



FinArch's European Client Summit 2010

8 – 9 June 2010,  
Brussels, Belgium  
Le Méridien Hotel

Since their inception, FinArch's User Group Meetings have proven to be a growing success with the number of representatives attending the event increasing year on year. This achievement has quickly led to the concept of the "FACTS", FinArch Annual Client Summit. Today, our extensive worldwide customer base calls for regionally tailored versions of the "FACTS". These local events enhance networking opportunities and foster an open dialogue to discuss our clients' needs - country-specific, regional as well as global - while providing updates on the company's activities.

FinArch hosted the first regional event, E-FACTS 2010, in the heart of Europe, Belgium, in June. We were very pleased to welcome a large group of enthusiastic participants representing both customers and partners from all over Europe.

With the E-FACTS being the culmination of FinArch's ongoing efforts to create and deliver better solutions and services to

improve the efficiency, performance and value of your business, our objective was to provide insightful presentations in line with client demands. During these two days, we aimed to offer a varied programme, balancing business with leisure, with some inspiring presentations and fruitful moments of dialogue.

This newsletter gives you a flavour of the European Summit by briefly summarising the activities of the E-FACTS 2010.



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Keep a close eye on your inbox in the coming months: we are planning, as in previous years, further events and webinars as FinArch still has many more developments to share with you. As the banking regulations continue to place increased demands on the sector we continue to build solutions to meet the needs of our customers worldwide. We hope to see all of you again at these future events!

## FinArch highlights

### Awarding Market Leadership

The past few years have been very rewarding for FinArch. In spite of the financial and market challenges, we have managed to keep innovating and setting ourselves apart from the competition.

One of the main highlights, of course, was the recognition of FinArch as Market Leader in Integrated Risk and Finance Solutions. Chartis Research phrased it as follows: "A key differentiator for FinArch is its core competency and intellectual property for addressing the overlaps and gaps between

risk and finance. FinArch solutions create an effective bridge between these two 'islands' of information, providing an integrated platform for risk-based performance management."

In the last several years we have seen our customer base grow exponentially. We were, and still are, pleased to see that more and more international financial institutions worldwide recognise the value and benefits of our well-known FRP vision. You will have seen our announcements last year: a huge number of global institutions selected Financial Studio as their platform for both reporting, finance and/or risk. Among them, one of the largest retail and investment banks in the world is now using Financial Studio to fully address the pending FSA Liquidity Risk Calculation and Reporting regime.

In 2009, FinArch opened up the Indonesian market for IFRS, with Bank Central Asia (BCA), the largest non-governmental commercial bank in Indonesia, being the first bank in that country to select an IFRS Solution.

This, along with our new Competence Center based in Indonesia, establishes our firm commitment to continued expansion in Asia. Similarly, growth in demand for our offering in the Middle East and Africa enabled us to open an office in Dubai.

And just recently FinArch was nominated for the prestigious award 'Lion of the Export'. This nomination, our fourth, demonstrates our excellence and commitment to share our knowledge and solutions with our customers throughout the world.

In short, we are able to look back on some very productive and exciting years at FinArch, and the future looks even more promising!



## Welcome by Siegfried Van Puyvelde, Customer Relationship Director, FinArch



Tuesday June 8, we gathered in the impressive and elegant hotel, Le Méridien, right in the historic heart of Brussels.

After we finished our croissants and coffee, in the centrally located

hotel Le Méridien, the first European Client meeting kicked off with a warm welcome by the host of the Summit, Siegfried Van Puyvelde, Customer Relations Director at FinArch.

## FinArch: Past, Present and Future by Nigel Lee, Chief Commercial Officer, FinArch

The welcome was followed by a first reflection on a very turbulent period for all of us in the banking sector: a word from Nigel Lee, CCO. Nigel provoked much laughter and some introspection, and concluded with what may lay ahead of us in years to come.

