

# UK Finance Software market requirements

based on findings in INTO project  
and Finpro experience

INTO is a new technology program of TEKES

Pirjo Toivanen, Finpro London



## UK ICT industry

- UK ICT industry is the largest in Europe (22% of total) and it is showing signs of renewed vigour after some flat years
- ICT employs 2 million people in the UK
- Software and related services sector comprise 130.000 companies

### Trends in growth:

- application service provision
- extended enterprise
- mobile telecoms and IP solutions
- front-back office integration

### Why so strong?

- solid financial support and backing from the UK government
- venture capital
- UK is responsible for 5.5% of global R&D in ICT
- 61 science parks in the UK
- 21% of all R&D in the UK is spent on the ICT sector

## Shortly about INTO Project Objectives

The purpose of the study carried out by Finpro and TEKES was to examine the business opportunities in the sectors (and sub segments) where Finnish software companies are thought to have expertise and know-how:

<b>Finance</b>	<b>Construction/Real Estate</b>	<b>Telecommunications</b>
	Sub segments	
Basic banking system + Middleware	Real Estate IT	Basic Software Solutions
Card Systems	CAD	Virtual Operators
Multiple Sales Channels	Mobile Technology	IP
Electronic Financial Management and Tran- sactions		

## Known trends in the Finance Market

### Consolidation

- ⇒ both companies as well as suppliers are merging
- ⇒ data processing is becoming more and more centralized
- ⇒ large masses of transactions,  
This change creates a demand for new or renewed value-added services

### Real-time enterprise solutions

- ⇒ integration into business processes of companies required

The value chain particularly for a SME software supplier or for a new supplier is becoming even more challenging

the countries where these trends were mirrored

Brazil	Poland
Germany	Russia
Hong Kong / China	Spain
Hungary	UK
Italy	USA



# Overall General Trends

## Finance

- Growing use of external IT expertise
- Demand of flexible, modular SW solutions (e.g. service oriented architecture)
- Pressure on banks to improve IT systems due to new regulation (Basel II, Sarbanes-Oxley) – esp. integration of CRM, reporting and controlling
- Due to increasing global competition – pressure to improve customer relationship and cost efficiency through e.g. the use of different channels (mobile, Internet)
- Consolidation leads to demand for Enterprise Application Integration
- Increasing trend towards the introduction of smart cards
- Higher IT adoption in banking than in insurance segment

## UK as a market for finance software solutions

The UK, a leading trading power and financial center, is one of the quartet of trillion dollar economies of Western Europe. The country has a technologically advanced domestic and international system. Broadband Internet usage is, however, behind compared with other European countries. The UK finance sector is a very well developed mature sector with major players and industry organizations.

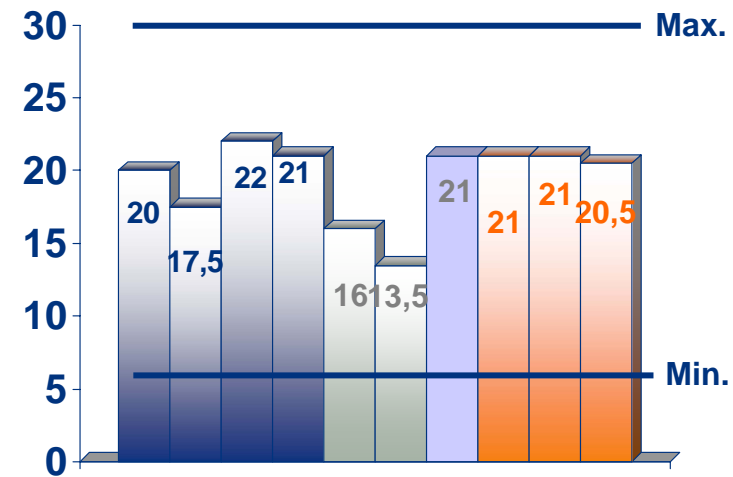
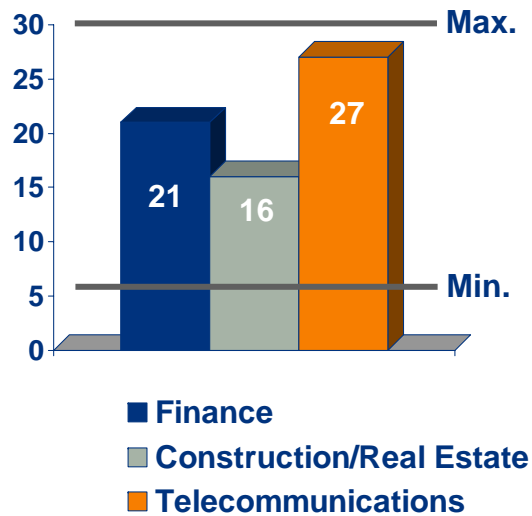
### Major Opportunities

