Central Bank Anniversary Lecture

“Technological Innovation Driving Financial Services”
Opening Remarks by CBS Governor Pierre Laporte

President James Michel, Mr. Arun Jain, Chairman and CEO of Polaris Software Lab, Vice-President Danny Faure, Honourable Chief Justice of the Appeals Court, Honourable Chief Justice of the Supreme Court, Speaker of the National Assembly, Ministers, Your Excellencies, Distinguished guests, Ladies and Gentlemen.

Welcome to the Central Bank of Seychelles’ seventeenth anniversary lecture and thank you for being with us for this prestigious event. I want to especially acknowledge the presence of President Michel among us today. Mr. President, we are privileged and honoured to have you among us once again. Your continuous support is an inspiration for us to take this event to the next level each time. I also wish to acknowledge the presence of Mr. Arun Jain, Chairman and CEO of Polaris, for having accepted CBS’ invitation to be our keynote speaker today. Thank you Arun and I look forward to your oration.

Ladies and Gentlemen: the theme chosen this year is “Technological Innovation driving Financial Services”. As in all walks of life technology has become vital for the financial services industry. It has become an indispensable aspect of our work and indeed of our lives. Today, we cannot imagine the financial system without credit and debit cards, ATMs, and electronic funds transfers.

What is technological change? How does one appreciate the concept of technology in relation to financial services? In a paper by Gustavo Roso Da Fonseca (1990) he describes technologies as arising from three different sources: financial technologies, telecommunications, and information technology (IT). He goes on to describe financial technologies as things such as risk management tools, financial product development, and structured operations. Unlike financial technologies, telecommunications and IT involve many types of hardware devices, software, and communication infrastructure, which can all support financial infrastructure.
Technology has long played a key role in financial services and today financial services and technology cannot be divorced. The 1990s and the beginning of the new millennium witnessed enormous transformations in all aspects of financial services.

The impact of, inter alia, information technology, deregulation and liberalization, have changed and reshaped the financial landscape forever. The arrival of the internet brought about major advances in financial services. Over time, a variety of new payment methods were developed for the internet, allowing consumers to easily effect payments online. These online payment mechanisms give consumers more choices of payment methods than ever before. Electronic bill payments have overtaken traditional methods.

The need to stay competitive technologically in this business cannot be understated. Going forward, the pace and reach of change are unlikely to slow down; if anything, they may actually accelerate.

Recognizing this, and as it seeks to modernize and increase internal and external efficiency, the Central Bank of Seychelles has been investing heavily in revamping its technological platforms. In 2010, we launched our CORE banking platform, provided by Polaris, that has enabled us to significantly enhance the efficiency of our banking services and improve the speed and quality of service that we provide to our clients. Before the end of this year CBS will launch another landmark project, the establishment of an automatic clearing house and settlement system. This project, which will be operational next year, will eliminate the manual processes for cheque clearing. Also in 2012 we will automate a large share of regulatory and statistical reporting by financial institutions with the launching of our Supervisory and Statistical Application software.

Ladies and Gentlemen: today I want to acknowledge the efforts of our financial institutions (FIs) in improving the quality and range of their products and services through investment in new technologies. Notwithstanding those advances I feel that our FIs, especially banks, could do more. I find it ironic, and almost unacceptable, that one can sit in front of a
computer in Seychelles, make payments and transfer funds from one account in Australia to another in the US, and yet one is unable to effect an online funds transfer from an account on Mahé to one on Praslin. Only a few of our banks provide online account access and where this exists services are minimal. Customers in financial systems of countries well behind Seychelles in terms of economic development enjoy more advanced financial services than us in Seychelles and this, ladies and gentlemen, is not acceptable. I am encouraged that some banks intend to bring full internet banking facilities soon. I urge all banks and other financial institutions to invest more in technology and bring greater benefits to your clientele.

The impact of information technology on financial services is not limited to business strategies but also profoundly influences public policy, in particular the nature of money and monetary systems. In the new landscape, the roles of financial institutions, technology providers and regulatory authorities need to be redefined.

Mr. President, ladies and gentlemen: innovations are not always without challenges. The changing nature of financial transactions and financial markets triggered significant new risks, created by interactions between globalisation and intensive use of technology. As the traditional risks, such as credit risks, have not disappeared, the overall risk level of the financial system has increased. On a positive note, the ability to manage risks has been significantly enhanced.