As Nigel sees it, the clues to the future of the banking industry lay in the present. Unfortunately, we appear to have learned very little from the past. With over 20 years of experience in the banking industry, Nigel reflects that the banking sector is at a cross roads, facing the potential of over regulation in light of its inability to steer a steady course post deregulation in the 1980s.

The future necessitates a more mature adoption of integrated risk and finance technologies and processes. In the absence of regulatory pressure, few institutions seem capable of embracing such a transformation.

Choices have to be made. And according to Nigel, there are two possible scenarios: a disassembly of the modern banking model through over regulation. The other being a more mature market capable of better understanding its business, becoming self aware and able to regulate itself through best practice. It's up to the banking industry to choose its own destiny.



**"The banking sector is at a cross roads, facing the potential of over regulation in light of its inability to steer a steady course post deregulation in the 1980's."**

## AB Bank SNORAS and FinArch: value added and experience, by Gitanas Kancerevicius, Head of Risk Management, AB Bank Snoras

In the second presentation of the day, Gitanas Kancerevicius, the Head of Risk Management and member of the management board at AB Bank Snoras, shared his experiences with Financial Studio. AB Bank Snoras, based in Vilnius, was founded in 1992 as a private full-service banking institution and serves the three Baltic States. Being the only international parent banking institution in the Baltics, Bank Snoras is the fourth-largest bank

by capital in Lithuania and operates the largest retail banking network in Lithuania.



Gitanas described the regulatory

pressure to comply with Basel II in 2007 as

the starting point of the engagement with FinArch. Very little time was left when AB Bank Snoras turned to FinArch to find a solution for their reporting needs. The competition was not able to offer a solution with the same level of confidence as FinArch – and with less than one year to go, Bank Snoras was able to profit from the knowledge base and professional consultancy Financial Architects offers.

Having finished the Basel II project successfully, AB Bank Snoras then decided to implement the full Financial Studio solution.

One of the main reasons for choosing Financial Studio for a full solution was the modular structure allowing the addition of further components later on at little cost of implementation. The compatibility of Financial Studio with several source systems was also a unique characteristic that convinced them.

Once it is fully in production, Gitanas remarked, they plan to use Financial Studio as their sole internal and external reporting tool. Gitanas ended his presentation by emphasising the added value brought by the professional and knowledgeable consultancy services FinArch continues to offer.

*For a full interview with Gitanas Kancerevicius, please turn to page 7.*

## The New Regulatory Framework by Guido Ravoet, Secretary General, European Banking Federation

After a short introduction on the importance and the role of the European banks in general and the European Banking Federation (EBF) in particular, Guido Ravoet acknowledged that the EBF has been busier in the last two years than at any other time in its 50 year history.

"We are facing an unprecedented crisis, not just in the financial services sector but in our economy as a whole. In turn, the crisis has generated a series of unprecedented reactions from policy-makers. The financial services sector as a whole is facing a new era. With the new era comes a new environment, on

the regulatory front, on the supervisory front, and of course on the public perception front," he remarked.

Bankers, regulators and politicians alike acknowledge that the financial world will have to change. Banks are also facing a crucial need to rebuild trust and confidence in a sector whose reputation has been badly damaged by the crisis. Now a wide range of existing regulation is being revised under the G-20 umbrella, the new world economic governance framework.

Solutions to enhance regulatory oversight are being sought. Deposit guarantee schemes have been reviewed and more harmonization will probably be the next step within the framework of the EU. Some are already talking about a European Deposit Guarantee Scheme, which we at the EBF do not favor simply because of the economic differences between Member States, he reflected. More globally, accounting standards are being revised, and credit rating agencies have come under more regulatory scrutiny.

## The New Regulatory Framework (continued)

There is a European Commission's proposal to create European Supervisory Authorities, more specifically the European Banking Authority which will operate in a network with the national supervisory authorities, whilst the latter would remain solely and legally responsible for the supervision of individual financial institutions. EBF is also in favor of the creation of the European Systemic Risk Board (ESRB) for macro-prudential supervision— for monitoring the stability of the financial system as a whole. But the longer term objective should be to have an integrated supervisory framework at the EU level.

