

# AFTech Letter

Association For  
Financial  
Technology

SPRING MEETING

March 14-16, 2010

Disney Yacht & Beach Club

Lake Buena Vista, FL

Fall 2009 Volume 14, Number 2

## Association for Financial Technology

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## AFT Meeting Gives Members What They 'Crave'

*Conference attendance in most other industries is drastically down in 2009. Some are predicting a drop off of anywhere from 15 to 25 percent for the year. Nevertheless, the Association for Financial Technology (AFT), has seen growth of about 40 percent in the last two years.*

That upswing was evident at the 2009 Annual Meeting, Sept. 13-15, at the beautiful Lowes Ventana Canyon Resort & Spa in Tucson, AZ, where

there were more than 100 attendees including 21 first timers.

Why do AFT gatherings continue to attract attendees? Because "AFT is a meeting driven association," its success depends on providing "information you crave," explained outgoing AFT President David O'Malley of Open Solutions, Inc.,

Another reason: "AFT gets in your blood," said AFT President-Elect Bob Ezell of Computer Services, Inc., As Ezell pointed out "each meeting the content gets better." The meeting's outstanding program featured presentations from keynote speakers American economist Todd Buchholz and Fiserv EVP Lance Drummond; as well as Social Media Strategist Lon Safco, Richard Oliver of the Federal Reserve, Steve Williams of Cornerstone Advisors, investment banker J. Stephen Hufford and Stan Eckenberg of Computer Services, Inc.



Outgoing AFT President David O'Malley

## Letter from the AFT President

*Dear Fellow Associates:*

*Thank you for your continued participation in the Association for Financial Technology. During the worst financial crisis in decades, our association has grown by more than 25% and our attendance for both the spring and fall meetings was excellent. In fact, the fall meeting was one of the highest rated in our 38 years of existence!*

*As you know, AFT is a meeting-driven organization and your support and input make our organization successful. In fact, in September many outside speakers commented on how unique our organization is because we come together - as competitors in many cases - to share our knowledge and learn*



New AFT President Bob Ezell

how we can better serve this industry and our customers. This is a great tribute to you, our members. But despite the strengths of our membership, many of our customers will be overwhelmed with challenges in 2010. The financial institutions we serve will face higher capital requirements, tighter regulations, increased fees, and unfortunately, some will face closure. It is paramount that we look for solutions serve our industry better. Therefore, we have already begun planning for our meeting in March. Dave Foss from ProfitStars will be the Chairman for our 2010 meetings and we will use your input from previous meetings' surveys to design our program content. Over the next year, you will see some new faces in leadership roles. I am pleased to announce that we elected three new board members during the fall meeting: Tom Shen from CBG Holdings, Brian Otte from Perimeter eSecurity and Kelli Schultz from iPay Technologies. And as we usher in new board members, we would like to share our gratitude for out-

going board members Romir Bosu of Compushare and Marco Bernasconi of COCC, whose board terms expired this fall. We truly appreciate their dedication, effort and input over the past three years.

Over the next year, we will focus on continuing to increase our membership. We all work with different companies each day and I encourage you to reach out and share the benefits of AFT. You are truly AFT's most effective salesperson.

If you have any questions or concerns prior to our upcoming meetings, please feel free to contact any AFT board member or me. Our contact information is available on our Web site at [www.aftweb.com](http://www.aftweb.com). Thank you again for being a member of AFT.

Sincerely,

**Bob Ezell**

President

Association for Financial Technology

## KEYNOTE

### **Can We Find Prosperity in Chaotic Times?**

"These are the most tumultuous, interesting and frightening economic times most of us have ever seen," declared economist-author Todd Buchholz ("New Ideas from Dead Economists: An Introduction to Modern Economic Thought") in his thought-provoking keynote presentation, "Finding Prosperity in a Chaotic Economy," at the 2009 Association for Financial Technology 2009 Annual Meeting.

