ideal for customized requirements
- **Market infrastructure**—Addresses the challenges of user empowerment, globalization, exponential transaction growth, regulatory change, and new technologies; also assists in new infrastructure for transactions and global trading
- **Payments**—Helps institutions implement seamless processes for sending, receiving, and managing domestic as well as cross-border payments
- **Outsourcing**—Offers a range of services designed to enhance financial institution competitive advantage by offloading non-core, non-client-facing aspects of the business

“Financial institutions have historically had difficulty coordinating their business strategies and their systems development. [HP and Capco]... allow a seamless integration of business and technology strategy in a fashion not previously possible.”

Octavio Morenzi, Celent Communications
<table>
<thead>
<tr>
<th>Sector</th>
<th>Group</th>
<th>Driving out cost</th>
<th>Driving up regulatory compliance</th>
<th>Driving customer service toward the future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>Retail</td>
<td>• Back office</td>
<td>• Check processing</td>
<td>• Front office</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Corporate systems</td>
<td>• Treasury</td>
<td>• Multi-channel integration</td>
</tr>
<tr>
<td></td>
<td>Wholesale</td>
<td>• Back office</td>
<td>• Anti-money-laundering (AML)</td>
<td>• E-banking</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• SWIFTNet consolidation</td>
<td>• Risk/Liquidity management</td>
<td>• Branch of the future</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• ZLE, intraday, real-time liquidity and risk management</td>
<td>• ZLE</td>
<td>• Mobility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• STP</td>
<td></td>
<td>• CRM</td>
</tr>
<tr>
<td>Payments</td>
<td>Consumer</td>
<td>• Operational efficiency</td>
<td>• AML</td>
<td>• Account-to-account</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• NonStop server</td>
<td>• Europay MasterCard and Visa (EMV)</td>
<td>• Person-to-person</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 3D secure</td>
<td>• Card, cash replacement</td>
</tr>
<tr>
<td></td>
<td>Wholesale</td>
<td>• SWIFTNet consolidation</td>
<td>• Fraud</td>
<td>• Mobile</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• STP with NonStop payments</td>
<td></td>
<td>• ZLE</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Next-generation payments</td>
</tr>
<tr>
<td>Financial markets</td>
<td>Market</td>
<td>• Trading</td>
<td>• Risk management</td>
<td>• Next-generation payments retail</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>infrastructure</td>
<td>• Clearing</td>
<td>• SWIFTNet migration</td>
<td>• Customer access</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Settlement/Depository</td>
<td></td>
<td>• Customer information</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Connectivity/Interoperability</td>
<td></td>
<td>• Billing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Trade matching</td>
<td></td>
<td>• NonStop payments</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>• Transaction automation</td>
<td>• Market, credit, and operational risk management</td>
<td>• ZLE</td>
</tr>
<tr>
<td>Participants</td>
<td>participants</td>
<td>• Next-generation trading floor</td>
<td>• Business continuity</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IT value release</td>
<td>• Trade monitoring/compliance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IT optimization</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• STP and exception management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Connectivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Treasury</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reference data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td>• Back office</td>
<td>• Mobile workforce</td>
<td>• CRM</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Claims processing</td>
<td>• e-claims</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Data exchange (STP)</td>
<td>• Distribution</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Intermediary integration</td>
<td>• Claim processing</td>
<td></td>
</tr>
</tbody>
</table>
Future of finance

Banking

For retail banks focused on cost-effective improvements in customer service, HP delivers a front office solution framework that includes branch of the future, multi-channel integration, and Web services across collaborative networks. Our open, agile solutions provide lower TCO, faster RoIT, and more rapid deployment to help institutions reduce complexity in their applications, data, and infrastructure. In addition, our focus on business agility and real-time architecture can help you implement a continuously updated, cross-channel view of all retail customer transactions and the business intelligence related to them. When your institution operates in real time, it can make informed, fast decisions involving all aspects of banking, from identification of fraud to best practices CRM.

HP also provides standards-based back-office, branch, and core infrastructure solutions that deliver measurable and fast ROI to banks that want to invest in new technologies and benefit from lower TCO. Most banks are managing numerous legacy systems running on aging architectures, and the restructuring of architectures for maximum efficiency is a requirement that HP is uniquely qualified to fill.

For wholesale banks, HP’s focus is on helping banks provide better service to their institutional customers. We offer SWIFTNet connectivity products, along with treasury services, risk management/AML solutions, global liquidity enhancement, cash management, and payment utility services.

The efficient treasury

Working with Wall Street Systems, HP has re-engineered its corporate treasury, replacing a legacy environment of nonintegrated systems with three real-time treasury centers in Palo Alto, the UK, and Singapore. The centers, designed to support the complexities of HP’s multibillion, multi-currency global operations, provide real-time information using standard processes worldwide. The STP-enhanced system supports all of HP’s FX and debt investment portfolios and cash management activities, with full back-office integration, including confirmation, settlement, and accounting.

