



IFSA EDUCATIONAL SERIES

TODAY'S TOPIC

The Payments Maturity Model

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The issue

- Inherited, patched-up, silo systems
- Large legacy investment
- Major changes
 - Regulation
 - Product types
 - Competition
 - Margin pressure
- Increasing pace of change
- No longer fit for purpose
- Huge risk in changing
- Difficult to see the way ahead





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The Payments Maturity Model

- A methodology to help you benchmark your current system
- A set of classifications to help you identify where you want to be





Creating the PMM

- Extensive, practical experience with major banks
- Seeing a sequence of common problems, similar issues and consistent patterns
- Distilling this down to identify a series of stages in the 'maturity' of payments systems
- Turning that classification into a decision making tool



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Our objective

- To develop a rational, pragmatic tool to help banks define the future more clearly
- To create a frame in which to capture ideas and turn them into action
- To find a methodology that would help make sense of the business case
 - and establish a credible ROI





In-depth understanding

- Collected feedback from key constituencies
 - Sales
 - Product
 - Operations
 - Technology
- Analysed how effectiveness depended on maturity of payment operation
- A pattern emerged that led to identifying five stages of maturity



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A model of maturity

- Fragmented silos
- Payments silos
- MIS-managed silos
- Payments hub
- Universal Payments





Fragmented Silos

SALES

- Me-too products, high cost/high prices, lost sales, poor visibility into service levels

PROD

- No consistent product definitions, customer access and clearing in silos, product changes slow and expensive, uncontrolled customization

OPS

- Numerous processes, no staffing synergy, poor visibility of liquidity – and high risk

TECH

- System changes a nightmare, vast skill set needed, limited sharing of IT services



Payments Silos

SALES

- Products depend on capability of the silo, multi-product clients hard to handle, competition between silos, better service visibility

PROD

- Separate product definitions in each silo, standards reduce time and cost of change, better control of customization (within each silo)

OPS

- Improved procedures and some STP, better use of staff – within the silo only, reduced risk due to liquidity visibility within the silo

TECH

- Still needs single system by payment type, skill demand better but still high, limited sharing of IT services



MIS-managed Silos

SALES

- Better visibility means product suites are possible, standard pricing, service level is visible

PROD

- Some standard products but other in silos, exceptions re-routed, product development definable but not universal

OPS

- Standard procedures within silo, operational synergy in evidence, liquidity pools better managed – lower risk

TECH

- Still numerous systems for maintenance, even wider skill set needed, some service sharing – e.g. messaging



Payments Hub

SALES

- Standard products everywhere, costs & margins known, service levels defined & reported

PROD

- Standard products, consistent user experience by segment, new product effort under control, customization better controlled

OPS

- STP by payment type, good sharing of staff and best practise, fewer processes reduces operational risk

TECH

- Single system for each payment type, lower maintenance and skill demand, IT sharing greatly improved



Universal Payments

SALES

- Product personalization is easy, premium pricing enabled, consistent high level of service

PROD

- Payments become a service, user experience standard and automated, new market entry faster and cheaper, exceptional product control