In drawing a comparison between today and the late 1920s, Buchholz stated there were "three huge policy mistakes during the Great Depression":

- The Federal Reserve let 25 percent of banks fail

- Congress and the Administration raised taxes
- Congress raised tariffs by 35 percent and other countries retaliated

Those mistakes helped shape a better recovery policy during the more recent Great Recession, explained the economist.

Buchholz also called upon the lessons of Amadeo Pietro Giannini, Bank of America founder, who displayed "courage and leadership and "taught us how to handle business in the middle of a crisis." The fires from the San Francisco earthquake of 1906 severely heated the vaults of other big banks in the area. Opening them immediately would ruin the money, so they collectively decided to close for six months. Giannini, who had the vault's money brought to his home outside the fire zone, an 18-mile drive by horse and wagon, was one of the few who stayed open to provide loans at the time. Giannini, pointed out Buchholz, ran his bank from a plank across two barrels in the street on the Wharf for a time and made loans on a handshake to anyone who was interested in rebuilding. Years later, he would recount with pride that every single loan was repaid.

Although many people fear stagflation - an economic condition of both continuing inflation and stagnant business activity, simultaneously with a growing unemployment rate - Buchholz disagrees. "Stagflation



Todd Buchholz earned high marks for his compelling presentation to open the 2009 Annual Meeting.



is usually followed by the phrase 'wage price spiral,'" he said, "I am not seeing anything looking like a wage price spiral."

"The rolling over of inflation is one of the key signs of recovery, suggested Buchholz. Today we are reallocating where we are spending money in this economy as consumers. He pointed out that housing is looking like they have hit bottom but the job market is still on the

weak side. However, low prices and low interest rates are getting us out of recession.

"In this maelstrom...this now is still the opportunity for prosperity, this is the opportunity for innovation, this now is still the time to create a better life for our children, our community, our neighbors, our employees, and our respective countries."

## CEO KEYNOTE

### **Data Analytics Helps Steady a Transforming Marketplace**

*Lance Drummond, Executive Vice President for Fiserv, delivered "The Promise of Data Analytics" as a CEO Keynote presentation at the 2009 AFT Annual Meeting.*

*Drummond reviewed the fundamental transformation taking place in the marketplace in regards to how wealth is generated and maintained, how vendors participate in the market and how to bring value to clients. In addition, he spoke of how the fallout from the economic meltdown affects clients.*

Although the Great Depression ("a life altering event") differed from the Great Recession ("it will be remembered as a watershed moment") the recent subprime crisis transformed how and where money is spent and saved. "Much of the financial crisis has been linked to poor underwriting practices," said Drummond.

How will the industry respond? By delivering more value-added services, leveraging data and using data to play an ever-increasing role in the transformation.

This is where analytics matters, he said, offering the fact the large financial institutions spend over \$5 billion on analytics annually. One of the reasons is banks are feeling competitive pressure from new sources such as telco companies that are going after mobile banking revenue, "cash-rich Internet companies that can capitalize on bank-built systems without infra-



*Lance Drummond, Executive Vice President for Fiserv*

structure and regulation; and social-networking sites, instead of banks, that offer customers financial advice. Data analytics can help by offering customer intelligence, and performance and risk management. Banks need help in all segments because gathering information is difficult, there is limited tracking of compliance, they need data to better manage liquidity, cost and risk. "How can any business build relationship with customers if they don't know who they are," admitted Drummond.

#### **What They are Saying About AFT...**

*One of the best conferences I have ever attended.  
This is by far the best AFT conference I have ever been to. Bob Ezell and board deserve a tremendous amount of praise!  
This is my new favorite conference!  
Excellent conference! Great job!  
Job well done...Orlando has some big shoes to fill!  
Great place to network and exchange ideas.*

#### **Introducing the New Directors...**

- **Brian Otte**  
Perimeter eSecurity  
Tampa, FL
- **Tom Shen**  
CBG Holdings  
Austin, TX
- **Kelli Schultz**  
iPay Technologies  
Elizabethtown, KY



## PAYMENTS

### Economy Has 'Changed' Everything in the Payments Industry

The state of the economy has obviously changed everything in the payments industry observed Richard Oliver, EVP and Retail Payments Product Manager for the Federal Reserve Bank of Atlanta, at the 2009 AFT Annual Meeting.