Another key concern as well as key challenge that Guido highlighted, is the proposal made by the Basel Committee of Banking Supervisors on capital and liquidity requirements.

The EBF is particularly concerned about the narrow definition of capital, the strict liquidity rules with regard to the various ratios.

Policy makers have also been voicing concern over systemically important financial institutions (SIFI's).

The EBF believes that it is not the size but other factors, such as interconnectedness between financial institutions, which have proven to pose risk of a systemic nature.

Last but certainly not least, in the list of upcoming challenges is the question of a tax or levy on the banking sector.



Better regulation does not mean more regulation but is rather meant to enhance the resilience of the banking sector, without imposing undesirable side-effects on the wider economy. As a pre-requisite, new measures require above all international coordination, including their implementation, or they will be worthless.

After his presentation, Guido answered numerous questions from the public, which demonstrates again that the issue about new regulation is high on the agenda of the whole banking community.

## The Product Roadmap by Erik Vertommen, Chief Technology Officer, FinArch

Next, Erik Vertommen, FinArch's Chief Technology Officer, went on stage to present the strategic thought process behind FinArch's products.

Erik explained that the Financial Studio Product Roadmap is a common view of the direction into which the product will evolve in the coming months and years and is used as a guiding reference to decide on new projects and developments. It is oriented towards Business functionalities with technology as a facilitator.

The Product Roadmap is constructed by taking input from various sources. Erik stressed that the evolution and demands of our customers are an important channel. All this input is discussed on a regular base to decide on changes to the priorities and direction of the Product Roadmap.

Erik went on to explain that: "The current product roadmap is based on three pillars: extending the FRP concept by further

integration of all modules based on the same, integrated data; the Risk Return Framework, an integrated view on risk and return measurements with a generic simulation and analysis engine; as well as extending the Event based Accounting and IAS/IFRS functionalities to more products, calculators and reports."

Accordingly, these three pillars will be supported by new technologies to improve the end user experience.

The functionalities of the Product Roadmap will be implemented and made available to our customers in a structured way by the release of major and minor versions of Financial Studio.

Erik assured us that

this approach will efficiently streamline the method by which releases are delivered to our customers.



## IAS 39 Redefined by Benny Verhelst, IFRS Expert, FinArch

Following lunch, the participants attended one of two streamed sessions, each with either a risk focus or a finance topic.

"The Three Step approach to replacing IAS 39: Impact on ledger systems of financial institutions" was the title of Benny Verhelst's presentation.

Benny highlighted the approach and presented it in three steps. The new IFRS 9 Standard addresses a number of concerns with the current IAS 39 Standard, the replacement is scheduled in three phases: classification and measurement, impairment, and hedge accounting.

As Benny summarised, the IFRS 9 text sets out a simplified classification for financial instrument assets into financial instruments at amortised cost, held at fair value through profit or loss (including trading and the fair value option) and equity instruments at fair value through other comprehensive income. The tainting rule that prohibited sales from the held-to-maturity category is abandoned.

As he points out: "The impact of this phase is mostly financial. The actual calculations of amortised cost and fair value are not changed." The new standard would become mandatory for the financial statements of 2013.

He went on to discuss the fact that the text on impairment still has exposure draft status. It proposes a single impairment approach whereas under IAS 39 the same bond classified as held to maturity and available-for-sales would have a different impairment calculation. The current IAS 39 has an incurred loss model for impairment of financial instruments at amortised cost and available-for-sale. No losses as a result of future events could be recognised.

The draft text moves in the direction of an expected loss model. This would imply that financial institutions would be able to leverage the investments they have made in Basel II compliance for IFRS collective impairment purposes. The specific impact is as yet unclear as the actual test may differ from the draft

version, which is open to comments until the end of June 2010.

Benny concluded with the third part of the presentation as he went on to explain the unknown impact of the draft. The exposure draft on hedge accounting is yet to be issued.