- SW to exploit scale opportunities from the Single European Payments Area by 2010
- Smart cards supporting applications
- Supporting SW for mobile banking
- Internet security
- Applications to support e-Invoicing
- Providers of Straight-through-Processing services

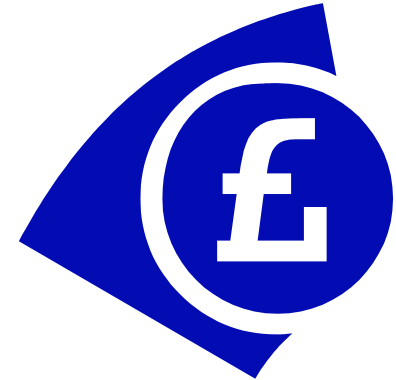
### Major Barriers

- Highly competitive market
- Slow decision making → long sales cycle
- Conservative market

# UK - Evaluation of Supply Potential



- Basic Banking Systems
- Card Systems
- Multiple Sales Channels
- Electronic Financial Management
- Real Estate IT
- CAD
- Mobile Technology
- Basic software Solutions
- Virtual Operators
- IP



## The UK Banking sector

- In 2002, UK financial services accounted for 5.3% of the UK economy.
- UK financial services sector employ 1 million, around 3.5% of total UK employment
- The financial sector pay £10bn in corporation tax each year (i.e. close to one third of the UK's total corporation tax bill)
- out of the top 12 wealth creating companies in the UK in 2003, 5 were banks
- UK financial services sector is expected to slightly decline in the near future

(source: The British Banking Association, BBA)



The major British Banking groups are:

**Abbey Group:** Abbey National plc, Abbey National Treasury Services plc, CA Premier Banking Ltd, Cater Allen Ltd.

**Alliance & Leicester Group:** Alliance & Leicester plc, Alliance & Leicester Commercial Bank plc,.

**Barclays Group:** Barclays Bank plc, Barclays Bank Trust Company Ltd, Barclays Private Bank Ltd.

**Bradford & Bingley**

**HBOS Group:** Halifax plc, Bank of Scotland, HBOS Treasury Services plc, Capital Bank plc.

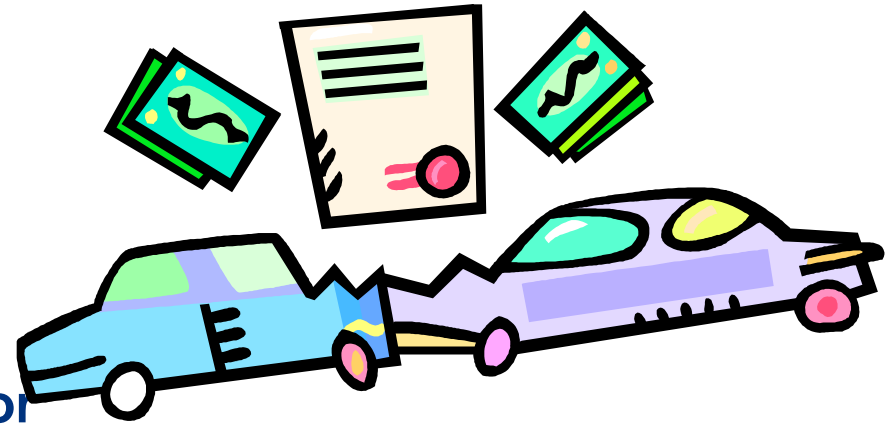
**HSBC Bank Group:** HSBC Bank plc, HSBC Trust Company (UK) Ltd.