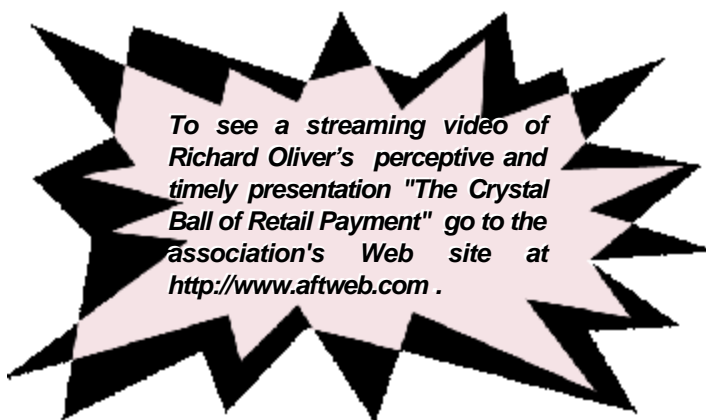
Richard Oliver, EVP and Retail Payments Product Manager, Federal Reserve Bank of Atlanta

Oliver suggested there are three remaining sources of revenue in the payments industry: overdraft and interchange fees, and credit card rates. As far as the state of banking, Among the trends to watch are more mergers and acquisition that will redefine the payments landscape, reduced earnings on payment products, scarce resources available for investments, outsourcing becoming a more interesting option; and strange bedfellows allying. "People that wouldn't talk to each other [before] are suddenly talking to each other [now]," he remarked.

Meanwhile there are opportunities of technology:

- Are new technologies, asked Oliver, around the Web changing user interests and profiles?
- Legacy systems are a clear drag on progress. "We know we have to get away from them"
- The promise of lower transactions costs must clear the hurdle of investments
- Integration of backrooms is "critical"

Also, FIs face competition from everywhere. In terms of globalization there are no efficient cross-border retail payment product and that eventually there will be an emergence of new payments superpowers.



## PAYMENTS

### Leveraging the Transforming Industry

Steve Williams, a principal at Cornerstone Advisors, focused on the future of bank technology vendors in the post-TARP (Troubled Asset Relief Program) era at the 2009 AFT Annual Meeting.

Today's financial institution landscape Williams concluded shows large banks having greater share, but not "the greatest reputations"; community banks critically injured by construction and commercial real estate lending; and credit unions facing financial challenges, but holding a strong brand. In addition, there is more strict scrutiny by regulators regarding lending and vendor management.

For vendors, the opportunity for niche players is still out there. Where he sees vendors at an advantage is when they have knowledge of the system, understand the whole process and focus on integration. "Integration skills will differentiate you," he added.

The financial industry crisis has moved technology providers more into "trench warfare" whereby clients are demanding, tired, stressed, the price focus is extreme; and dreams of innovation have lost some

steam. In addition the interaction with vendors has become more due-diligence and risk-management intensive; payments and delivery are coming to drive the ship more than core operations; technical infrastructures have evolved nicely but without any exciting battles; and functionality still matters.



Cornerstone's Steve Williams provided valuable insight into the industry with his engaging talk

Vendors, he believes, need to strengthen the suite to capture as much share of the ancillary wallet as possible so as to help maximize revenues and meet customers' needs simultaneously; and be open when customers demand integration with a third party. Vendors have "done a great job in bundled pricing...the more you can help them be smart about the ancillaries the more you prosper," suggested Williams.



## CRISIS RECOVERY

# CSI Responds to Disastrous Storm with Courage and Effort

A wintry mix moved into southern Indiana and central Kentucky on the night of Monday, January 26, 2009. On Tuesday the 27th, precipitation changed to freezing rain. Ice over an inch thick was reported in many locations from the freezing rain. The storm caused Kentucky's largest power outage on record, with 609,000 homes and businesses, a reported 1.2 million people, across the state. Property damage due to falling trees, large tree limbs and power lines weighed down by ice, was widespread. Area school systems were closed for an entire week. Several emergency shelters were set up across the affected region.

