

# AFTech Letter

The Newsletter of the Association for Financial Technology

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## AFTech Letter

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## Industry Executives Gauge Issues at AFT Annual Meeting in Lake Tahoe

The relevance and importance of the Association for Financial Technology today was demonstrated at its Annual Meeting in Lake Tahoe, Nevada, where 109 attendees, including more than two dozen CEOs, gathered to check the industry's temperature.

The conference, which attracted top industry executives from financial processing and software providers, featured a keynote



Warren Lewis, Microsoft's Managing Director - Banking Industry, emphasized need for banking industry to create "customer experience" during his remarks at the AFT 2004 Annual Meeting.

address from Fiserv President and Chief Executive Officer Leslie M. Muma; a talk from Microsoft Managing Director-Banking Industry, Warren Lewis; a presentation by the Hewlett-Packard Co., and company profiles of Metavante Corp., Perimeter Internetworking, Proformance, Inc., and SI Corp.-Regency Systems; as well as a CEO Roundtable, and AFT's usual open and candid interactive sessions.

Outside the conference rooms, the picturesque scenery and the flashy gaming tables beckoned, but inside, the influential participants focused on improving the financial technology business.

AFT represents "the collective mind of the industry," stated Stephen Ryan, Senior Vice President of The Bisys Group, Inc. and the



Fiserv President and CEO Les Muma set the tone for an exhilarating conference with his Keynote Address at the AFT 2004 Annual Meeting in Lake Tahoe.

outgoing AFT President. (Jon Brenneman, Executive Vice President of RDSI, succeeds Steve as AFT President.)

Consolidation of financial institution vendors and service providers; the impact of Check 21 and other new regulations; outsourcing, declining check usage, strategic partnerships, consultants, marketing tactics; and handling client relations were just a few of the hot topics tackled by AFT members in the Annual Meeting sessions.

When AFT members were not engaged in intense dialogue about industry issues, they worked at strengthening partnerships, alliances, and relationships with other industry companies. "One of the great benefits of AFT is the networking opportunity," emphasized Steve.

### Future Meeting Schedule

March 20-23, 2005

Spring Meeting & Workshops  
Starr Pass Marriott Resort & Spa  
Tucson, Arizona

September 18-21, 2005

Annual Meeting  
The Fairmont Empress  
Victoria, BC, Canada



## Panel Discussions

### Business/Strategic Partnerships; Client Relations

Kurt Guenther, Senior Vice President/Director of Sales at IPS- Sendero served as moderator for a discussion about the philosophies and reasons surrounding partnerships at the AFT Annual Meeting.

"Our primary focus is to find partners that complement our current solutions set," explained Beth Griffin, Vice President Strategic Alliance Business Development at Metavante. Two other priorities, she added, are revenue generation and market share opportunities.

"Jack Henry is cautious," stressed Thomas Walsh, the company's general manager: "A partnership is not our first alternative...we want to control the customer relationship...any partnership we would enter has to be really strategic to us."

Andy Elliott, Vice President Customer Services at Computers Services, Inc., handled the moderator duties of a panel focused on managing client relations, also at the AFT Annual Meeting.

"There are many different ways we touch out clients," offered Kathleen Roberge, Vice President of Business Development for Perimeter Internetworking. "It begins with sales."

Perimeter's approach to strong client relations includes client information management, ownerships, communication involvement in company objectives, goals, and strategies.

James Cross of Fiserv emphasized that he is a firm believer in team concepts and dedicated resources. "If you are trying to build teams of generalists you will really fail," said James.

In addition, Fiserv believes in maintaining effective communications through proper tools. This includes providing immediate feedback, and utilizing electronic alerts, newsletters, Web information and user groups.