Whilst technology will remain the main driving force behind future innovation in financial services let’s not underestimate the power of customer service. The financial services industry should not only look at the most sophisticated elements of technological innovation in the delivery of its services. In retail banking for instance, customers expect only the best quality of services; in fact they expect excellent service as a standard, which means that convenience, speed, simplicity, and may I dare say, low transaction fees! These can be achieved with the most simple, but reliable, robust, resilient and cost-effective technologies...and as for the transaction fees, a little more generosity!!
Ladies and gentleman: too often we forget the people behind amazing technological achievements. We all know the famous saying that *behind every great man there is a great woman*. I will take this expression one step further today to say that *behind every great technological advance there is a great human being*. Earlier this year I visited one of the labs where the Central Bank’s CORE banking software was designed. What impressed me most there was not the technology, but the people behind it. In particular I was so touched to see that such a large number of those people were physically disabled and challenged, something one doesn’t see that often. Arun, I salute you and Polaris for bringing so much humility behind your achievements.

To conclude I once again thank you all for your presence and I hope you find the lecture and ensuing discussions to be stimulating.

President Michel, I would now like to invite you to make your speech.

Thank you.
Opening Address by President James A Michel

Governor of the Central Bank,
Mr. Arun Jain, Chairman and CEO of Polaris Software Lab,
Your Excellencies,
Distinguished guests,
Ladies and Gentlemen,

The theme, “Technological Innovation driving Financial Services”, chosen by the Central Bank to mark its seventeenth anniversary is both timely and opportune. Like many of you I have followed with much interest the fascinating innovations that have occurred over the years in the development of financial services, as a result of technological advances.

Our economy has made tremendous progress in recent times despite or, perhaps, because of, the enormous challenges that we have faced. My Government and the Central Bank have made significant strides to improve the regulatory framework in which financial institutions operate. We will continue to ensure that our institutional and legal frameworks remain up to date with the financial innovations.

I have no doubt that all of you present here today share my appreciation of how important the financial sector is to our economy. In Seychelles this sector directly contributes 4.2 per cent to Gross Domestic Product. This makes it one of the key sectors of the economy after tourism and fisheries. The sector today employs over 1,100 persons, that is, 2.4 per cent of Seychelles’ workforce. Tax revenue from the sector in 2010 amounted to R137 million, which was 17 per cent of total tax revenue. These are not insignificant.

Ladies and gentlemen, in this day and age everything revolves around technological innovations. Failure by any business or market player to appreciate this fact is at their own
peril. We have all witnessed, time after time, how long-established, reputable businesses have been left behind or failed by virtue of being too slow to grasp the benefits of financial innovation. Fully aware of this, a number of recent ventures and enterprises in Seychelles have shown acumen by better adapting to technological advances.

I applaud the efforts of our public institutions which have grasped technological changes, and which have already brought about significant improvements in the delivery of their services. On the occasion of its anniversary lecture, I take the opportunity to congratulate the Central Bank for being one of our institutions that has adopted technological advances to its benefit. The recent investment of the CBS in its integrated CORE banking platform was a major breakthrough for the Bank. This solution has allowed the Bank to, among other things, increase the volume of transactions it processes, reduce risks associated with a multitude of computer software, minimize security risks, provide real-time balances to Government and commercial banks, and enable “straight-through” processing. I also note with encouragement the various forthcoming projects envisaged by the Bank, including very shortly, its initiative for the automation of cheque clearing, which will mean that the exchange of paper cheques between banks for the settlement of personal and business transactions will soon be a thing of the past.

Today, I also want to recognize the significant contribution that financial institutions, in particular commercial banks, have made and continue to make to our economy. However, when it comes to innovation I cannot say that I am satisfied with what the institutions are offering to their clients. For instance, today not one single bank in Seychelles offers full Internet banking services to their clients! This is unacceptable in this day and age. I am encouraged, however, that some of our banks have indicated that this will be forthcoming. I hope that this will happen sooner rather than later.

I want to take this opportunity to appeal to our financial institutions, especially the commercial banks to do more to help our economy. We, as a nation, are becoming more sophisticated by the day, and the level of services that banks provide is, frankly, not up to
expectations. When we ask foreign investors to come to our shores we want quality investors, but they will turn their backs on us if the quality of services that our banks provide are not up to standard. With technological advances the tools are there to improve the quality of services. But having said that nothing can replace the human touch. This is why, as much as we want to promote technology in banking services, banks need to keep investing in their human capital.

Ladies and gentlemen, technological innovation presents us with many challenges but also with exciting and rewarding opportunities. Let us make the most of the great opportunities at hand. They will be significantly enhanced when Seychelles’ submarine cable becomes operational next year. It will provide a major boost to our country’s endeavour to improve our communications capability. The submarine cable will bring Seychelles so much closer to financial innovations through a significant increase in Internet access and speed and higher volumes of e-commerce at substantially reduced costs. This project required significant resources both from Government and the private sector. It exemplifies the type of public-private partnership that is the hallmark of the New Seychelles. Like you all, I look forward eagerly to the completion of this project, and the benefits that it will bring to our country.

