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Securities Industry of the Future: Technology Remains Growth Driver

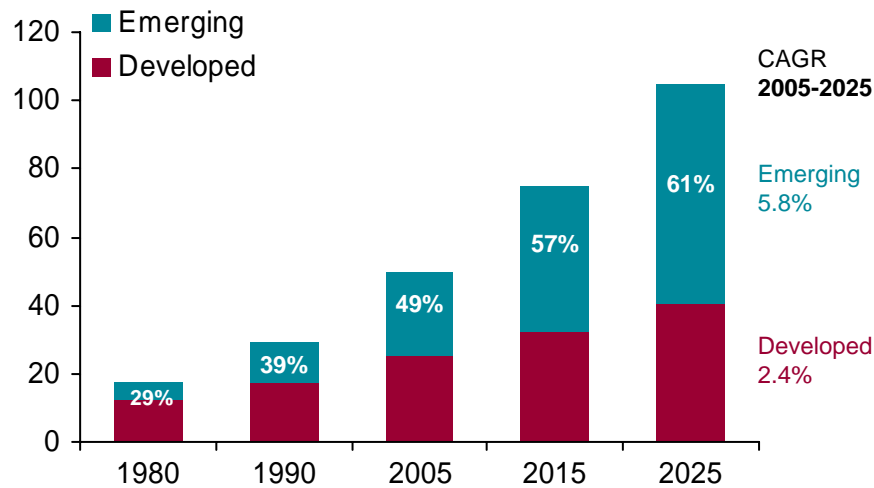
Herbsttagung des E-Finance Lab - Frankfurt, 27. September 2007
Susanne Kloess

Economic power is getting more and more dispersed in the years to come ...



Share of global GDP

(US\$ trillion at PPP)



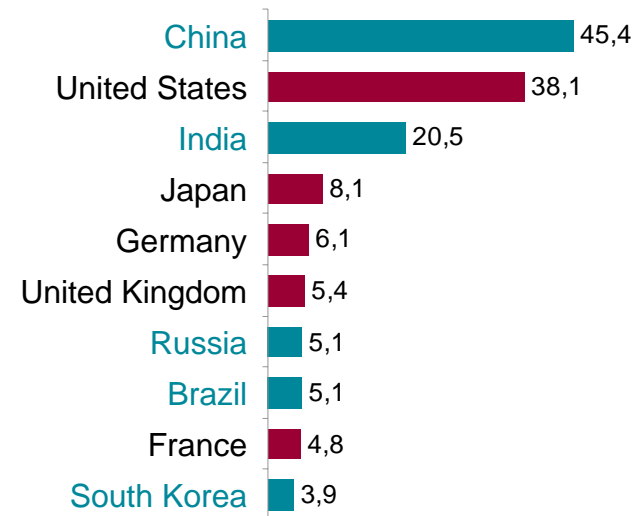
Source: Accenture Research

Features

- Emerging economies' share of global GDP will have risen to 61% (at PPP)
- Five of the "B6"-economies (BRIC+2) will have made it into the Top10 of the world's biggest economies

World's biggest economies in 2025

(Real GDP at PPP in US\$ trillions)



Source: Accenture Research

Drivers

- Increased power of ICT
- Economic policy
- Greater scale and reach of multinationals

... and the world will move with it!



Stock markets will see substantial changes in the years to come



Ten biggest IPOs in 2006

Company	Country	Listing
1. Industrial & Commercial Bank of China-ICBC	China	Hong Kong
2. Bank of China Ltd	China	Hong Kong
3. Rosneft	Russia	London
4. Standard Life Assurance Co	UK	London
5. Lotte Shopping Ltd	South Korea	Korea
6. Aozora Bank Ltd	Japan	Tokio
7. Saras SpA	Italy	Mailand
8. MasterCard Inc	USA	NYSE
9. Petroplus Holdings AG	Switzerland	Zürich
10. KazMunaiGas Exploration & Production	Kazakhstan	London