Stan Eckenberg, Executive Vice President for Computer Services, Inc., in Paducah, KY, gave a stirring account of survival and response by his company in the midst of this crisis during the 2009 AFT Annual Meeting.

With 90 percent without power or telecom, cell phones not working, roads closed, nearly all businesses closed, two-hour waits for gasoline, no grocery stores, and mandatory curfews imposed sundown to sunup - the area was transformed "back to a cash society," explained Eckenberg, "from a risk standpoint and to preserve cash."

The company focused on taking care of its employees and its customers with extraordinary grace and purpose. They set up daycare and shelter for its staff, and their families, in its data center and fed its employees with food on hand at its commissary. The staff in kind responded to the disaster with remarkable courage and dedication.

CSI never lost power in its building thanks to backup generators, but with telecommunication lost, and customers and ATMs offline, the company declared a disaster. It relocated processing to its backup in Val-



CSI's Stan Eckenberg captivated the audience with his heart-felt sharing of a real life experience

paraiso, Ind., redirected telecommunications, loaded the most current databases, and prepared to update, 41 hours after the declared disaster.

"We learned a lot when we came through this process," said Eckenberg. What the company learned was that "our customers consider everything is critical." Therefore, CSI has "replicated everything" and committed to resumption of all services from 72 hours to 12 hours.

They also learned that the single largest point of failure was with their branch and merchant capture process, which produced many duplicate transactions and affected 60 banks. To resolve this in the future CSI built an automated "disaster transmission" using an alternative transmission method. The company also learned they did not have a disaster contact at their customer sites. That has changed. They also found out that the regulators were aggressive with their need to know about what took place.

Through it all, CSI "perfected the recovery process" and learned a lot about the courage and dependability of their executives and staffers even in the midst of adversity. "One guy that makes 15 bucks an hours worked 50 straight hours," recalled Eckenberg.

### AFT DESERT SCRAMBLE GOLF OUTING

*Ventana Canyon, Tucson, AZ*

Winning Score - 64

Bob Blackman

*FIS, Fidelity National Information*

Bill Dinker

*EFT Source, Inc.*

Alan Grote

*Unisys-Payment Systems*

Tom Hedrich

*EFT Source, Inc.*



pictured left to right  
Tom Hedrich, EFT Source, Inc., Bill Dinker, EFT Source, Inc., Bob Blackman, FIS, Fidelity Information Services, Alan Grote, Unisys-Payment Systems



## NETWORKING

### **Using Social Media to Help Create and Sustain Business**

*Lon Safko, inventor-author- ("The Social Media Bible"), gave 2009 AFT Annual Meeting attendees a lesson on the reality of being virtual, and how to use social media to help create and sustain business.*

Social media, also known as social networking, Web 2.0, building community, user-generated content, trusted networks, or social web - refers to combining and utilizing old and new digital technologies to communi-



*Lon Safko's presentation on the use of Social Media was both entertaining and informative.*

cate better. "Social media is just another form of media - the difference is it is social," explained Safko.

The digital convergence of all digital media includes mobile telephone (voice, audio, music, photographs, video and voicemail), Internet (Web site, blog, e-commerce & social networks), hardware (desktops, laptops, cell phones, PDAs etc.) software and Internet platforms. "For the first time it has come together," said Safko.

He touched on using social networks such as Twitter for finding and following people "you are interested in," and Facebook, which contains 250 million users with the over 50 years old as the fastest growing demographics. LinkedIn with its more than 27 million business connected users is also an important networking site, "you need to be in there."

Blogging he suggested is also a vital tool. He emphasized that blogging as often as possible creates a presence on the Internet. "Blogs are incredibly more effective than what you can do with home pages."

Other areas of importance are being linked with everyone, setting up alerts on informational sites, uploading videos and creating profiles. "Social media has no hidden agendas," emphasized Safko.

