

Sibos Issues

sibos

PREVIEW

The official newspaper of Sibos 2017 Toronto | 16-19 October

Strengthening cyber-resilience
page 4

Globalisation interrupted?
page 6

The power of data
page 8

SWIFT at Sibos week highlights
page 18



Welcome to our preview of Sibos 2017, which focuses on the key themes to be discussed in Toronto. To help plan your week's schedule, please also look out for our onsite edition, featuring the full conference timetable and message from SWIFT's CEO and Chairman.

Best wishes
Sven Bossu,
head of Sibos

IN BRIEF

Disruptive technology
Delivering value [page 9](#)

Banking
A new eco-system [page 10](#)

Securities
New realities [page 12](#)

Compliance
An evolving face [page 13](#)

Technology
Attitude shift [page 14](#)

Innotribe
How to innovate [page 15](#)

Standards Forum
Next generation [page 16](#)

SWIFT Institute
Lifelong learning [page 16](#)

"Anticipate, adapt and evolve"

Regulation # Cyber Security
Artificial Intelligence # Data
Blockchain



Sibos opening plenary guest speaker Dave McKay, president and CEO of Royal Bank of Canada, says banks' value propositions must change much further and faster than ever before.

Sibos Issues: A decade from the financial crisis, what do you see as the key challenges facing the banking industry over the next 10 years?

Dave McKay: It's certainly been an eventful decade for the industry! 2007 marked the beginning of the credit crisis, but it was also the year that the iPhone was launched and the term 'cloud computing' entered fully into our consciousness.

This has seen a fundamental transformation in the goods and services economy as a whole. For our industry it has been arguably the most disruptive - and creative - period ever.

As we think about the next 10 years, I think SWIFT is broadly focusing on the right themes for this year's Sibos. I'm focused particularly on an ABCD of technology-driven topics: artificial intelligence (AI), blockchain, cyber-security and data. And of course we need to have



With every single connection you have a chance to win or lose your customer.

Dave McKay, Royal Bank of Canada

a full debate about how regulators should respond to all of these, so we ensure the safety and stability of the system as a

whole, as well as making sure there is a level-playing field for all participants.

[continued on page 2](#)

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OPENING PLENARY

"Anticipate, adapt and evolve"

continued from page 1

Picking just one of the alphabet themes, as we become increasingly interconnected, cyber-security is clearly an area where we're investing heavily and that we're constantly focusing on. As we've seen recently through examples like WannaCry and Petya, cyber-attacks are becoming ever more complex and destructive. I'm pleased to say that there's significant cooperation already between banks, and with our federal government here in Canada and across governments internationally. But in future, we'll need that cooperation to increase, to share information to protect ourselves and the security of the system as a whole, including building fail-safe backups at an industry level, because ultimately, we're only as strong as the weakest player.

Sibos Issues: With both smaller fintechs and more established tech giants launching new financial services, how should banks respond to non-traditional competition and leverage technology innovation to deliver higher levels of customer value?

Dave McKay: A few years ago the talk in the media was all about the potential threat posed by smaller fintechs and startups to the banking industry. Today it's much more of a collaborative relationship. At RBC we have some fantastic partnerships with fintechs - particularly through the work that we're doing in our labs in Toronto, Silicon Valley and Orlando. We're completely rethinking how we work, including using agile practices, so that we're able to drive innovation more effectively internally, but equally we know that we don't hold all of the answers. That means

that we collaborate with tech startups and it also includes working closely with our clients in product development. For example, within RBC Investor & Treasury Services, we've been running a tremendously successful programme (Advanced Client Experience), where we've invited our clients in to build new products and platforms alongside our developers, to ensure that we're addressing their real market needs. This collaborative approach is core to our overall approach to innovation.

At the larger end of the scale, the emergence of tech platform players into the fabric of an increasingly fragmented money-moving space will be a challenge that banks, infrastructure providers and



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Dave McKay, Royal Bank of Canada

regulators will have to grapple with. These platforms are creating eco-systems where they take a customer's journey and create a digital experience around it that is invaluable for that customer. The finan-



The entire executive team has to be out front and talking about privacy and cyber-security issues.

