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GLOBAL INDEPENDENT PERSPECTIVE ON FINANCIAL TECHNOLOGY

FEATURE FOCUS OUTLOOK 2021

WHAT COMES NEXT?

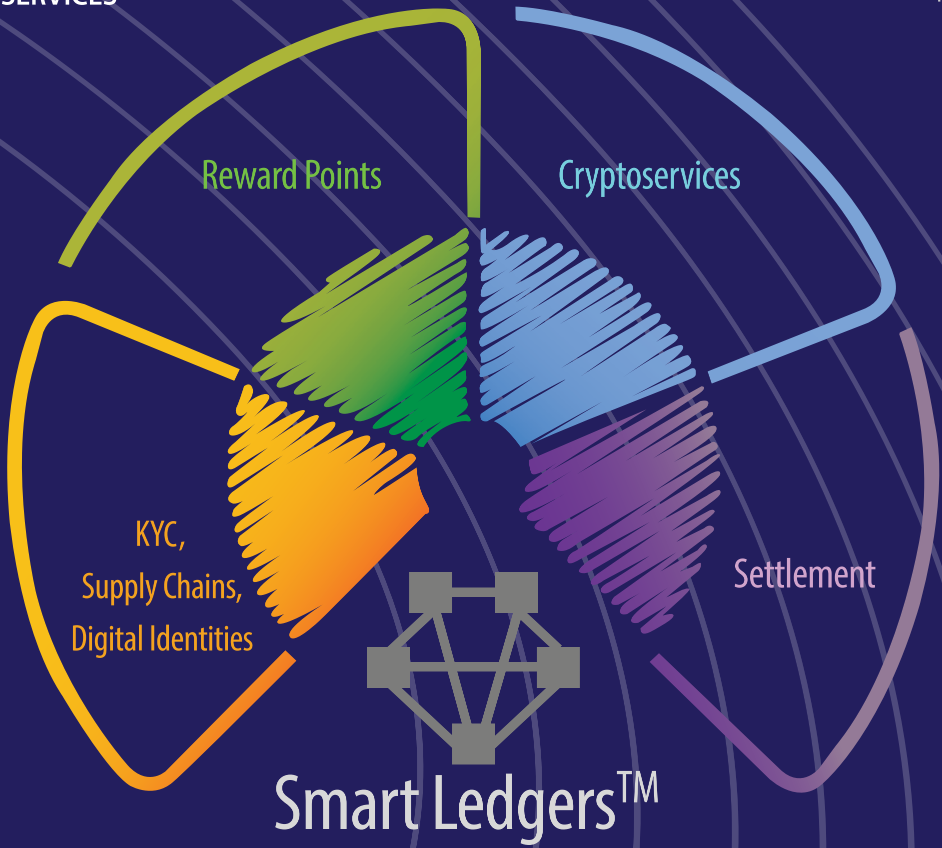
Innovations, trends and opinions for the year ahead

THE BIG INTERVIEW

R. Vivekanand, VP & Co-Head, TCS Financial Solutions

TATA CONSULTANCY SERVICES

QUARTZ™ The Smart Ledgers



We don't just think blockchain.
We think agent of change in decentralized technology.

Where every participant, be it within an organization or a larger ecosystem, can play a significant role in creating a reimagined smarter business process .

Quartz, The Smart Ledgers™, are a set of enterprise DLT solutions predicated on co-existence, integration, and interoperability.

A startup incubated in TCS, Quartz set out to deliver the network effect of ecosystems communicating with each other seamlessly. Our ready-to-use business offering, **Quartz Smart Solutions**, can jump-start organizations looking at implementing applications on distributed ledger technology. Offering interoperable decentralized solutions, the **Quartz Gateway** helps move data from one blockchain ecosystem to another just like any messaging system. More importantly, it makes sure that the integrity of a blockchain system remains intact, something that most enterprise players have been looking to achieve. We also help our clients build their own solutions on blockchain platforms combining our Smart solutions as per their choice, using the **Quartz DevKit**, which is an intuitive, low-code solution.

In short, we are way past the hype around blockchain and have moved beyond promise to production, helping our customers show real, meaningful results, and drive change.

Write to us at quartz.tcs@tcs.com for a demo.

Change is coming!

How the pandemic has increased not just cloud adoption but also product innovation and new tech from AI to instant payments and beyond. R. Vivekanand, Vice President and Co-Head of TCS Financial Solutions offers his thoughts

Robin Amlôt
Managing Editor, IBS Intelligence

The Covid-19 pandemic has accelerated the adoption of cloud-based solutions and fast-forwarded the need for product innovation, but what does that mean in practice for banks? R. Vivekanand (Vivek) is Vice President and Co-Head of TCS Financial Solutions, the financial products business of Tata Consultancy Services. He spoke to IBS Intelligence about the kind of changes the pandemic has induced in the financial services industry and what it means for rapid cloud adoption in the face of a huge increase in customers' online activity.