*Pictured left enjoying the Monday evening dinner cruise aboard the Tahoe Queen are (left to right) Kathleen Roberge, Perimeter Internetworking; Kurt Guenther, IPS-Sendero; Mickey Goldwasser, Open Solutions and Pat McGinnis, IPS-Sendero.*

## AFT Regulatory Update

### Proposed Guidance on Overdraft Protection

On June 7, 2004, the regulatory agencies released a joint proposal to address the increase in consumer use of overdraft protection: Interagency Guidance on Overdraft Protection Programs, Federal Register Vol. 69, No.109, pp 31858-31864 (June 7, 2004) and Proposed Amendments to 12 CFR Part 230 (May 27, 2004). The agencies are proposing to increase consumer disclosure and to force banks to better measure and manage the attendant credit risk. If implemented, financial institutions will require certain minimal functionality to facilitate compliance.

The primary disclosure proposals, which will require systems solutions, are:

- A requirement that consumers be notified of an overdraft caused by a non-check transaction (including an ATM withdrawal or debit card purchase) and allowed to cancel the transaction prior to overdrawing the account; and
- A requirement that account statements include monthly and year-to-date totals of all overdraft and returned item fees. Itemization of these charges would be voluntary.

The proposals related to credit risk management will require an institution's systems to generate specific reports and flag certain transactions, including:

- Management reports detailing overdraft product volume, profitability, and credit performance;
- Reports identifying consumers who present a credit risk by relying too heavily on overdraft protection; and
- Identification of overdraft balances over 30 days so that an institution can reclassify them as loans and write them down.

These proposals will surely meet stiff resistance from the banking industry. If finalized, they will present yet another opportunity for the financial technology industry to provide automated solutions to regulatory challenges.

*Submitted by Rusty Pickering and Scot Kees of Nelson Mullins Riley & Scarborough, LLP*



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## **Company Presentations**

### **Hewlett-Packard, Metavante, Perimeter Internetworking, Proformance, S1**

Five AFT members made separate presentations at the 2004 Annual Meeting at Lake Tahoe.

Hewlett-Packard Company – Jeremy Willenborg, Vice President/Financial Service Industries, spoke about the company's strategic focus in the financial services industry. Two issues of primary concern are: "What did we promise the industry?" and "How are we doing against what we promised the industry?"

Metavante – Senior Vice President Peter Van Sistine spotlighted his company's strengths in bill payment, EFT, and core processing. Peter also spotlighted the importance Metavante places on providing premier customer care, financial expertise, and proven technology solutions. "We are bank-centric products," said Peter.

Perimeter Internetworking – Company CEO Brad Miller provided an overview of Perimeter. The organization concentrates on network defense needs of community financial

institutions. Its goals are to deliver a money-center class solution at an affordable cost through utility computing models and the most comprehensive suite of information defense services. "Perimeter", explained Brad, "aims to provide the most robust, complete, adaptive, affordable, and integrated solution."

Proformance – CEO Wayne Whaley highlighted his company, which focused on COLD, document imaging, loan and deposit workflow automation. Wayne emphasized Proformance's product objectives, which are to choose the best information management products to resell, and develop complete workflow and automation solutions for every area in the bank.

S1-Regency Systems – Douglas Kuhn, II, Senior Operations Manager, described S1's position as a leading global provider of financial solutions, and the designer, engineer and supplier of banking, insurance and CRM solutions. Doug also spoke of community bank challenges such as cross-sell activities that are not supported by "disparate systems and business processes."

## **Interactive Sessions**

### **Reaching Out Across Company Boundaries**

Stan Eckenberg of Computer Services Inc., Debbie Smart of Politzer & Hancy, Carol Luttrell of Jack Henry, and William Jones of NSS Corp moderated core, non-core and combined interactive sessions at the AFT 2004 Annual Meeting. As usual, the open format provided the opportunity for candid dialogue about industry issues and concerns. Here are some interactive session highlights:

#### **Outsourcing/Offshoring**

*The jury is still out...but there is a lot more than costs involved.*

*Some financial institutions have started to ask.*

#### **Project Management**

*Have a devoted project manager and a project management team.*

#### **Checks**

*What you are seeing is the eventual decline of checks.*

#### **Consultants**

*The traditional consultants that we dealt with yesterday are not here today.*

#### **Alternate Marketing Channels**

*We have been doing a fair amount of webinars.*

*We post deployment surveys.*

#### **Market Strategies**

*It is extremely important for us to partner with someone that has an established role in the industry.*

