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Top Ten Trends Impacting Bank Technology for 2008

We live in truly exciting times. Our world is more interconnected than ever before resulting in amazing social and economic benefits. Technology has not only spurred incredible innovations but perhaps more importantly it has served as a tremendous source of democratization as more people than ever before have access to the same information and are free to work, communicate, and socialize in ways never imagined. The same applies to banks that leverage the latest technology to increase productivity and profitability, and their customers who demand competitive services, security, and convenience. To that end, we offer ten predictions:

1. Video Kills the Static Website

Many websites are still products of 1990's technology resulting in dull and boring content and a severe lack of interactivity. Thanks to the advent of YouTube, blip.tv, and other viral video sites, bankers will incorporate video into the web experience. The New Generation does not like to passively view, read and be lectured to; they like to interact, explore, and choose their content. Expect more banker videos on topics ranging from security awareness and identity theft prevention to instructional videos on personal finance and online banking.

Video is a significant component of the Microsoft Vista operating system and will grow in importance as Vista is widely adopted in 2008.

2. Mobile Banking Takes Off

As cell phones and handheld devices become more robust and functional, they will finally provide a suitable platform for mobile banking. 3G technology on the receiving end and Java-based applications on the banking end have made mobile banking a reality. Whether a consumer has a Razr phone and needs a very scaled-down, text-based, light version of mobile banking, or whether the device can handle a more graphical, browser-based version, mobile banking will be a hit. If teenagers can use

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basic cell phones for text-messaging, parents will learn how to use them for banking. Consumers spend more time with access to their cell phones than any other device making such devices the channel of choice for basic online banking.

3. Business Continuity Planning Extends Enterprise-Wide

Long relegated to the information technology area, business continuity planning will extend across the enterprise as bankers conduct business impact analyses of all business functions from email to teller operations. This fresh look at business continuity will shine new light on just how unprepared many banks are, technologically and psychologically. Roundtable testing and better communication intra-bank will improve bank's business continuity and disaster recovery postures as bankers learn to look beyond IT preparedness to all areas of the bank. New technologies such as branch capture, remote backup, and wireless will help bankers reduce costs and become more self-sufficient.

4. Remote Deposit Comes of Age

A few years ago, most bankers dismissed remote deposit as a service that customers simply did not demand. Now, bankers have learned that customers cannot demand what they do not know. As bankers and customers have become more educated on the benefits of remote deposit, demand has skyrocketed. As a result, bankers are retaining and attracting commercial deposits that they otherwise would have lost. Business customers are actually switching banks for remote deposit services.

As bankers enjoy this phenomenon, they now realize that matters of scale will become a challenge. The community bank with 100 remote deposit customers can handle installation and tech support just fine. When 100 customers balloon to 1,000, the system will be stressed. Currently, remote deposit systems are being installed and supported by high-paid bank employees…treasury management professionals and commercial lenders in some cases. Such employees are not best utilized crawling under customer's desks hooking up cables. Expect bankers to outsource the installation and support of remote deposit freeing their people to do what they do best, sell more services and grow the bank.

5. Managed Security Services Become Ubiquitous

Ten years ago about half of PCs were protected against viruses. Today, it is rare to find any PC not equipped with anti-virus. The same is becoming true for managed security services. Bankers are learning that 24/7/365 security monitoring of their networks is a significant business issue and one that can rarely be managed in-house. No banker wants to experience a security breach and then face the media and explain that the

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bank's network is only secured and monitored from 9 to 5. Such part-time security is simply not commercially reasonable or acceptable. Bankers will continue to outsource firewall monitoring, intrusion prevention, giving them peace of mind and fewer sleepless nights knowing someone else is watching their networks.

According to Insight Research Corporation, the total US managed services market will grow from $29B in 2007 to $47B in 2012.