**Lloyds TSB Group:** Lloyds TSB Bank plc, AMC Bank Ltd, Cheltenham & Gloucester plc, Lloyds TSB Private Banking Ltd, Lloyds TSB Scotland plc, Scottish Widows Bank plc.

**Northern Rock plc**

**The Royal Bank of Scotland Group:**

The Royal Bank of Scotland plc, Adam and Company plc, Coutts & Co, Direct Line Financial Services Ltd, Lombard Bank Ltd, National Westminster Bank plc, Tesco Personal Finance Ltd, Ulster Bank Ltd, Ulster Bank Ireland Ltd.



## The UK insurance sector

- the largest in Europe
- the third largest in the world
- employs 354,000 people, a third of all financial services jobs
- accounts for 20% of investment in the stock market
- pays out £247 million a day in pension and life insurance benefits and £50 million a day in general insurance claims

(source: The Association of British Insurers, ABI)

## The major insurance companies in the UK

AVIVA plc  
Standard Life  
HBOS  
Prudential  
Lloyds TSB Group  
Legal & General  
AXA  
Aegon  
Zurich Financial Services  
Friends Provident  
ALICO  
Royal London Mutual Insurance Society  
Skandia Insurance  
HHG plc  
Winterthur  
Abbey National  
Co-operative Insurance Society  
GE Insurance  
Resolution Group  
Canada Life Ltd





## Some innovative UK ICT companies offering solutions for the finance sector

**Anvil Software** provides high tech tools for traders in the money markets. Clients ABN Amro, Merrill Lynch, Barclays Capital, etc.

**Apak Group** provides core financial systems software and services to financial institutions worldwide.

**Caplin Systems**; the company has pioneered the use of web for distributing fast changing information particularly in the financial markets

**Cedar Software** provides accounting, financial, procurement and other business software for corporations.

**CODASciSys** offers accounting, financial planning and financial administration software.

**EasyScreen** eases the trading process for financial services professionals particularly in electronic securities sector

**Excequer Software** is a developer of financial software

**Fibernet Group** is a communications solutions provider; managed network services, the clients include HSBC, Citygroup, Nationwide Building Society

**HansaWorld** is growing fast in Europe and in South America; integrated solutions of financials, ERP, CRM and e-business

**InTechnology** operates in the field of data storage, data management and the protection of business critical information

**Microgen** is providing consultancy, managed services and software: billing, pricing, payment and financial services and solutions

