

OPEN SESAME

By Societe Generale – Digital Sponsor

'If you don't go, you get left behind'

This neatly sums up the strategic imperative for the integration and use of technology in wholesale and investment banking. But which way to go? Spurred by the move to 'open banking' in retail, the transformation in wholesale is underway.

Taking open banking into wholesale banking was far from a prevailing philosophy at the time that the bank made the move. The impetus came from various business and technology teams that had a fairly strong hunch that the world was opening up and wanted to create rules rather than follow others. "At SG Markets, we took the fintech approach and applied that on a larger scale across our wholesale business," said Sohail Raja, head of execution platforms and UK chief digital officer at the bank.

There is a broader picture. "The strategy of being open does not just apply in retail banking; it is highly relevant that it is happening in wholesale banking and capital markets," said Anthony Woolley, head of innovation for the UK at Societe Generale. "At a very high level, this is aligned with innovation, one of our four core values."

Open banking had been assumed as an attribute of retail operations, triggered by the European Payment Services Directive 2 legislation and the Open Banking project in the UK, and exemplified by Societe Generale's purchase of Trezor, one of France's pioneering Banking-as-a-Service platforms. The French tech company provides services across the payment chain through APIs (application programming interfaces), a tenet of the open innovation strategy.

Adopting APIs

The move in retail was mirrored in SG Markets, which adopted APIs while also opening up the platform to institutional clients. The APIs allow a direct connection to the bank, rather than going to the website, but with similar or the same level of service.

"Banks as platforms and banks as service are coming across from retail and translates into what is happening in capital markets," said Mr Woolley.

In terms of API, while there are distinct parallels between retail and wholesale and investment banking, the reasons for the change were different, based more on the quality and breadth of service. "What we are doing in terms of enabling access for clients is progressive and follows on from the benefits you can see in retail," said David Wood, head of electronic business at Societe Generale.

The API story is important for open banking, in terms of connectivity, whether internal or external, or with clients or other market places. "In the future, that's going to be key fundamental principle, with the structured products API a great example of something recent we have created around pricing and execution," said Mr Raja.

The bank has been creating APIs, particularly through the analytics platform, for quite some time. "We are not new to it; we are not novices; we started the work a few years ago and the maturity is there, and we are pushing that as a real pillar of what we offer," said Mr Raja.

New and alternative markets

The bank is working with RiverRock Technology Solutions, a broker that has realised the world is digital and has been using Societe Generale's API to enable open access and is now expanding its business by providing different services and solutions to, in fact, our clients. "In one way, they are competing with us; in another, we are facilitating them in the creation of new and alternative markets, making sure we still have access to them," said Mr Wood.

Societe Generale is at the forefront of innovation, when talking about structured products, specifically the digital part, according to Nicolas Gaumont-Prat, managing director at RiverRock. "It is one of the only investment banks to offer restful API, which is the only way forward; still half the industry does not understand that. It is a nonsense to spend time developing email parsers," said Mr Gaumont-Prat.

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“Some people do software as a service: we run both offers, covering tier 1, 2 and 3 private banks,” said Mr Gaumont-Prat. “If tier 1 private banks want to digitalise their structured products business, we can provide LinkedTrade as a service, deploying the API under their name; for tier 2 and 3 clients, who want to work with brokers because they give them access to the market, we give them the platform for free as an electronic broker.

“When I speak to tier 1 private banks; when you see the amount of requirements they have, if you don’t have a restful API as an investment bank or multi-dealer platform, you cannot respond to the demand,” said Mr Gaumont-Prat. Mr Raja said, “This has future connotations that will make taking an API and wrapping it up even smarter in the future – this is just one example of our connectivity.”

Direct connectivity or web portal: you choose

And then there is the bank’s cloud strategy, by which transferring data to Microsoft Azure has already had the initial benefit of reducing the hardware and infrastructure spend. “The SG Markets story is that we have multiple channels and we are open to different channels of access,” said Mr Wood.

The initial understanding of and reaction to SG Markets was based around the front end and the GUI (graphical user interface), but there have been profound improvements over the last three to four years around the common services layer, of which API is one, data is another and the cloud one more.

“The cool thing is, the way we have built the SG Markets platform allows us to either offer it as a solution for some of the services by direct connectivity or use the web portal if the appropriate channel for you,” said Mr Wood. “We can do that in a fast and reactive way because of the architecture that we have used and the choices we have made around our technology, of which the cloud is a good example. They are complementary and supportive if you are looking at it in a progressive way.”

And now the platform is on its way to offering a technological enhancement to its Swift GPI cash management business that the bank has identified as core. “As a bank, we are able to allow tracking of cross-border payments through Swift GPI; after that, we allow our customer support teams to access Swift GPI reporting via a Swift home page; and then allow users to access Swift GPI information via our Global Cash application within the SG Markets web portal, which will be live by the end of this year,” said Sven Husmann, country product manager, Germany and Austria, payments and cash management at Societe Generale in Frankfurt.



From left to right:

Anthony Woolley, Head of Innovation for the UK

Sohail Raja, Head of Execution Platforms & UK Chief Digital Officer

David Wood, Head of Electronic Business