6. New Communications Technologies Present New Opportunities

What is the most important technology in the bank? It's not online banking. It's the telephone system. Such systems are often taken for granted and the last to be upgraded. Banks are full of 10-year old telephone systems that are unreliable and carry costly maintenance. As bankers upgrade their systems, they are experiencing a whole new world of communications advances beyond basic IP telephony. Not only can they perform moves, adds, and changes without calling the telephone company and waiting three days for a technician to come on-site, but **Unified Communications (UC)** is bringing email, voice mail, faxes, teleconferencing and other functions together to improve communication throughout the enterprise. By decreasing the time wasted tracking down co-workers, human delay will be minimized resulting in streamlined customer service and increased productivity.

Cisco's **TelePresence** will bring high-definition, life-sized, net-based communications to the boardroom, bridging the current gap between low-end web-based solutions and high-end proprietary videoconferencing systems. Improved morale and less expense related to business travel will easily justify such systems.

Additionally, 10Gb Ethernet (10GbE) and MPLS (multi-protocol label switching) replace old ATM (ansynchronous transfer mode) and frame relay networks.

Banks will deal with the blurring of business and personal applications as employees introduce BlackBerrys, iPhones, and iPods to bank networks.

Social networking will take hold in banks starting with Human Resources but extending to other areas of the bank as bankers launch their own internal versions of Facebook or MySpace to improve intra-bank communications and knowledge exchange.

7. Online Account Opening Gets Right

Some bankers think online account opening is downloading an application from the website, completing it with a pen, and taking it to the nearest branch for processing. Today's consumer, accustomed to ease of use at sophisticated online sites, will

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demand online account opening, and funding. Expect bankers to seek solutions not offered by website hosts or Internet banking providers, as many of these services have fallen short of finding the right balance of security, convenience, and usability.

Online account opening services will help branches, contact centers, and the web converge to open accounts cost effectively and quickly.

Bank customers want their banks to be more like a Waffle House, always open.

8. Risk Management Requires More Resources

Globally and locally, bankers will continue to fight the battle against new security threats, both internal and external. Accordingly, more resources will be devoted to risk management.

Security goes enterprise-wide as bankers track activity on their networks ranging from simple use of jump drives to sophisticated intrusion attempts. A holistic approach will be required to sufficiently secure bank networks.

Physical and information security merge as bankers battle to secure their buildings and networks. IP-based video surveillance and electronic access controls (i.e., proximity cards/badges) will help secure the physical environment while intrusion prevention systems and advanced security solutions from trusted providers round out a comprehensive approach to bank security.

Security awareness among the bank's employees will continue to be one of the most important mitigating factors as bankers formalize such education and provide it more frequently.

9. Remote Backup Refines and Takes on Many Forms

Fewer and fewer bankers are taking backup tapes home, to a branch, or to a third-party offsite storage facility thanks to new advances in remote backup.

Automated real-time backup, complete disk imaging, and offsite replication will provide newer, more robust solutions to the backup challenge faced by bankers.

Backups in batch will become insufficient as our always-on businesses require real-time backups and quick recovery. Bankers will re-examine their backup strategies and consider mobile workers using laptops and handheld devices, the growing volume of image-based data and email, single points of failure associated with on-site backup

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systems, unencrypted backup tapes, and increased scrutiny from auditors and examiners.

10. Technology Planning Merges a Winning Combination - People and Technology

The sheer volume of information and new technologies can be daunting. Instead of bankers allowing different departments to scatter in different directions, buying incompatible technology with no regard for the business goals of the bank, technology planning will help bankers set goals, determine priorities, and allocate resources effectively.

Gaining input from empowered bank employees and outside experts will help banks craft winning strategies for banking technology.

Summary

Benjamin Franklin once said, "Be at war with your vices, at peace with your neighbors, and let every new year find you a better man." To paraphrase Mr. Franklin, "be at war with network intruders, fraudsters, and identity thieves, at peace with your regulators, and let 2008 find you a better bank thanks to smart technology planning and wise technology investments."

Sawyers & Jacobs LLC helps banks in four major areas: Technology Planning, Risk Management, Network Solutions, and Business Continuity. Our mission is *to help our clients use technology securely, effectively, and profitably to better serve their customers, comply with laws and regulations, contain costs, and compete.* To learn more, visit www.sawyersjacobs.com , call 901.487.2575, or email jsawyers@sawyersjacobs.com .

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