**Misys** has developed broker systems and offers outsourcing services e.g. for e-commerce and transaction processing.

**Neural Technologies** develops business intelligence software to help detect fraud and avoid credit risks.

**Redbus Interhouse** offers managed services for business critical on-line, data and connectivity applications

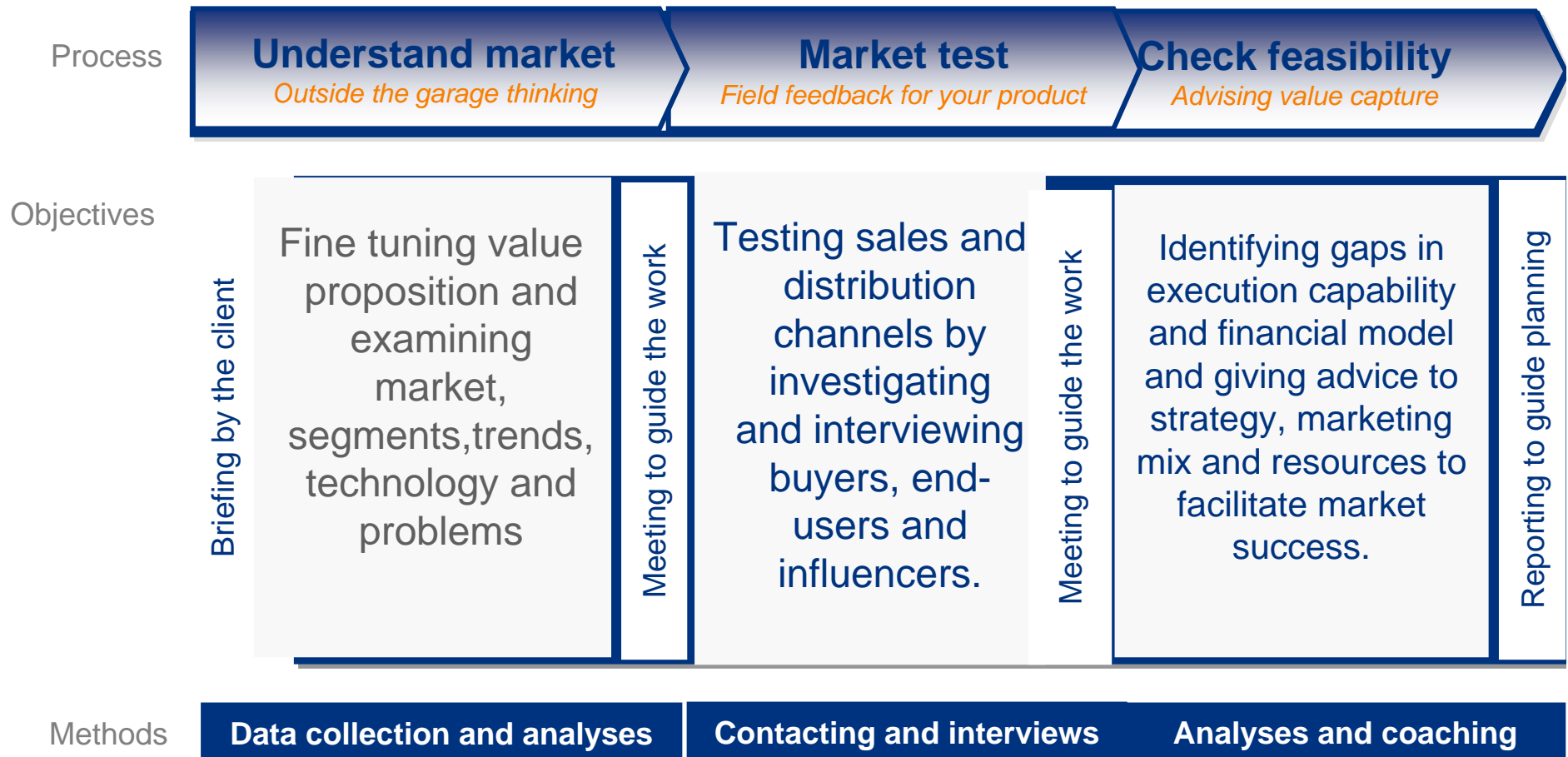
**SearchSpace** is a developer of fraud detection software for the financial services industry

**SSS Holdings Corporation** is a global IT consultancy providing the financial world expert knowledge of complex multi-platform environments; services include application development as well as systems outsourcing.



# Why don't you carry out a TestDrive with Finpro?

## Fast and pragmatic market study





Gains from Test Drive:

## Field feedback, contacts for the future

Who knows what is happening globally and influences market development?

### THOUGHT LEADERS



Relationship

### COOPETITION

Who competes, who could help?



### CUSTOMERS

Who will buy, and what do they want and value?

network



### INDUSTRY EXPERTS

What is the market fit and timing?



**THANK  
YOU**

**Pirjo Toivanen  
Finpro Western Europe  
Global ICT team  
177-179 Hammersmith Road,  
London W6 8BS  
Tel. +44 208 6007274  
Mobile +44 78 66 77 5613  
[pirjo.toivanen@finpro.fi](mailto:pirjo.toivanen@finpro.fi)**