#### **Single-Vendor Preference**

*It's coming from the customers.*

*Some of it is coming from us...we want to supply all of their technology needs.*

#### **Sarbanes-Oxley**

*The banks are overwhelmed by technology; they are swamped by regulation. When it comes to risk, the banks need help... and that is a risk to us.*



## Keynote Address

### Fiserv CEO Muma Details Industry Macro Trends

Fiserv President and Chief Executive Officer Leslie M. Muma keynoted the Annual Meeting of the Association for Financial Technology (AFT) on Sept. 13 at Harvey's Resort & Casino in Lake Tahoe, Nevada.

"The financial industry uses more technology than any other industry in the United States," said Muma. With that as a framework, Muma focused on what he sees as the "macro" trends from financial institution clients and vendor services and support.

Among the tendencies, he pointed to are:

- Massive financial institution consolidation
- Significant financial technology provider mergers and acquisitions
- Financial institution focus on costs
- The drive to cross-sell
- Multi-channel integrated delivery and distribution
- Unprecedented regulatory change
- A new risk management focus
- Rapid technology development
- The changing payments landscape



*Pictured above are more AFT Annual Meeting attendees living it up aboard the Tahoe Queen dinner cruise. These "happy campers" are (left to right) Carol Luttrell and Donna England, Jack Henry & Associates and Pat Weiland, The Weiland Financial Group Inc.*



*Newly-elected AFT Board Members Jim Cross of Fiserv (left) and Rusty Groos, TeleVoice (center) enjoy the hospitality of event sponsor Keith Morkel, Hewlett-Packard (right) aboard the Tahoe Queen.*

"Big banks are getting bigger," said Muma, who also observed, "that the branch as a delivery channel is becoming more and more important." Evidence of this is that today there are more than 5,000 additional branches than five years ago, according to FDIC figures.

Multiple channel delivery is vitally important to financial institutions as are newer technologies such as electronic and wireless banking, online bill payment, e-brokerage, CRM, and account aggregation.

Muma explained how electronic payments and Internet volumes continue to grow, both of which are eating away at check volumes. "Banks are finally ready to deal with electronics," he stated.

There is a double-edged regulation sword stemming from Check 21, the USA Patriot Act, Sarbanes-Oxley, Basel II, and new SEC rules. Technology providers are put in a consultative position by banks needing regulation help. On the other hand, "We can take the regulation change and make a business opportunity out of it," says Muma.

## The View from MicroSoft

### Financial Institutions Must Emphasize Customer Experience

"What the banking industry is beginning to realize and is beginning to wrestle with is the need to create an experience," Warren Lewis, Microsoft Managing Director-Banking Industry, at the AFT Annual Meeting. He added, that otherwise banks are just commodities, and "the non-banks are going to be there and they are going to do that commodity stuff and maybe even better than the banks."

For financial institutions the customer is expecting more than ever before and there is different competition. "One thing that has become really clear to our customers and partners around the world is that technology is now really influencing business," emphasized Warren. This means that in order to satisfy today's customer demand they "need to evolve or perish" warned Warren.

Among the ways financial institutions are challenged is by the need to provide flexible, agile delivery channels; to make changes quickly; to have customer information available across channels; the means to personalize correspondence and transactions; and customer-facing selling time.

There is a recognition that technology is going to continue to leapfrog, therefore "doing business as customers define it, the new price of admission," said Warren.

The industry's key challenges are to improve customer retention, increase the value of each client relationship, reduce costs, and drive sales. The strategic response for tech providers is to provide FIs with the means to provide sales and operational efficiency, and risk mitigation.

### Introducing the New Directors...

James Cross  
Fiserv, Brookfield, WI

Rusty Groos  
TeleVoice, Houston, TX

Kathleen Roberge  
Perimeter Internetworking, Trumbull, CT