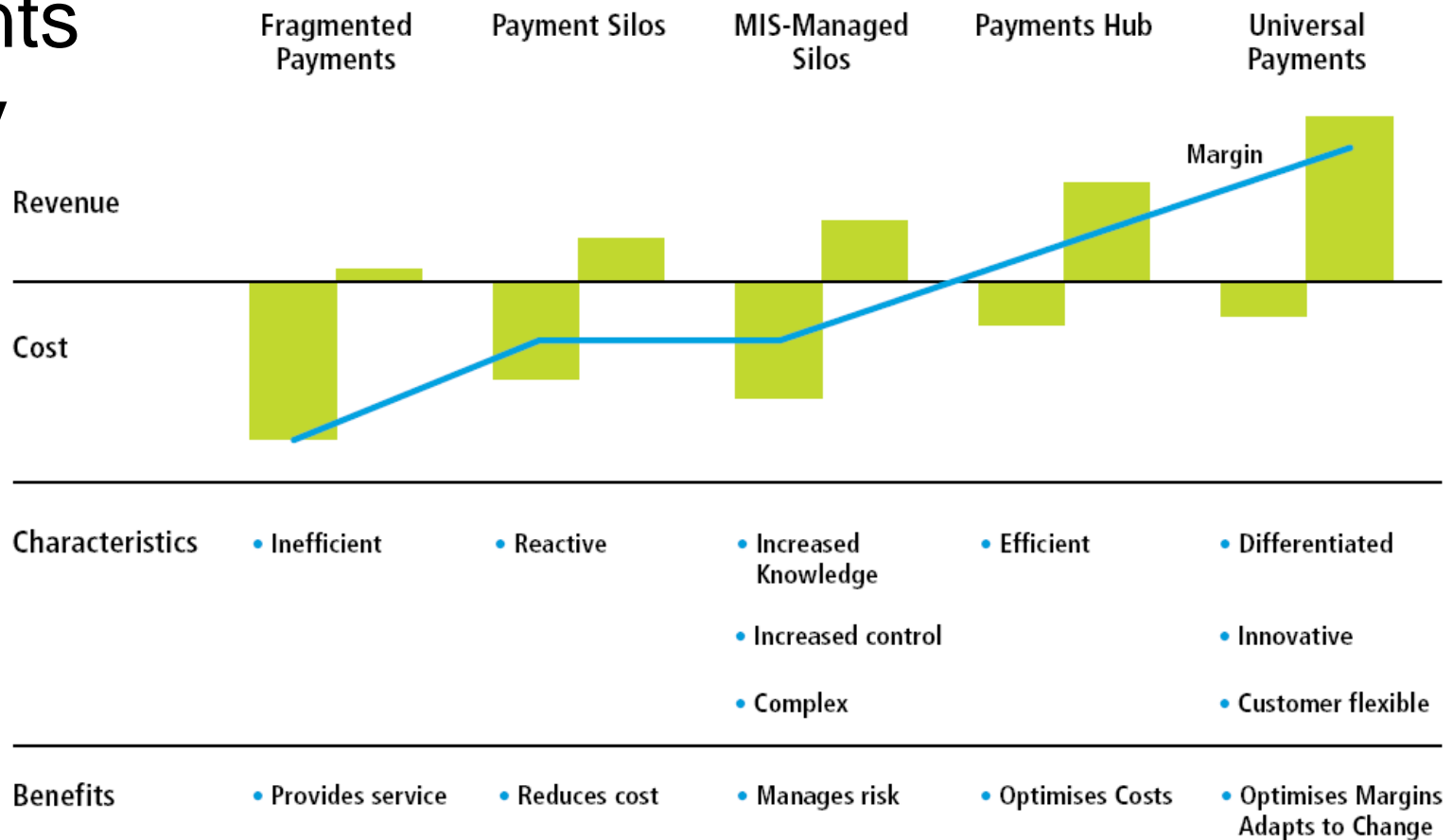
OPS

- STP across the board, efficiency optimized, operational risk easily managed

TECH

- One system for all payment types, one set of IT skills, universal common IT services

