

# Hi-tech banking

*Financial institutions are increasingly looking at outsourcing their data management to the cloud, embracing the power of the internet to better connect with their customers*



INTERVIEW WITH  
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As online technology continues to surge forward, industries the world over are having to invest heavily in new ways to manage their operations, connect with customers and promote services. The banking industry, in particular, has used online platforms as a way of managing services and enhancing the way customers can access their financial information.

The influx of cloud-based platforms has led to a new wave of services that banks are looking at to further enhance their products while streamlining their operations. The rapid emergence of online social media over the last decade has also offered banks a cost effective and hugely attractive way to connect with both their customers and potential new clients. However, while the possibilities in online services are many, there remain concerns over the security of internet-based services.

*World Finance* recently spoke to Wael Malkawi, Executive Director of Business Development for ICS Financial Systems (ICSFS), a banking software provider of 'ICS BANKS' financial solutions that has over three decades of experience helping financial institutions manage their digital operations. He believes that the possibilities that have emerged from cloud computing over the last few years are vast, and they come at a time when banks are facing a number of new challenges.

"During the past six or seven years, we've seen that the financial sector, and especially the banks, are facing tighter margins, more regulatory requirements, and globalisation, and the geographic issue where competition is not only coming from your own local market," says Malkawi. "Customer reach has also presented a challenge, as customers are no longer bound by any particular geography, in both retail and corporate segments.

"Cloud computing is not a new offering. However, with the recent enhancements, we think that many customers can today rely on the internet. We have seen how the internet has transformed over the last 10 years, with the number of users ever increasing (see Fig. 1). Open borders have meant that it's irrelevant where your data centre is, and where your customer is. No single business today can live without the use of technology or automation software. Therefore, today there is a lot of demand for mission-critical applications."

## Enhanced communication

He adds that emerging markets in particular are areas where cloud computing can boost the number of customers for banks: "We see the enhancement of technology and communication, especially in emerging markets, as increasing the number of banking customers. Cloud computing is being looked at by many banks because of the way it enhances communication and delivery channels, from mobile payments to automation, and microfinance to retail business. We are seeing a lot of changes to the market and the way that banks are connecting to their customers, and the way that they're looking at data centres and their software."

However, there remain challenges in integrating all of these cloud services with other technol-

ogy used by banks. "The challenges we are seeing are because of the deployment of lots of software products for banks across multiple channels and having so many integrated solutions," says Malkawi. "In the past, the demand came for individual and separate products or solutions, such as in customer relationship management (CRM), profitability, risk, retail, corporate, and treasuries. These systems now have to all talk to each other in order to have a customer-centric offering. This is pushing banks to revisit their core banking applications and in-house software deployment."

Malkawi feels that there are three areas banks need to look to when deciding whether to implement such technology: how advanced the technology is, how effective it is, and how expensive it is. "There are three parameters that are becoming important for any organisation: the complexity of the data centre architecture, the performance, and the cost. In return, this increases the pressure [for there to be] daily management and support for IT, and software becomes part of their daily operations as well. We think that banks are seriously looking at outsourcing their data centre or software to a cloud service, where it can be managed either by them or a third party."

ICSFS is able to offer its flagship system 'ICS BANKS' as a white label solution that covers all three of these areas, and can be easily adapted. "We have a state-of-the-art, universal banking application that is fully integrated," says Malkawi. "One of the biggest challenges is to have all a bank's data centres and software fully integrated. The three important parameters – complexity, security and cost – are things that we have seriously worked on over the years to make sure that they are aligned. Therefore we are providing banking-specific applications that are low cost, secure and

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highly scalable. The solutions that we are working on are looking at improving enterprise performance, complying with regulatory mandates, and boost[ing] operational efficiency."

The company's flexible product offering incorporates many different types of financial institution. "Being in the market for more than 20 years, we have a long experience of what the customer wants," says Malkawi. "Since we started we have been building a solution that can meet the business needs of today and the future of banks. Therefore we have a universal banking application that is branded, packaged and sold as a scalable product and can serve any bank, from tier one banks to tier three banks. It can serve retail banks, wholesale banks, corporate banks, commercial banks, and investment banks. It has also been used in Islamic banking and finance leasing, as well as microfinance banking."

## Social banking

Financial institutions are also increasingly looking at social media as an effective way of communicating with their customers, as well as marketing products to potential new ones. "Social media has changed the face of the world, not just in the banking industry," says Malkawi. "It has changed our lives, our children's, and our families' as well. The same applies to the banking industry too. Our customers today are connected to social media, such as Facebook and Twitter, almost 24 hours a day.

"If you look at the past couple of years, banks are spending more money marketing [themselves] on social media. They are budgeting even more for the coming years. Banks today are also looking to connect with a new generation, especially people aged between 18 and 30, to promote retail banking. They see it as an important tool to reach those customers. On Facebook alone there are over one billion active users spending a lot of their time.

"Since your customers are connected, you can reach them and non-customers with promotions of the bank. You can also use social media as an online help service and [an] alternative to call

centres. Campaign management can also be done with social media by integrating it with CRM."

One area that banks are particularly concerned about is the security of the cloud. Such sensitive and valuable information must be tightly secured if banks are to trust third parties with managing their online services, but Malkawi feels that the concerns over cloud computing are similar to those felt before the emergence of internet banking, which is now widely used. "In principle, there's no operation without risk. We faced the same questions before opening ourselves to internet and mobile banking," he says. "The same question is now being asked [of] cloud computing. Once the risk is known, I'm sure that it can be mitigated. There will always be precautions and solutions to overcome these risks. It is a concern for some banks and they're afraid of opening their core banking to cloud computing. I think that this issue will be overcome, the same as it was with internet banking. Today we have better technology – especially through working with big companies like Oracle, HP and IBM – we can offer a total turnkey solution and minimise the risk."

Malkawi accepts that in less developed banking markets, risk concerns are higher, but that this will likely change in the next few years. "In the banking sector in emerging markets, banks are still a bit conservative," he says. "They are willing to host on the cloud their mobile banking, internet banking and ATM/card services, but at the moment not their core banking businesses. In theory these banks will offer this in the coming years. The pressure is mostly felt by small- and medium-sized enterprises, because they are trying to reach their customers and scale up their operations."

ICSFS has served the financial sector for almost 34 years, originally forming in London as part of its mother company ICS London. It is this wealth of experience that has allowed the company to offer its clients an advanced, expert service. ICS BANKS provides a complete suite of banking business modules with a rich sweep of functionality and features, addressing business needs and automating accounting processes, as needed, to improve a bank's business performance. ICS BANKS has always been a pioneer in utilizing the latest technology to serve financial institutions. ICSFS has customers in 31 countries, the majority of which are in the Middle East and Africa, but it also has clients in the UK, Cyprus and Southeast Asia. In the future, it hopes to expand further across Africa and Asia, as well as mainland Europe.

Among its future products, ICSFS is hoping to incorporate the use of big data so that clients are able to better understand and analyse the trends that are affecting them. Harnessing the power of the internet is something that has presented the financial industry with a great opportunity to build trust with both existing customers and potential new ones. With specialists like ICSFS, banks need not be concerned about the complexities and security concerns that have troubled them in the past, and instead can look toward a better-connected future. ■