The tentative board decisions visible in the email communications by the IASB indicate that they will propose using the cash flow hedging mechanism for fair value hedges. The initial planning was to have a joint proposal with the US standard setter FASB. However, on May 26th the FASB issued an exposure draft on its own. The future IASB approach would not necessarily have the same content. The impact and timing of the phase is as yet unknown.



## FINREP Revised by Kris Bettens, IFRS/FINREP Team Lead, FinArch

Those who wished to get an overview of the revisions of FINREP turned to Kris Bettens. He explained that in Dec 2009, a revised FINREP had been published by CEBS (Committee of European Banking Supervisors) in their continuing effort to streamline the reporting requirements for European credit institutions. In order to put this into perspective, Kris provided some context for the changes.



*Background.* In 2005, the EU decided to endorse IAS/IFRS for all listed companies and most credit institutions. This impacted the accounting of the different credit institutions and hence impacted the different national prudential reporting. To

provide a common framework and reporting templates, FINREP was introduced by the CEBS. Despite the efforts to harmonize a lot of national discretions remained. Kris explained that this background led to further developments and will impact with further changes.

*Motivations.* The main motivation for this new revision is the continuing effort to streamline the reporting requirements for supervised credit institutions. In this revision, CEBS introduces the Maximum data model concept. When applied, he explained, FINREP would be the only consolidated financial reporting for prudential supervision by individual banking groups.

The revised guidelines ask for a firm commitment from local regulators to apply this principle. On the whole, FINREP's maximum data model comprises two sets of templates: two CORE templates which must be implemented by all national jurisdictions and twenty three NON-CORE templates which can be imple-

mented at the discretion of national jurisdictions.

*Impact.* Main changes in this revised FINREP are the application of new naming conventions as published in the renewed IAS1. Furthermore, several templates have been deleted, while others have merged together. Some new tables have additionally been introduced. Some tables contain revised breakdowns like for example for derivatives, geographical split, hierarchy of fair value and prudential data, etc. This revised FINREP will be applicable as of January 2012.

*Future changes.* And as he points out: as the IASB is still working on the replacement of IAS 39, future changes to the FINREP are still to be expected. CEBS is following up these developments on IFRS9 and will publish updates in the coming months as necessary.

## How to comply with the Liquidity Risk and Economic Capital requirements by Nancy Masselein, Head of Risk and Capital Management, FinArch

One of the risk-focused sets of presentations of the day was given by Nancy Masschelein, Head of Risk and Capital Management at FinArch. Nancy touched upon both liquidity risk and economic capital management. The global financial crisis of 2008 and 2009 compelled many banks to re-examine their liquidity risk management practices, and highlights the paramount importance for banks to have solid liquidity risk measurement and management tools in place. Not surprisingly the crisis triggered a whole new wave of regulations.

Nancy gave a high-level overview of these

regulations and discussed the challenges faced by banks while implementing them. She discussed FinArch's offering, built specifically for banks not only to address these challenges but also to create competitive advantage out of this regulation. She concluded with a note on the importance of understanding and managing liquidity risk from a global point of view and the necessity of including liquidity risk in an integrated approach to business processes management across the finance and risk functions.

The last two years showed a growing trend

on the part of regulators to restructure liquidity risk regulations in order to improve the management and monitoring of this risk. This was obviously triggered by the recent financial crisis.

Some challenges that were discussed during her presentation were the quality and granularity of data, whereby the reporting requirements cover every single aspect of both on and off-balance sheets of a firm's cash flows. Complying with the liquidity risk regulations requires banks to disaggregate instruments in their balance sheets according to a number of

dimensions which have not yet been seen in other reporting supervisory frameworks and which are not always available for Cash Flow generation.