Payments Maturity Model

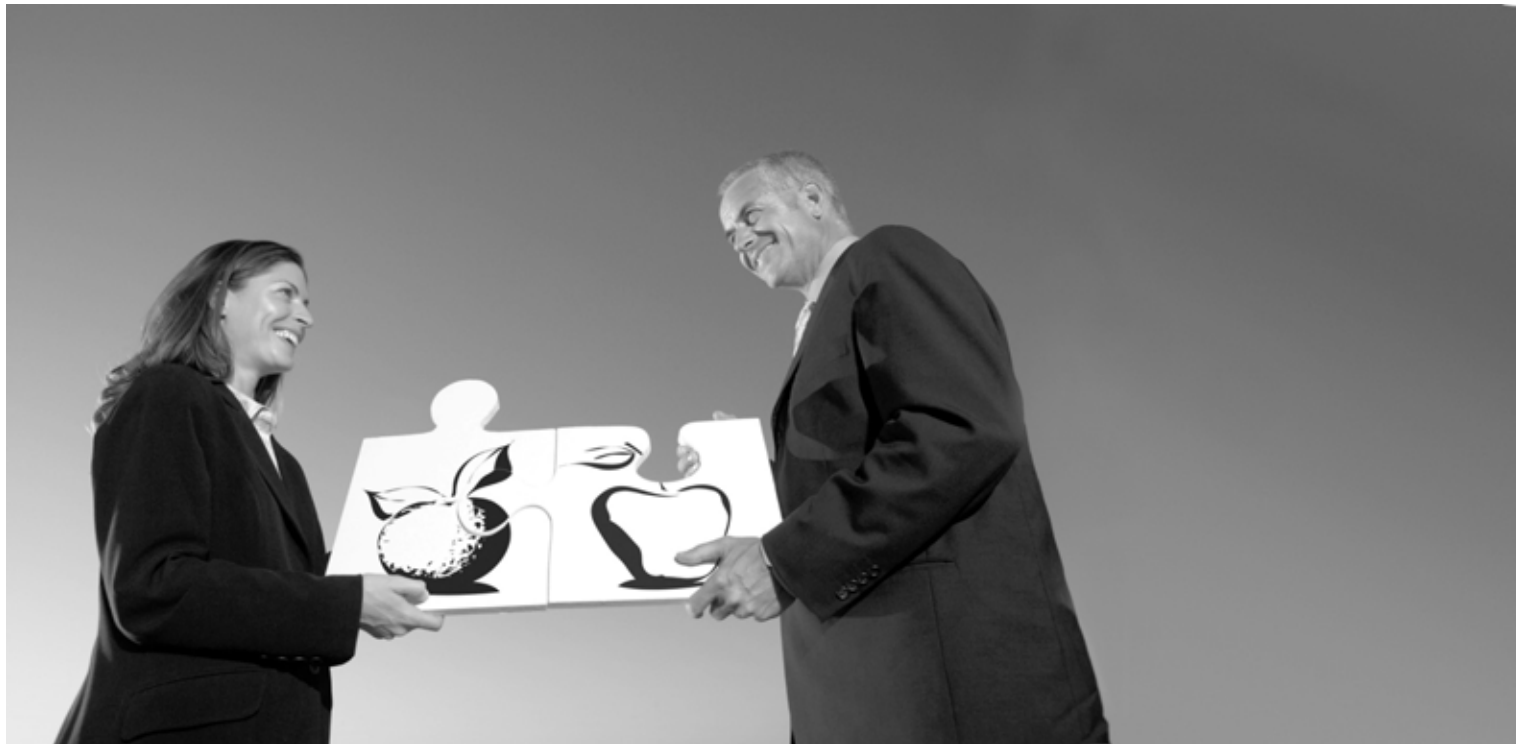




Using the PMM

- Compare the characteristics of your system to identify where you stand today
 - Compare views across the organization in all key constituencies
- Use it to debate where the future lies
 - Will you be a 'manufacturer' or distributor in payments?
 - What are the implications for where you need to be?
 - Get agreement to the future
- Use the difference to measure the size of the task involved in changing
- Having analyzed the change, build the business case and measure the ROI
 - Articulate the benefits, the cost savings and the improved competitive position

Using the PMM



Above all, the PMM will help gain agreement
by injecting clear rationale into the decision making



Illustrative case study – I

Renovation of high-value payments infrastructure

Drawn from several real cases as an illustration

- Initial state
 - Highly fragmented infrastructure
 - Legacy of several mergers
 - Client on-boarding and experience
 - Too slow to onboard new clients; frustration from product group
 - Client frustration with multiple similar processes and inconsistencies
 - Operations and technology
 - High-degree of manual customisation
 - High Business-As-Usual costs; error prone operations
 - Inertia in addressing issues strategically
 - Several years of budgeting passed without strategic action
 - Repeated tactical budgets approved with funding that would have sufficed



Illustrative case study – 2

- Breaking the cycle
 - Clear articulation of future Operating Model
 - What level of PMM in each aspect of business
 - Break down into possible steps to deliver
 - Identification of current funded business requirements
 - Plan to take first strategic steps to address tactical needs
- One ROI at a time
 - First step
 - Area with potentially significant operations & technology savings
 - Significant regulatory change
 - Then
 - Increased uniformity in operating model
 - Improved product offering



Key questions

- Where are you today?
- Where do you need to be in three years?
- How do you get there?
- What is the cost of change?
- What is the cost of not changing?



Questions??



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- **About the Presenter**

Martin Coen joined Dovetail as Group CEO in December 2006. Before joining Dovetail, he worked for the OM Group where he ran several technology businesses as well as Jiway; their Pan-European equities exchange market. More recently, he has held management positions at several financial technology companies, both publicly and privately held. A financial management veteran, Martin brings extensive financial market experience to the payments sector.

- **About Dovetail**

Dovetail provides enterprise-class solutions that support the robust, flexible, scalable, and cost effective processing of banking payments. Founded in 1999 with offices in London and New Jersey, Dovetail has delivered innovative solutions to some of the world's leading banks. The Dovetail Payments System automates the processing of a wide range of payments, from bulk ACH clearing to global RTGS settlement, supporting both straight through processing and manual entry and repair. It is universal, covering wholesale and retail, high value and low value, urgent and non-urgent, single and bulk payments; in multi-currency, multi-company, and multi-entity operations. The secure, Web-based front end allows local and remote payment entry and repair, liquidity management, and comprehensive exception management. The system fully supports ISO 20022 messaging ensuring no truncation of data. It is component based and built on modern open standards and technology to give the greatest flexibility in choice of hardware and technology platform



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The organization was founded in 1924 and has been in continuous existence since that time. The IFSA provides a forum for members to meet and discuss the various issues related to the financial services industry. The IFSA's primary functions are education, representing the membership to international bodies such as SWIFT and the ICC as well as the US regulatory bodies, and provide a community through which members can network. Much of the work of the organization is carried out by volunteers who participate on the organization's thirteen (13) technical committees. These committees represent the major disciplines of international financial services operations. Through these committees the organization establishes operating rules and procedures for financial services institutions and work with the global regulating bodies to provide input on laws and regulatory procedures/practices. For additional information log on to our website www.IFSAonline.org or contact the IFSA at Support@Intlbanking.org.



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