"The adoption of cloud significantly accelerated through the course of 2020. There had been quite a few fence-sitters but with the 'work from anywhere' paradigm forced on us, institutions have had to respond. Cloud became the best vehicle, it is omnipresent, and you do not have to be in a particular location. You don't have to send people to be in a particular location. Cloud is now in the business ecosystem of enterprises. A lot of things like data security, how to protect enterprise data, how to monitor teams moved to enterprise class in a matter of weeks.

"Hyperscale and elasticity of infrastructure is needed, cloud will become more of a necessity going forward rather than just a choice, and institutions need to embrace it. They should not look at cloud as a cost proposition. You can see financial institutions that have seen 300% growth in online volumes, struggling to cope if they are not having the elasticity that they will get on cloud."

The changes wrought by the pandemic aren't just in the cloud, what about smart contracts, instant payments and crypto? Will banks be looking to offer new investment options and instant services?

"Yes, even if the incumbents don't look at new services, the neobanks or crypto banks will. Large, established institutions have to embrace this path quickly or somebody else will. There has been a lot of digital innovation but not enough product innovation. What digital innovation has done is to completely revolutionise access – what you can do from anywhere on your phone. In countries like India and in parts of Africa, digital has democratised access and made financial products and services accessible to the man on the street in a simple form.

"However, there has not been enough product innovation. It is only in the last couple of years that we have seen a big acceleration in terms of payments and in many cases, payment is still not instantaneous. In FOREX, it still takes 2-3 days to send money to most countries and the percentage you pay remains significant, so there is a lot of friction. That is one area where there will be product innovation.

"A combination of digital, crypto and DLT (distributed ledger technology) has a significant role to play. Digital gives the access while crypto makes the currency or asset available anywhere in your own wallet, in a secure form unlike cash. You don't need to keep it in a bank, you can keep it wherever you want to keep it. Most importantly, DLT can make it secure and instantaneous. You don't need to go through a number of intermediaries to make a transaction possible between two people.

"A lot of today's payments include intermediaries, Apps and Super Apps like Google Pay, PayPal, among others. DLT, with its characteristics of trust and immutability can facilitate point to point transactions and still give security and the comfort that we feel in going to a large financial institution.

"Change will also happen in investments. People will be able to invest in various asset classes. Not in just what we know now: mutual funds, hedge funds, sectoral funds, real estate funds, etc. I, as an individual, can't go and buy a small slice of a real estate development project today, but tokenization and crypto can allow me to do this, revolutionising and democratising investments, allowing small

Vivekanand Ramgopal, Vice-President and Co-Head, TCS Financial Solutions; Global Head, Quartz

investments into what are otherwise large parcels of investment currently only accessible to HNWIs."

Where is DLT heading in 2021?

"The big change that is happening is that DLT will become 'foundational' like TCP/IP for networks. It will enable a number of things to ride on top of it and offer a more efficient way of doing business. We expect to sign up 12-15 significant projects in 2021 that will all leverage DLT as a foundation. We strongly believe in co-existence; DLT will not completely change the world but will co-exist with existing investments. We need to integrate with existing tech and interoperate with data in existing systems and networks. Co-existence, integration and interoperability are the core philosophy that TCS has adopted.

Do you have specific examples of how banks might use DLT?

"We are doing a couple of projects in Switzerland, offering another way of doing investments for private banks. It does not change what they do today but adds to it, they are also able to leverage blockchain and crypto exchanges, to offer investments in crypto assets and crypto currencies. This is a clear example of high-end enterprise-class usage of crypto and DLT to offer more choice.

"On the other hand, we are doing some work for a payments system in the US to enable people to pay at Starbucks with Bitcoin. This is the kind of 'cool stuff' that people like to see but when you put together a large financial institution doing this with the likes of Starbucks it matures from being cool to enterprise-class payments.

"We are just about to start a programme for bank guarantees on a distributed ledger for a customer in Israel. We believe bank guarantees can go this route very easily. We are also looking at interbank borrowing as a transaction that will happen on blockchain in India. These are examples where people were operating almost manually, it was definitely not STP. If you put all these transactions on a distributed ledger, you are really doing something meaningful. It is a process that did not exist before and there will be no friction in the new process."

Are there any regulatory issues – have regulators come to grips with the changes taking place?

"There are markets where the regulators have not just embraced change but are even driving it. Examples include Singapore, Dubai, Switzerland... it is perhaps no surprise that these are also locations with trading and financial hubs. Other countries are taking a 'wait and see' attitude but the regulators that are leading the way will give confidence to other countries to embrace change.

"Issues surrounding concerns about fraud, AML and Bitcoin do get mixed together in people's minds but crypto won't be stopped. We have gone beyond that point and you will see a more reasoned view from regulators in the future.

"As regards fraud and AML, AI and machine learning (ML) will have a big impact in the next 3-5 years. A lot of work now is 'post event' but with AI and ML implementations you can clamp down on fraudulent transactions. Combine that with KYC on the blockchain and you will see a faster e-KYC mechanism that makes it easier for institutions to be compliant. I believe there will be a breakthrough in fraud management.

"Add in other technologies, available at scale and at reasonable cost, and banks' fraud management will get better and the acceptance of crypto more widespread."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