Dave McKay, Royal Bank of Canada

cial services piece is fully embedded into their overall value chain. Over the next few years, banks will have to decide how they're going to compete so that they are not just trying desperately to attach themselves to other people's ecosystems.

Whereas previously you would need economic scale to succeed, today you need customer data scale. You can either gain that through your existing franchise, or through strategic partnerships, to enable you to create a platform effect. I believe RBC has a significant advantage here, particularly in our home market of Canada, where we can leverage the incredible customer data sets and trust that we have built with our clients over many decades. We think very carefully about these trends as we decide where and how we operate and that's why we feel really good about our strategic positioning.

Sibos Issues: Bearing in mind multiple prevailing sources of uncertainty - geo-political, macro-economic, regulatory, technological, competitive etc - how much should banks evolve from traditional business models?

Dave McKay: While there is definitely a high level of uncertainty in general, we can be sure technology is having a profound effect on how all services, including banking, are delivered to our customers.

The core of our traditional business model - moving money, storing money, and lending or investing money - will remain the same. However it's likely that blockchain will fundamentally change how we store money, and AI will do the same to lending and investing. So given the impact of these transformative technologies, we will have to anticipate, adapt and evolve further and much faster than we have in the past. We've seen how quickly things can advance in other industries, so no one can afford to be caught flat-footed.

Today, our businesses are focused on innovating and evolving our models to serve customers where, when and how they expect and delivering value through exceptional experiences. For us that means a number of things, including continued investment in emerging technology like AI to analyse data and deliver tailored services and effective advice to customers. While none of us can say exactly what the future will look like, it is changing almost daily. As a company we need to explore all the possibilities and continue to build on our partnerships across multiple industry verticals.

Sibos Issues: As a former 'Retail Banker of the Year', do you feel that banks have re-connected with customers, and what more should banks do to ensure they maintain customer focus?

Dave McKay: In recent years other sectors have increased the cadence at which they interact with customers. Our chal-

lenge as banks is how we can successfully stay connected to our customers in a digital world.

With every single connection you have a chance to win or lose your customer whether that is a digital, mobile or in-person interaction. Building that relationship is ongoing and multi-faceted, and it's not something where you just checkmark a box and say, 'we've done it'. So while I do think that banks on the whole have done a better job of staying focused on the customer in the face of challenges from other industries, we can't let up.

At RBC, we start with the customer first and keep them at the centre of our decisions. This is becoming particularly challenging in a digital world as, across our customer franchises, retail to corporate, they are participating in different work, commerce, entertainment and social platforms, where their frequency of interaction is higher and their financial needs are apparent to many providers, and more difficult for the traditional financial service firm to see. We're consistently asking ourselves: are we where our customers are; are they benefiting from this experience; and are we adding value beyond completing a transaction? Focusing directly on what customers want, what they expect and what would 'wow' them is crucial to remaining relevant at a time when there are more choices than ever.

Sibos Issues: How can banks' c-suite executives show leadership in helping their staff and clients to tackle fast-changing information security challenges?

Dave McKay: Information security is critical. As we move into these digital spaces we unfortunately become more vulnerable to online threats. At the end of the day, this comes down to culture. I see it as my personal responsibility and the entire executive team has to be out front and talking about privacy and cyber-security issues and reinforcing good security practices to underscore just how important it is to the organisation and to the public. That's why we've spent so much time and energy on educating our clients and employees about the dangers of phishing.

Our customers trust us with their information and it's critical that we protect it. We are consistently improving our security in lockstep with new cyber challenges, but it's important to be prepared to respond should something occur. So, before there is ever an issue, leaders should prioritise readiness in their planning and processes. They should establish a small, empowered response team, outline clear roles and responsibilities, scan for potential issues and then test the response and reiterate as necessary. Finally, if something does occur, leaders should actively show their support to staff who are under intense pressure and ensure they have everything they need, as well as communicating quickly and transparently with clients. ■

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