

Technology-led Innovation Regime

Interview with
Somnath Menon
Head of Operations,
Mashreq Bank



Mashreq is one of the oldest locally incorporated banks in the Southern Gulf and is at the forefront of the UAE banking industry. A bank whose journey to success started 40 years ago, Mashreq constantly looks at ways to provide its customers innovative products, a convenient branch and ATM network and excellent service levels.

In May 2007, Mashreq unveiled a new logo following a rigorous three-year programme to evolve and redefine the bank's brand. During this time, Mashreq sought a deeper understanding of the market, its customers and employees, listening to them through in-depth market research and feedback forums.

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With an overriding theme of ‘Opening the Way’, Mashreq strives to constantly enhance its relationship with customers, employees and partners, positioning the bank as the most up-to-date, innovative and easiest to do business with.

Over the past year, Mashreq has launched a host of new products that include credit cards, accounts and loans, tailored to meet each and every customer’s requirements and needs. In addition, the bank has added new branches across the region and new ATMs to its extensive network.

Mashreq continues to build on the success of the past, keeping an eye firmly fixed on the future to cement its position as one of the leading financial institutions in the region.

Somnath Menon, Head of Operations & Technology at Mashreq Bank talks to FinacleConnect’s Research and Contributing Editor, Rekha Menon, about the challenges and opportunities facing banks in the Middle East today and Mashreq’s plans for the future. Somnath Menon joined Mashreq in July 2006 moving from Citigroup, London, UK. He was with Citigroup for nearly 20 years and has worked across different assignments in India, Africa and East Europe, besides UK. Somnath has seen the changing phase of operations & technology over nearly 3 decades in the banking industry, across the globe, and has been on various expert panels across regions. He is currently responsible for implementing and running the operations and technology strategy for Mashreq.

Q What are the key developments in the banking industry in the UAE today?

A High growth, consolidation, entry of new players and rise of Islamic banking, these have been the main features of the banking sector in the UAE in recent years. Between 2003 and 2006, the UAE banking industry grew by 123.8 percent with the maximum growth being experienced by the trading business, personal banking and construction businesses. This growth is expected to continue, aided by infrastructural developments and other initiatives such as the setting up of the Dubai International Financial Centre.

Q What are the main challenges facing banks in the region?

A Competition is intensifying and the playing field is getting smaller. This is the foremost challenge for banks in the region. Additionally, there is the challenge to automate and deploy technology to assist growth. The banking industry in the UAE still operates in a very paper-intensive environment. There are lots of manual processes and paper-based documentation. While banks are making an effort to automate operations, the government too is making a big push for banks to become electronic. For instance, the Image Cheque Clearing System (ICCS), akin to Check 21 in the US, has been mandated by the UAE Central Bank to improve payment clearing processes in the country and is expected to be implemented this year.

Core banking is another area where there is immense scope for improvement. Most banks in the UAE have legacy systems that are

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either home-grown or third-party solutions. They now need to look at new-age systems that can help them meet their current and future requirements.

Q **What strategic initiative has Mashreq Bank adopted to help it compete successfully in this market?**

A For Mashreq Bank, service is a key differentiator. We are constantly looking at ways and opportunities to improve customer service and provide better and innovative means to increase customer convenience. Additionally, risk is a critical focus area. We are looking at areas of risk such as operations risk, business continuity planning and information security. All this means that our focus on technology becomes even higher.

Q **What is the importance of technology at banks today?**

A Today 70-75 percent of initiatives in a bank are technology dependent. Any initiative, even good housekeeping requires technology, which is moving from being an enabler to a driver. The more innovative technology gets, the more creative are the product offerings to customers.

Q **Could you describe the key technological initiatives at Mashreq Bank?**

A Mashreq has always been a technology innovator. We were the first to introduce the chip card in the country and are constantly

looking at ways to maintain this position. Currently, we are in the midst of a large-scale technology overhaul at the bank, where we are replacing all legacy systems be it core banking, product processors or front-end systems. The change is not restricted to software applications. We are upgrading the network and hardware as well. For instance, we are getting into superdomes, fault-tolerant servers and upgrading old ATMs. On the processing front we are introducing imaging and workflow. This strategy was formulated a year ago and rolled out during the end of last year. We expect that by 2009, most of the new technology will be in place, with the core banking replacement probably taking longer.

Our tendency earlier was to focus on homegrown systems, but now our strategy is to adopt best-of-breed solutions and practices to gain maximum benefits.

Q **What are Mashreq's future engines of growth?**

A Retail banking and Islamic banking are the two main areas of focus for Mashreq in the near future. In response to the rapid growth of Islamic banking in the Middle East and to meet customer requirements, Mashreq set up its own Islamic finance subsidiary, Badr Al-Islami, in 2006. As a result, retail and Islamic banking are also areas that are seeing maximum investment in technology.