## INVESTMENT BANKING

### **Industry Still Ripe for Mergers and Acquisitions**

*Steve Hufford, Senior Vice President of investment banking, at Raymond James Associates, provided a briefing on mergers and acquisitions in the financial technology sector at the 2009 AFT Annual Meeting.*

The equity markets are rallying and appear to have bottomed, suggested Hufford. "We withstood a hurricane last year," he admitted referring to the subprime market meltdown that threw financial institutions into crisis. However, he added, potential public comparables and buyers have rebounded strongly.

Hufford affirmed, "This industry continues to be ripe for M&A." Even with its recent turmoil the financial technology industry "still has the prospect of steady growth," He suggested several large players are poised to acquire.

From an executive level perspective on merger and acquisition activity in the FinTech sector, management, points out Hufford, is keenly aware that industry realignment among the largest strategics, bank trends are still sturdy, external risks (liquidity, regula-

tion, bank consolidation) are stronger than ever, and lending management presents a quandary regarding M&A (am I a buyer or a seller?). Meanwhile institutional investors "are more nervous than they used to be" because among other things they are highly cognizant of the increased risk profile."

Selling companies should be prepared for M&A discussion by creating a culture of diligence and preparedness. "The exit is what will occur if you build a nice business," explained Hufford. "Given the long history of M&A activity in this industry, the acquirers in the room are probably already pretty adept and have an established acquisition and integration playbook."



*Steve Hufford, Senior Vice President, Raymond James Associates*



## INTERACTIVE

# Attendees Contemplate Hot Topics; Participate in Instant Poll

The Association for Financial Technology's signature interactive session lived up to expectations with a bit of twist at the 2009 Annual Meeting.

David O'Malley, SVP and General Manager at Open Solutions Inc., and David Foss, President of ProfitStars moderated the gathering that also included an instant Interactive Polling session overseen by Katherine Burger, Editorial Director of Bank Systems & Technology.

The interactive discussions focused on a number of hot topics such as:

### **Bank Reaction to the Fed Regulatory Agencies Consolidating**

- "I don't think they have enough people to do it right now"
- "They are changing their auditing strategy for in-house customers"

### **Clients Renegotiating Contracts**

- "We asked them to extend your term and in return we will decrease your annual payment"
- "You have to renegotiate something for the long term"

### **Requests for Mobile Apps**

- "The challenge is repeating apps for different phones"

### **Potential Disruptors from Outside our Space**

- "Watch out for the government"

### **Sales Trends**

- "We've seen delays and some of the shortest sales



David Foss, President, ProfitStars



Katherine Burger, Editorial Director, Bank Systems & Technology

cycles in 20 years"

- "Trending toward more efficiency and profitability"

Burger moderated the interactive polling session in which attendees were able to use their mobile devices to answer several questions focusing on:

- **2010 Banking IT Budgets** - 39 percent said budgets would be flat compared to 2009 budgets
- **Primary Areas/Application for Banking IT Spending** - 30 percent said compliance, 26 percent said risk management
- **FinTech Company Plans for 2010** - 37 percent investing in organic growth
- **Developments That Will Have the Most Impact on Banking Technology Business in 2010** - 27 percent said consolidation in banking industry

## James E. Stoner/Allan W. Balch Memorial Scholarship Winner Receives \$3,000

**Renée Lyons**, sponsored by ProfitStars of Allen, TX, received The 2009 James E. Stoner/Allan W. Balch Memorial Scholarship and a \$3,000 check.

In her thank you letter to the Association for Financial Technology, Ms. Lyons said, "I plan to use it well in my scholarly pursuits." This is her third and final year in the graduate Creative program at the University of North Texas. "Thanks to this scholarship, I can continue to devote my time to my writing, my research and my students," she wrote. Following her degree, she plans to attend to University of Houston for her MFA and the University of Washington for her PhD.

## Company Profile

**Andera, Inc.**

**Kevin Conway, Jr.**

**VP Sales & Business Development**

Andera is the #1 provider of online account opening and funding technology for U.S. financial institutions. With real-time integration to many of the leading core systems, Andera offers a suite of products and services for automated account opening, fraud and risk management, account funding, and cross-selling online as well as in the branch and call center.