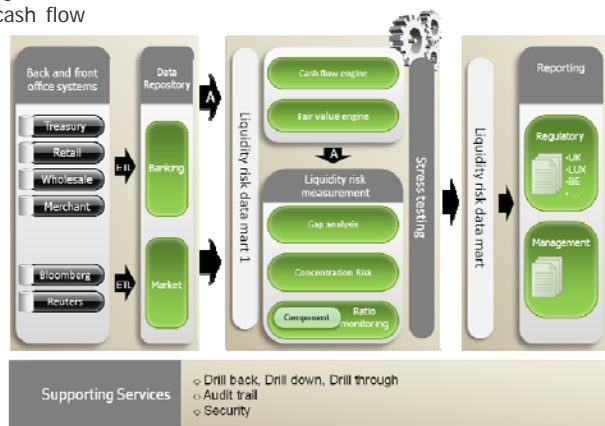
Secondly, stress testing for liquidity risk enables risk managers and financial firms' management to determine the potential future net funding requirements under varying scenarios and assumptions. Liquid asset buffers need to be sufficiently large in order to cover these stressed funding requirements.

And thirdly, Liquidity risk costs in funds transfer pricing systems was discussed. Using internal pricing mechanisms allow institutions to improve their process for pricing products, measuring performance, assessing new products, and aligning the risk-taking incentives of individual business lines with the liquidity risk exposures their activities create for the institution as a whole.

Financial Studio Liquidity Risk Framework is a multi tier solution, directed first at the regulations, then built holistically to address competitive advantage out of regulation, and, last, as a central component of the strategic risk reward framework.

In Financial Studio, FinArch's Liquidity Risk Calculation Module offers gap analysis, ratio monitoring, flexible stress testing, a fair value engine, and a comprehensive cash flow engine. The unique integration of these calculators with the Financial Studio reporting module then ensures the generation of a complete set of regulatory reports. This enables banks and financial institutions to meet the new regulatory demands for more and better control of liquidity, while gaining additional business benefits by improving reporting flows, improving return on IT investment, and turning compliance into a cost-saving exercise.

One of the key benefits of Financial Studio is the incredible flexibility the product offers, efficiently empowering the users to take full control of their liquidity management process. This flexibility combined with the powerful calculation engines, the complete automation of data take on and report production, offers the bank immediate return on investment compared with other alternatives available.



## Accept No Limits. The Ultimate dive — 209 meters on a single breath of air... by Patrick Musimu, multiple world-record holder free diving

The last presentation of the day was given by Patrick Musimu, a world class athlete who holds the world record for diving free-style on a single breath of air to a depth of 209 meters. So if anybody knows the challenge of 'tough conditions' he does.

His life's philosophy has been to build a strong team, while redefining concepts, redefining oneself (or one's organisation) and accepting no limits - barriers are mostly self-imposed.

Part of Patrick's presentation was a video of the dive's preparation, which is just a little over the time it took to go down 209 meters.

It was a fascinating realisation to note that

we all face limitations and that only perseverance and not taking "no" for an answer can actually bring us to new heights (or in this case depths!).

Patrick made the statement during his presentation that: "The brain is the ultimate muscle; you can train it and program it for success." His achievement is living proof that this is quite possible to put into effect, with the correct preparation and will. We hope that this unique presentation brought to all an extraordinary opportunity to motivate and educate: to not only see outside the box, but also to think outside the box.

The challenges in the market and on a

personal level can strengthen our conviction to find solutions. The presentation which was supported by emotional footage of his adventure proved that Patrick Musimu's story



inspired as it demonstrated that achievements are merely a matter of emotional performance and achieve balance between the inside and outside world.

## 'A Night at the Museum' by Peter Baldwin, Strategic Accounts Director, FinArch

*At the end of the day a number of participants took the opportunity to pay a visit to the Museum of the National Bank of Belgium. Peter Baldwin, Strategic Accounts Director at FinArch, shares with us his reflections on the tour...*

I will start this account of our recent tour around the Belgian National Bank with a brief apology, for whilst our guide was incredibly enthusiastic we did not give her a great deal of time to go through the very rich history of this venerable institution. We could easily have spent an entire evening listening to her fascinating account of the birth of money right here in Brussels!!

Room one of our tour was much as I remember my old headmaster's office to be. The walls were wood panelled in the finest oak and the ceiling was intricately decorated with meaningful symbols in the four corners. However, I was simply relieved to be leaving without receiving a damn good beating for smoking in the sixth form common room.

