

# ***Eagle Net***



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**E-Journal Newsletter – July 2013**  
**E-Vol. No. 63**

## **IS INNOVATION A KEY STRATEGY**

As a leader, are you committed to innovation as a continuous key strategy and a foundation in your corporate culture? How do you measure your competitive innovation successes? Are new ideas generated from multiple sources and is your radar always turned on?

Generally, people are energized by new ideas and innovations that benefit customers and their work environment. Unfortunately, many organizations are not cultivating ideas from employees and customers. Suggestion boxes have been empty for a while and there is no motivation to change. Customers are lost but there are no post mortems and competitive intelligence is not proactively or professionally managed. How do we turn on our innovative energy? It starts at the top; it is a performance necessity; it involves everyone at every level. There are rewards and recognition plus continuous incubator sites and self directed team empowerments focused on the real improvements in everything we do for the customer, the corporation and ourselves.

Creativity also needs a disciplined approach so that ideas are vetted and processed quickly and not bogged down in bureaucracy. Leaders are always asking for staff ideas and listening to customer inputs. They know that the status quo won't build future successes and celebrating is better than cost cutting. In our diagnostic interviews with staff we collect many helpful stimuli for their employers to innovate. Unfortunately, in many cases, the staff doesn't feel encouraged to bring ideas forward let alone, try something new! As you are into 2014 business planning, articulate your innovation strategy and stretch revenue/cost improvement goals.

## **CANADA**

### **"Smallenfreuden" Visa Push**

Everyone has seen the Visa TV ads promoting their cards for small purchases every day. These smaller purchases could generate significant fees for the bank sponsors and VISA. Also an additional discount is laid on retailers to the tune of 1 ½% to 3%. Naturally, retailers are pushing back and Canada's Competition Tribunal is going to decide if retailers can add transaction surcharges and choose which cards they will accept.

# ***Eagle Net***

**Page 2.**

Elsewhere in the world, e.g. Europe and U.S.A., surcharging is legal. In Australia there has been proven abuses i.e. higher surcharges than warranted so retailers gain more net revenue. Reputation risk is evident in this subject and the public will no doubt have the final vote with using the cards or not.

## Royal Bank of Canada #1

The Globe & Mail Report on Business has published its Top 1000 list of Canadian corporations. Royal Bank led by CEO Gord Nixon again took the #1 spot on the list with a profit of \$7.4 Billions. (BNS #2 with \$6.5B; TD #3 at \$6.4B; BMO #4 at \$4.1B and CIBC #6 at \$3.3B). The banks sure showed their corporate strength, depth and dedication with strong performances during a recessionary era. Royal Bank was #2 in revenue generating \$34.5B (Suncor was #1 at \$38.8B): #1 in market cap (\$88.1B).

## **UNITED KINGDOM**

### Barclays – Selling Customer Data!

Hold on to your customer agreements and privacy policy! Barclays has told their customers that it might start selling their information according to financial technology blog Finextra. Apparently the information will be scrubbed of personal data before it is shared. Additionally, Barclays is going to expand its data mining beyond transactions to include social media interactions with the bank and location data on smart devices used.

***Footnote:*** Data mining has expanded to multiple sources especially in the retail trade and financial services without telling customers. Will Barclays' situation attract more external scrutiny for everyone?

## **AUSTRALIA**

IBM's Watson computer was profiled two years ago when it won a round on jeopardy. Watson is a combination of natural language understanding, an extremely fast search engine and artificial intelligence that learns how to draw conclusions from the data.

Several banks including Citicorp and Royal Bank of Canada are quietly experimenting with Watson and ANZ, downunder, announced it will apply it in its wealth management division.

# ***Eagle Net***

**Page 3.**

## **U.S.A.**

### **Proposed Social Media Rules for Banks**

The Federal Financial Institutions Examination Council has proposed compliance rules on banks' use of social media. Penny Crossman wrote in the American Banker the rules that will require extra attention and effort:

1. Reining in employees who have their own social media pages
2. You cannot selectively edit Tweets and Facebook posts
3. Board and executive oversight of social media
4. Due diligence on third parties social media activities
5. Suddenly, the Community Reinvestment Act

### **New \$100 Bill Affects ATM Manufacturers**

On October 8<sup>th</sup> the new \$100 notes will become available, eventually representing over 25% of all U.S. currency in circulation. About half of all \$100 bills will be replaced by October 2014 and much of it will go overseas. It is a new dramatic design and users, banks and equipment manufacturers will have to adjust accordingly. The Bureau of Engraving and Printing has provided test copies to ATM makers.

