Benefit from info sharing

Citi official explains how it works

SAJJADUR RAHMAN

Technology, risk, compliance and customers are having impacts on the banks over the past few years. Customers want to go international and want support from banks

Sharing of technology, products and services among banks is a growing phenomenon in the world, which is shaping the banking business where risk and compliance issues are putting the banks in a knot.

Bharat Sarpeshkar, managing director of Citi's global transaction services, shared his thoughts with the Daily Star in a recent interview.

Citi shared its information, technology and operations with other banks because that makes sense. "For us the benefit is that we can distribute our costs over more users so the banks can utilise our experience at lower costs," said Sarpeshkar.

The idea of sharing comes from the commercial perspective, but there is a social issue of trust and sharing information between the banks, according to the banker who has been with Citi for more than 30 years.

The big questions that come forth are: Can I trust and work with other banks? Can I share information?

"If you can trust other banks, you can build a case," he said.

Bangladeshi banks have so far shown little interest to share technology and information. Many banks developed their own ATM network spending huge money but among them only a few are trying to share the ATM network.

Sarpeshkar emphasised more bilateral cooperation than multilateral. He said a bank could tell another bank that 'I'll give my products and you sell it by putting your name'. "That's happening. It is a growing phenomenon," he said.

The banker said technology, risk, compliance and customers are having impacts on the banks over the past few years. Customers want to go international and want support from banks. If a bank fails to do so, they will move to others. Compliance regulations, particularly with the money laundering, have become strict after 9/11, he said.

Sarpeshkar said banks have invested substantial amount to upgrade technology in the last two years. The banks that have adequate technological infrastructure can do a lot of transactions.

The global crisis has made the capital issue critical. Already, Basel III, which has made the capital threshold substantially higher, is in the offing.

Besides, increasing social obligation put pressure on banks' profitability, he said. "Each of them requires investment and time," said the banker.

He described how Citi developed its infrastructure and technology, and how it benefits from the sharing. Citi has global transaction business in over 100 countries, holding two advantages: the same products everywhere and technical standardisation.

"Our global transaction services head is connected to Hong Kong and we share common products. Clients in the US, UK, Japan and Korea can get the same services," said Sarpeshkar.

Citi has 1,500 clients (banks) that take its services and is the leader in global transaction services, followed by JP Morgan. It also provides access to other currency centres, such as New York for dollars and London for euros. The bank also facilitates export-import business.

"Over the past 30 years, we have developed the relationship and the market," said Citi's head of global transaction services.

STAR

Bharat Sarpeshkar

Global transaction service is Citi's most stable part of business for years. The bank earned roughly $10 billion in revenue from the global transaction services in 2010 and the net income was $4 billion.

Citi's global transaction services include local payment, cheque collections, cash management business, receivables, payroll payments, providing support to trade business, export credit and structured financing. It also provides collection services for local and multinational companies.

Citi considers Bangladesh to be an emerging market where many banks are getting involved in international trade. Some banks are going faster than the others. They do traditional business of cash management and trade, according to Sarpeshkar.

But he feels the market here is challenged by infrastructure constraints. He said Bangladesh's competitors, such as Vietnam and Indonesia, made more progress in terms of investment and little ahead in terms of technology.

"Economy there is more diversified whereas Bangladesh is still driven by trade in one or two sectors. Economy has to be diversified," he said. Citi plans to expand its business in Bangladesh, he added.

Rashed Maqsood, head of Citi's Bangladesh operation, accompanied Sarpeshkar during the interview. Maqsood said the whole world is shifting from commodity to information.

"We provide the information the way clients want it. Our services are integrated with their backgrounds."