This was, in fact, the governor's office from which the Belgian Bank invented paper money a while ago.

Our second room was dominated by a striking portrait of Leopold I: good hair, big boots. Some more recent history was recounted here; apparently just before WW II the Bank urgently needed to find safe havens for its considerable gold reserves. Half was immediately shipped to France and was never seen again. The other half was sent to Britain where it was very probably wisely invested and returned with considerable interest. More importantly it was from shipping the gold that the Belgian Bank invented the floating exchange rate, oh and portraiture.

Third and final room was given over to the history of money in all its weird and wonderful forms. Many bizarre items were used as currency before the Belgium Bank invented money. We marvelled at banana fibres, twisted iron bars, and large stones with holes in. From here we were informed that the term

Bourse was in fact invented by the Belgian Bank in honour of Mr and Mrs Bourse of



Antwerp who were quite big in the building trade. They built Bourses all over the world except in England where the charlatan Sir Trevor Stock Exchange beat them to it.

In all, the visit was lively, full of informative and great historical facts on money. One question remains—what did the Belgian Bank do before it invented money? I will ask a FinArch consultant...

## Dining in Old Banking Style

The first European Client Summit concluded with another exquisite dinner, in the majestic restaurant **Belga Queen** – known as: the ambassador of “Made in Belgium”.



The Belga Queen was the next and final meeting point of the day.

Those that had enjoyed some free time in Brussels, or had visited the Museum

of the National Bank of Belgium joined us in this landmark building dating from the 18th century, which previously housed the Hôtel de la Poste and then the Crédit du Nord bank, before becoming a restaurant. The place thanks its fame to well-known architect, interior designer and chef Antoine Pinto who created an establishment breaking away from the traditional ‘brasserie’, elbow-to-elbow style.

We first enjoyed an aperitif in The Club downstairs. You will surely have felt at home amongst the old safety deposit boxes, with the former vault of the ‘Crédit du Nord’ bank still visible in this Club.

Upstairs we could taste fine Belgian Cuisine in the beautiful dining room.



## In Closing...

FinArch would like to thank all of the attendees and the speakers for their valuable feedback and lively discussions turning this first regional client meeting into a success.

If you would like to read again the full presentations, please go to:

<http://www.finarch.com/docs/efacts2010.html>



e-facts – finarch's european client summit (le méridien, brussels, june 8 & 9 2010)

- E-FACTS 2010: Welcome and Introduction  
Sylvain Van Rombeke,  
Customer Relationship Director, FinArch
- Trends: Past, Present and Future  
Miguel  
Chief Commercial Officer, FinArch
- Financial products and bank services: value added and experience  
Gilles Gerschynski,  
Head of Sales Management and member of the management board, All Banker Group
- What next for the banking sector? The New Regulatory Framework, Changes and Challenges

We look forward to meeting you at one of our next events!

The FinArch team.

Belgium Head Offices  
Financial Architects nv  
Verlorenbroodstraat 122B  
9820 Merelbeke  
Belgium  
tel: +32 9 272 64 10  
email: [info@finarch.com](mailto:info@finarch.com)

If you were unable to attend or did not have the opportunity to schedule a 1-to-1 meeting with us on the 2nd day, please feel free to contact us.

## Client testimonial: Bank SNORAS & FinArch — A success story An interview with Mr. Gitanas Kancervycius, Head of Risk Management, AB Bank Snoras



### FinArch: Gitanas, what was the challenge Bank Snoras faced when you initially started talks with FinArch?

Gitanas: Back in 2007, we initially faced regulatory pressure to comply with Basel II. As in-house development was not capable of creating a solution in the given time, we needed to find a provider with a working solution to be compliant within a short lead time. We were, therefore, very happy to see FinArch entering the Lithuanian market. FinArch's competence and methodology convinced us to proceed with the implementation of the software.