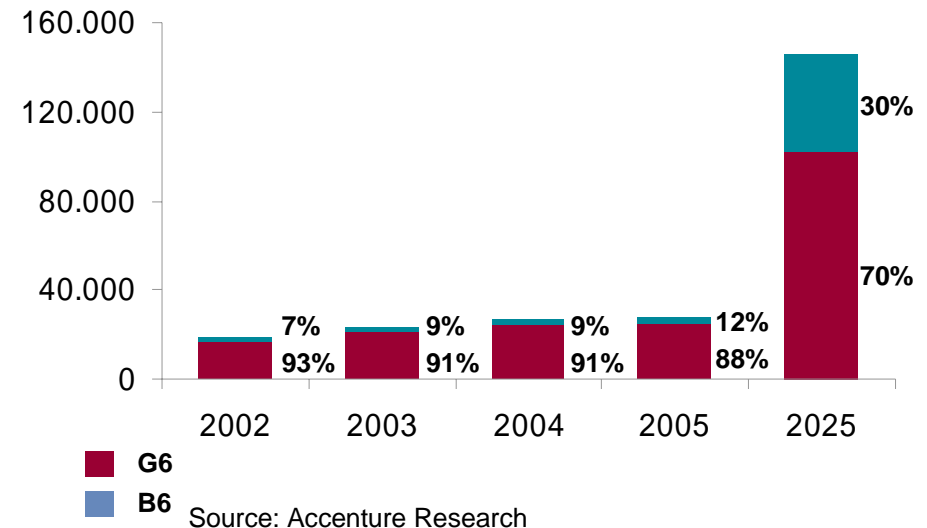
Source: Ernst & Young

Features

- Number of IPO in emerging economies will rise
- Investment in emerging economies capital markets growing quickly

B6 & G6 Stock Market Capitalisation

in (US\$ trillions)



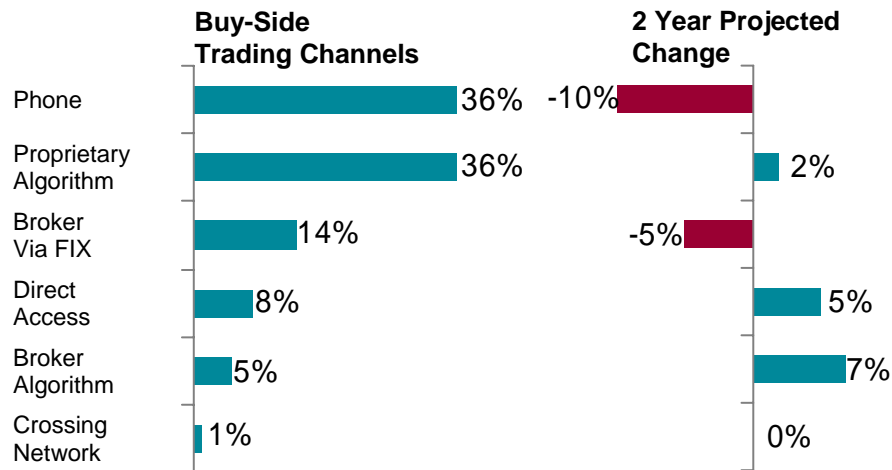
Implications

- Advent of emerging economy multinationals
- Increased competition in, and susceptibility to, global M&A

Technology will help to handle the consolidation and simultaneously fragmentation of order flows



Evolution of Trading Channels



Source: Accenture Research

Buy Side

- Takes control of the execution, whether by connecting directly to trading venues or by interacting with Sell Side through more “low touch” electronic channels and
- Pressures Sell Side to reduce trading costs (TCA)
- Focuses on cross-asset trading strategies to lower overall trading costs and risks
- Obtains access to algorithms from multiple brokers, OMS vendors

Sell Side

- Starts offering integrated solutions including pre-trade analysis, order management, order execution and post-trade analysis to reduce Buy Side complexity

The change in technology will be the prerequisite for a true multi-polar world in the securities industry



Technology

	Today		Tomorrow
Connectivity	Limited due to distributed programming (CORBA, RMI, COM, EJB, etc)	▷	<ul style="list-style-type: none">• High due to web services standards (XML, SOAP, etc)• Direct market access for institutional and for retail investors
Interoperability	Local, intra-enterprise, cross-applications	▷	<ul style="list-style-type: none">• Global reach• Upgrading compliance capabilities to reduce regulatory and operational risk
Standardization	Basic through similar technology	▷	<ul style="list-style-type: none">• High through same communication standards and messaging standards• Less fragmented infrastructure• Effective sourcing to gain scale
Innovation	One size fits all	▷	<ul style="list-style-type: none">• Specialization through industrialization