“The total solution architecture design, combined with software and hardware implementation offered by HP, enables us to exceed international best practices and turn Dubai Bank into a world-class institution embracing modernity, excellence, and innovation.”
Ahmed Bin Brek, CEO, Dubai Bank
Payments efficiency

Payments

Payment efficiency, continuity, and security are key issues for both consumer and wholesale payments processing across financial institutions, particularly as markets shift because of new entrants, increasing reliance on electronic services, global trading, and the single Euro zone currency. HP provides the platforms, services, and partner solutions that can assist banks in achieving their payment systems goals. Our low-TCO, high-availability NonStop platform delivers the highest levels of uptime and TCO efficiency on the market today.

Consumer payments, which may contribute more than a third of a bank’s income, are currently pressured by increasing fraud rates, the growth of new payment services such as wireless and electronic transactions, and expanded requirements for meeting regulatory and Card Association mandates. HP helps financial institutions design and implement systems that deliver more efficient payment systems for a lower cost per transaction while supporting the ongoing challenges of managing change.

For wholesale payments, moving payments from batch to real-time is becoming a key enabler for banks that want to implement CRM initiatives such as cross-selling and providing better cash management services to customers.

At the same time, globalization has increased the risks of wholesale payments. SWIFTNet migration, risk management, security, and regulatory compliance continue to influence institutions in their payment services decisions. HP solutions address key CRM and risk management issues while helping banks protect their payments revenues.

For example, HP NonStop Payments (NSP) fund transfer solution processes payments between the bank and both domestic and international funds transfer networks such as FedWire, CHIPS, and SWIFT. It also offers a comprehensive real-time approach that simplifies the integration of existing and future wholesale banking applications to enable STP and the implementation of intra-day liquidity management to support real-time gross settlement (RTGS) systems.

“Reliability was absolutely paramount when choosing the new system. It soon became clear that HP NonStop and ACI Base24 software provided the only conceivable system to guarantee 100 percent availability of service.”

Steve Adams, IT Director, Barclaycard
Delivering measurable ROI

Financial markets

Financial markets firms are looking for business agility that can improve cost structures while meeting an expanding list of regulatory requirements and higher levels of customer expectation. HP solutions deliver on all of these needs. Our cost-effective technologies are the most scalable and reliable in the industry.

Trading departments in brokerages and asset management firms can continue to rely on HP for next-generation trading capabilities that cost-effectively integrate multiple and multimedia real-time data and news feeds, analytics, order management, and risk management. We provide these solutions on multiple operating systems including Linux, which is proving to be the price/performance leader for multiple front-office and middle-office needs.

HP helps both buy-side and sell-side market participants become more agile enterprises. Platforms such as the HP Evo Workstation inherently increase the stability of trading desks while reducing associated IT costs. We further lower TCO with HP’s innovative On Demand Solutions and services.

Assisted by HP expertise and technology, exchanges and clearinghouses can become more global through truly integrated regional and international alliances. They can increase their competitive advantage by delivering high liquidity, breadth of listing services, increased transparency, enhanced data, and improved regulatory compliance. In addition, HP enables exchanges and clearinghouses to manage growing data volumes by handling multiple instruments, multi-currency margin requirements, and counter-party risk, and they also address complex business continuity requirements and the challenges of delivering real-time zero-latency services.

Next-generation trading solutions

HP’s Compass Portfolio delivers trading applications from leading solution providers that have worked with us to optimize and tune their software for industry-standard architectures and easy integration with the trading room. Compass Portfolio applications are delivered on the Microsoft® Windows 2000 operating system running on HP ProLiant servers using Intel Xeon™ and Itanium® processors. HP Services are available to help financial institutions leverage next-generation trading technologies to reduce operational costs and improve customer service and profitability.

“Exchanges today are effectively strategizing the future and offering the worldwide financial community much more convenient tools for acting on financial markets. We’ve been selling our technology around the world, and we’ve been doing it in complete partnership with HP.” François-Guy Hamonic, Executive Committee (General Manager, Technology & Projects), Euronext, Paris
Technology leadership

Insurance

Insurers today are managing new regulatory requirements at the same time that they are adding efficiencies to distribution channels and claims processing. HP partners with leading insurance solution providers to create systems that are adaptive to ever-changing regulatory requirements. On the distribution side, HP helps leading insurers integrate distribution channels for better customer services and improved producer management. We also work with insurance firms to create new operational efficiencies in claims processes and to add Web services to their portfolio of customer services. HP solutions for data exchange for insurers and their intermediaries can drive both cost efficiency and regulatory compliance.

For more information, contact your local HP sales representative or visit our Web site at: myfsi.hp.com

“HP consultants are up to date on security issues. They know what they are talking about, and they know how to communicate their expertise to the group at large. They have a lot of experience moderating and organizing workshops and then following up with documentation and delivery.”
Michael Lardschneider, Corporate Information Security Officer, Munich Re