The Basel II solution was installed very quickly, and is functioning perfectly. We decided to go further with FinArch and adopt the FRP vision: we are currently implementing the Accounting, the Management Information System and Regulatory Reporting solution for our operations in Latvia. This serves as our testing playground, and once this is complete, we will roll out the solution for all countries in which the Snoras Bank Group is operating.

### FinArch: Did the multi-country usability of Financial Studio play a role when you decided to implement it in Bank Snoras?

Gitanas: This certainly played a part. Because of the multi-country regulatory burden and consolidation requirements an in-house solution was not feasible. This is exactly where Financial Studio proved to be a perfect match. However, what convinced us even more was the broad range of functionalities in Financial Studio: Accounting, Risk and Capital Management, and Management Information System, but which would fulfil the "Financial Resource Planning" vision. These functionalities are central for us as we are a growing institution. Financial Studio is the ideal basis for our business.

### FinArch: When you decided to implement Financial Studio, did the pure product offering matter, or did you also take the knowledge base FinArch is offering into consideration, for example the highly qualified consultants?



Gitanas: The consulting offering did indeed play an important role in the selection process. In fact,

once FinArch's consultants came on board, we used their knowledge to understand Basel II ourselves, at that time still a new and hot topic. We benefited from the broad pool of competence FinArch was offering us. The Accounting & MIS project was almost exclusively run by FinArch consultants as we did not have sufficient resource available. So, we always try to use the expertise of FinArch as a building block to the development of our skills.

### FinArch: What was the most striking feature that convinced you to go from FinArch's Basel II solution to the full implementation Financial Studio?

Gitanas: Well, it all started with our Regulatory Reporting needs which had to span across several countries. At the same time, we also decided to completely renew our core system which brought many new factors in at the time. Oracle's I-Flex proved to be most capable at running banking

**"Oracle's I-Flex proved to be most capable at running banking business transactions, but is not designed to handle reporting, accounting or IFRS. So we made a due assessment of possible solutions for the above mentioned tasks and found Financial Studio, again, a perfect fit."**

business transactions, but is not designed to handle reporting, accounting or IFRS. So we made a due assessment of possible solutions for the above mentioned tasks, and found Financial Studio, again, a perfect fit. After the experience with the Basel II solution we were convinced that Financial Studio is what we needed for those tasks. FinArch's ability to fulfil the need and deliver properly as promised also made a big impression on us.

### FinArch: What was your experience with implementing a Microsoft-based product in an Oracle environment?

Gitanas: This had only a minor impact on our database model as only small adjustments were needed to combine the two solutions. From a functional and data-exchange perspective, it does not make any difference. Population of the tables has to be done anyhow, regardless of the system you are using. For the end-user there is no noticeable impact.

Moreover, we found the independence of data source a very strong advantage of Financial Studio ; especially since our migration to a

new core system project is a stepped process, and it will need to combine at least three different data sources running in parallel.

### FinArch: Can you describe the implementation process?

Gitanas: In order to make the implementation as smooth as possible we rolled out the full Financial Studio step by step. Therefore, we started the process only for the sub-markets Estonia and Latvia, where we are importing all loans and deposits to Financial Studio for now. We will, then, slowly start the bank-wide migration to the new system.

We are not planning a 'big-bang' implementation, but prefer a slow transition. This transition actually runs very smoothly since we already have the Basel II solution installed, and, therefore, know how to work with Financial Studio.

On a different note, the FinArch staff together with our experts internally share the same level of commitment and determination which has been crucial to the success of the project to date.

### FinArch: What would you consider to be the most difficult phase of the project?

Gitanas: That was definitely the creation of capture rules. In addition, as ever, the implementation of new regulations can be difficult if clear rules at the national level have not been defined yet.

What we at Snoras particularly appreciated was FinArch's ability to operate in a high pressure environment and to successfully implement the Basel II solution in a very short lead-time. One cannot always choose the timing, and often one needs a reliable partner to deal with these levels of complexity, whatever challenge it might be – just think of Liquidity Risk for instance.