Ladies and gentlemen, as we focus on the subject of technological change and how it is driving financial innovation, the world financial system is in turmoil. As many countries, large and small, struggle to cope with the painful effects of this crisis, Seychelles, despite many challenges, remains resilient and continues to cope remarkably well. We have shown that having the right policies and right economic base firmly in place are the most effective tools in facing the harsh reality of such crises. I believe that, similarly, those businesses which invest wisely in technology and in human capital will be better placed to face the challenges of competition, market access, service delivery, sourcing etc. and will stand to gain most through financial innovation.

I cannot conclude without reiterating my wish for commercial banks to do more to develop our economy through provision of more credit, especially to small and medium-size
enterprises. We have a duty to empower our people. We have a duty to help them better their situation, to do business, expand and create more wealth, more opportunities... But they cannot do so without access to affordable credit. Credit remains one of the fundamental drivers of economic growth. Banks can and must reduce interest rates further. Bank spreads today are higher than they were before we implemented our economic reforms three years ago, one of the only few black spots when we look at our overall performance during that period. So I urge banks, once again, to go back to the drawing board and contribute more to our economy through more affordable lending rates. At the same time let us do more to encourage the savings culture through more attractive savings rates.

Ladies and gentlemen, technological innovation is one of the best things that happened to mankind, and we have to make the most of it. We are part of the process. We have to own it and drive it. We have to be forward-looking – a nation on the march to progress. We cannot afford to be complacent – we have to accept and adopt innovation. It is the key to our survival and progress as a nation.

I thank you and wish you fruitful deliberations.
Closing Remarks by Mr M Benstrong
Chairman of the Seychelles Bankers’ Association

His Excellency, President James Alix Michel, Vice President Faure, Ministers, Governor, Central Bank of Seychelles, Mr Jain, Chairman & CEO, Polaris Software Ltd, Fellow Bankers, Ladies and Gentlemen.

A Very Good Evening, it is an honor and pleasure tonight to be invited to present the closure remarks in such an important and prestigious event.

Learned Speakers have already spoken extensively on Today’s theme, which is “Technological innovations driving financial services”. Therefore, please rest assured that I would not bore you with a lengthy speech. Traditional innovation literature would suggest that organizations innovate by introducing new or improved products to the market. However, I believe that in a “Service”, the product is the “process”. Thus innovations in technology for the financial services would have to be seen in that context.

While the essential functions performed by the organizations that make up the financial industry have remained relatively constant, the structure of the industry has undergone dramatic change. Liberalized domestic regulations intensified international competition, rapid innovations in new financial instruments, and the explosive growth in information technology fuel this change.

Nowhere is this force of change felt more strongly than in the financial services sector compelling banks to innovate in products, services and delivery channels.

As many bankers will agree with me, they are secretly and some publicly worried about the entry of Mutual Funds, Brokerage Firms, Money Changers and other Non-bank Competitors and taking away a big slice of their business which was once their “sole domain”. To face this
competition, they (the banks) feel that they must extend both scale and scope in order to compete in the future.

Pushed by growing consumer demands and desires for anytime-anywhere-anyhow delivery of financial services, banks are collaborating with hardware, software, telecommunication and other companies so as to allow their customers to access their accounts through Online-real-time and WWW approaches and transfer funds, pay bills, buy insurance policies, airline and even movie tickets instantly without using cash, mailing a check or leaving the comfort of their homes. A large number of such facilities may also be utilized by our customers through the use of ATMs, example e-top up of mobile phone.

It is interesting to note that, despite the “hype” that Branch Delivery is dead, many consumers still prefer to visit the branch. In fact, there has been a rise in the number of branches, including Super-market/ Shopping mall based in-store/ kiosk-like branches. The consumer still likes to feel the warmth of friendly smile from a human being.

In Seychelles context, much has been achieved and a lot more are in the pipeline. Banks are rising to the diverse customers’ needs and introducing many newer products and services. The Central bank, on its part, is leading from the front aiming towards a faster, paperless and more efficient banking environment. SWIFT transfers have already been introduced which has reduced the time taken for transfer of funds between banks.

The National Payment Task Force is actively pursuing the formation of “Electronic Clearing House” which will facilitate on-line instant transfer of funds between banks. Ladies and Gentlemen, make no mistake. The payments industry is evolving faster today than ever before. The growth of e-commerce and mobile services, combined with the evolution of mobile handset, present two of the most significant opportunities for the payments technology industry. It is just a matter of time, ladies and gentleman for all of these to be available on the local market.
Finally, on my own behalf and on behalf of the Seychelles Bankers Association, I would like to thank Mr Pierre Laporte, Governor of Central bank of Seychelles for giving me an opportunity to speak before you tonight.

Thank You.