### **Mobile Banking – Consumers Propensity to Pay**

A new report by ath Power Consulting in the U.S.A. states that consumers have become more willing to pay for mobile banking services. One in three are willing to pay something for mobile banking services, an increase of 13% over 2012's study results. 63% of small businesses said they would pay something!

### **GoBank is Live**

Green Dot's mobile consumer account, GoBank, is now publicly available. People can signup for the app on iTunes or at GoBank.com

## FBI Warning – Beware of a Surge in Spear-Phishing

These attacks are aimed at stealing intellectual property, financial credentials and personal information often to steal someone's identity as reported by Mathew Schwartz in Information Week. Phishing e-mails generally come personalized and real looking. Google's Transparency Report in June stated that it detected 108,225 phishing sites, up from 9,264 in May 2010. Spear-phishing attacks are difficult for businesses to block. Kaspersky Lab's report indicates that phishing attacks have tripled in the past 12 months. In the U.S.A. the sites most often emulated by phishing attackers was Yahoo followed by Facebook.

In another article in Bank Technology News, Sean Sposito warns bankers to beware of fast-spreading Facebook malware. Evidence suggest that hackers are using the Zeus Trojan virus to target large numbers of bank customers via Facebook!

Last month, RSA's Anti-Fraud Command Centre reported on a Trojan called Bugat that has been updated to hijack out-of-bank authentication codes sent to bank customers via SMS. The Trojan also enters customers' computers through links to a familiar website in a social media post or an instant message.

## Cloud Based Enterprise Performance Management

Banks and credit unions, large and small, are being driven to implement a convergence of enterprise risk management and integrated financial performance management to meet industry and regulatory changes. More holistic, efficient, flexible and timely information and reporting services are required to protect financial footings and to continue sustainable growth. Cloud portals can be the answer for integrated support and quick decision-making. Not only is compliance improved but users are in a better position to protect against vulnerabilities and to capitalize on opportunities.

## Cloud Computing Grows Exponentially

Gartner market research predicts that the worldwide public cloud services market will reach a total of \$131 billion this year – an increase of 18.6%. Many benefits are attached to cloud computing, and all FI's should be assessing their "cloud readiness" and developing an associated strategic plan to optimize returns from cloud computing. In the U.S.A. last year, the Federal Financial Institutions Examination Council published a guide on "Outsourced Cloud Computing".

# ***Eagle Net***

**Page 5.**

In assessing application readiness an FI needs to evaluate its objectives, costs (operating and capital), Internet connectivity and application fit, sales and service benefits and “the low hanging options” plus medium (up to 2 years) and longer term possibilities.

## Boards’ Questions About Technology

McKinsey & Company are suggesting 9 questions that Boards should ask about technology!

1. How will IT change the basis of competition in our industry?
2. What will it take to exceed our customers’ expectations in a digital world?
3. Do our business plans reflect the full potential of technology to improve our performance?
4. Is our portfolio of technology investments aligned with opportunities and threats?
5. How will IT improve our operational and strategic agility?
6. Do we have the capabilities required to deliver value from IT?
7. Who is accountable for IT and how do we hold them to account?
8. Are we comfortable with our level of IT risk?
9. Are we making the most of our technology story?

## **THE LAST WORD**

Back in 2010 the Foreign Account Tax Compliance Act (FATCA) was signed into law to become effective January 1, 2014. Basically, the U.S.A. and Canada are agreeing to share banking information to attempt to catch tax evasion but major concerns exist regarding protecting personal privacy. The banks want the CRA to have the reporting responsibility. The U.S.A. has signed deals with a number of other countries also.

Sharing information for money laundering is quite different than opening up the personal information database to other separate countries and politicians better be aware of the extended ramifications outside of trying to identify tax evaders. Sure there are many Americans living in Canada that have already voiced their concerns. Generally, the whole concept of opening up a country’s citizens’ data to foreign powers access and manipulation undermines the basic trust people have in their governments and financial institutions, let alone the nation’s sovereignty.

Everyone in the industry has to follow the eventual regulations and procedures closely and then educate their customers and the public on what information is exchanged and is at risk in foreign hands. This is “Big Brother” watching everyone not just tax evaders.