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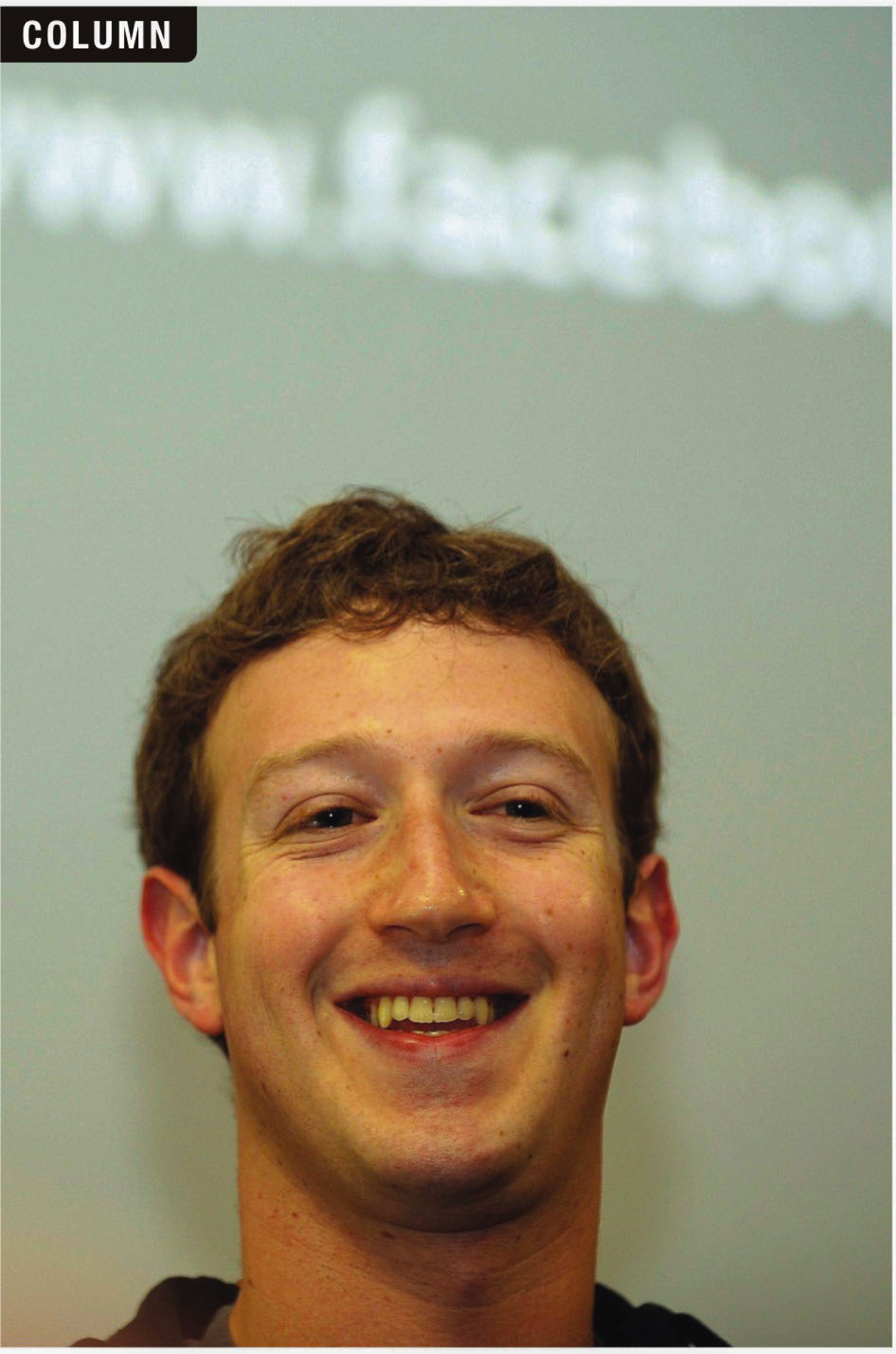

AFP

Facebook chief Mark Zuckerberg

Goldman's Facebook coup embarrasses rest of Wall Street

ROB COX

Goldman Sachs' rivals must be kicking themselves. The firm's near $2 billion investment hook-up with Facebook is relatively small beans financially, but it's a big win in franchise terms. After the lumps Goldman took last year, the deal shows the firm can still lead the way wrapping its tentacles around a key client for mutual benefit.

Goldman could still lose money on the deal for its shareholders, partners and clients. And questions remain as to whether its plan to invest $450 million of its own capital alongside $1.5 billion from others through a single investment entity violates the spirit of Securities Exchange Act disclosure rules. That means there's still a chance the high-profile deal could backfire financially or in the realm of public opinion.

But taking calculated risks is what separates Goldman from run-of-the-mill competitors. The Facebook effort also involved stitching its sometimes conflicting strands of business into a fabric that suited a top priority customer. That's a way both to fend off rivals and to mitigate the risk in the deal.

Goldman's Silicon Valley bankers enlisted the private wealth management division to bring in the bank's customers as investors. That doesn't just generate fees -- it allows Goldman to boast that it brings clients deals

The Goldman coup surely started with an investment banking relationship with Facebook's executives and its board, including early venture capital supporters Peter Thiel and Jim Breyer.

But other banks can do that. So something more was required: capital. Even without the backing of some of its in-house money managers, Goldman found the cash. Chief Executive Lloyd Blankfein carved out a slice of the balance sheet -- a bold call given that many bank executives are paralysed trying to figure out the impact of regulatory changes on proprietary investments.

Moreover, Goldman's Silicon Valley bankers enlisted the private wealth management division to bring in the bank's customers as investors. That doesn't just generate fees -- it allows Goldman to boast that it brings clients deals other banks can't match. The firm's powerful network of alumni also played a role. Digital Sky Technologies, a Facebook shareholder that's investing at least $50 million more, counts former partners of the bank among its executives.

There are other tentacles standing by for the future, too. Goldman will probably take Facebook public eventually, for a juicy fee. And its private bank may be able to grab the founders and employees when that happens. The likes of Morgan Stanley and Credit Suisse should be wondering whether and how they can coordinate their various appendages so successfully.

Rob Cox is a Reuters Breakingviews columnist.