It is often easy to evaluate a project based on papers and theoretical assessments, but when it comes to acting Financial Architects proved to be hands-on and willing to think outside the box with us. FinArch showed that it had been successful with other similar projects, and that ultimately convinced us. Fortunately, our current project is not under major or regulatory pressure, so we have the freedom to set up a state-of-the-art project management team involving all the stakeholders of the project, of which FinArch is one of the key players.

### FinArch: What is the operational impact of using Financial Studio as an integrated risk management and financial planning solution?

Gitanas: For us the single data warehouse is a

great advantage in terms of risk management. This really simplifies data collection and analysis and makes it easy to record financial movements. We are very fond of the solution and what it offers – speaking from my perspective *[as Head of Risk Management]* – as it contains many useful functionalities in all respects of risk management. It increases the understanding of certain aspects of our business. For instance, it is a lot easier to compare and consolidate, to mention only one aspect. I often use the output of Financial Studio to ground my decisions, and I absolutely trust it as a base for my judgement.

We are also able to use different rules per country but still feeding the same reports, something that is truly unique. Snoras is a very enthusiastic and young at heart institution with the drive for continuous innovation. Financial Studio gives us the capability to attend to day-to-day matters, but also acts as a framework to exercise ambitions and our curiosity. In this discussion FinArch advised us as well. Financial Studio is more than a framework ; it is a valued source of inspiration and guidance when it comes to taking decisions in regards of risk management and capital planning. I had a vision, I shared it with FinArch, and we helped each other to realise it. Financial Studio enabled us to put this vision into action. At



the same time, our people were able to work more efficiently as this partnership really paid off.

**FinArch: In light of the recent financial crisis, how has Financial Studio helped you to proceed? Has the need for investing in Financial Resource Planning and Integrated Risk Management been spurred by this?**

Gitanas: We were certainly able to profit from the crisis as we used our ambitions as a driver to get through. The noticeable thing was that when the crisis hit, within a very short time we knew where the exposures were. The sense of risk was certainly there. We cultured an enterprise-driven approach to risk management and this is what got us to work with Financial Architects. In fact, the mind set of Snoras found a perfect partner in the solution FinArch is offering.

In that respect, I do believe that banks should consider financial resource planning as the modern approach to the new, post-crisis world of banking.

**FinArch: How do you trade off between the need to save resources a bank is exposed to during a crisis and at the same time: the need to invest in state-of-the-art resource planning and monitoring solutions?**

Gitanas: We definitely cut back on spending. However, we also considered the crisis as an opportunity to innovate. If you want to survive the crisis, you must see through it and consider the continuity of your business. You must have a vision of where you want be after the crisis. We at Snoras saw a bright future for our business, and decided to invest in the right items. Indeed, we knew that in light of the severity of the crisis we had no other choice but to implement a high quality solution. Financial institutions are very complex, and in order not to endanger our business we needed a partner we could rely on. So, yes, spending was for us a good way

to get through the crisis. But, let's not forget that it matters a great deal what you spend your money on. We made a very deliberate

**“Financial Studio enabled us to put this vision into action. At the same time, our people were able to work more efficiently as this partnership did really pay off .”**

choice to opt for Financial Studio as we were very well aware of the benefits inherent to the modularity of Financial Studio: it would give us the opportunity to build on in the future with more components. In light of the crisis one should not go for questionable or unproven solutions.

**FinArch: How does the near and far future look like for Bank Snoras?**

Gitanas: Bank Snoras is talented enough to make solid, above-standard profit from classical banking, the core business, without getting our hands on some more complex business in the treasury department. What we do is creative, strong market focused banking, delivered in tune with customers without the need to go beyond the boundaries of where we feel our business should be. Our business is preserving the art of banking in a changing environment. We only do what we know, but we do it well. We are, nevertheless, already one of the most innovative banks in the Baltic countries. We try to deliver a promise to our customers: being a bank which is the closest and most convenient to every customer, thus reflecting our slogan “Bank closest to me”.

**FinArch: Gitanas, thank you very much for this interview.**