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Financial services sector
set to face significant
shake-up

IN CONVERSATION
Jos van Huut, Chair



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Fundsmith is a good case in point. The online equity fund has become a trailblazer for financial services platforms thanks to a recent hi-end re-launch of its company website.

Launched in 2010 by the outspoken fund manager, Terry Smith, Fundsmith Equity Fund adopts a 'no nonsense' approach that seeks to achieve higher performance than their peers by proudly doing things differently. The fund has exceeded all expectations by returning 121 per cent since inception, amassing total investments of over £4.1 billion from its 13,000 investors.

In 2010, Terry decided to invest most of his personal fortune into his new fund and invited others to do the same and share in the wealth that the collective investment would make. To support this, the online strategy from inception was to allow investors to deal and manage their funds directly on the company website.

As well as breaking the mould with their 'no nonsense' investment strategy, Fundsmith has similarly distinguished its online presence by using an understanding of customers' needs to do away with unnecessary legalese and complicated financial jargon in favour of a user-friendly investment process and a fully-featured, yet simple, investor portal.

To achieve this, the website is integrated with International Financial Data Services (IFDS); a global technology services provider and equity registrar for funds. They make available a powerful set of web services that provide the dealing functionality for over 160 organisations globally and are responsible for safeguarding over 17 million investor accounts.

Equity funds looking to evolve their web presence from simple online brochure to powerful trading platform would do well to investigate the services offered by providers such as IFDS and its rival, Capita Asset Services.

For an out-of-the-box solution, these organisations are happy to roll out their white labelled products for clients. With limited development time and ongoing costs, this approach is attractive to companies who are not always particularly focussed on the digital media aspect of their business.

But for the more intrepid, those who wish to take a longer term view and want to provide a much more branded experience for their users, platforms like IFDS and Capita Asset Services can be used as a rich set of services to build completely bespoke experiences for clients.

This type of thinking is exciting because it means that the next generation of investment portals can be driven not by the established and biggest fish in the sea, but by smaller more experimental pioneers; the guys that just might breathe the new life into the finance industry.

But identifying a suitable technology provider is just the first hurdle when it comes to transforming a brochure-like website into a first-class financial services platform. Other considerations include:

Content management

Although servicing current customers with convenient online functionality is arguably the most important consideration, a fund's website also has to serve as a glossy online brochure to entice new investors. It needs to show the latest press coverage and buzz around the fund, whilst also doubling as an accurate, real-time source of performance data.

To achieve this in a streamlined way, it is recommended that a Web Content Management System (WCMS) is used to allow marketing teams to directly edit content on the website without requiring a third party.

There are a number of WCMS systems on the market and advice should be sought from a web technology consultancy on the best product for your business. A good consultant will be able to identify the right system to suit your business's needs and ensure a robust web experience that is scalable, secure and performs to highest standards.

Payment integration

Any website looking to take payment will need a relevant processing mechanism. Trying to develop the infrastructure and systems to support this yourself would be extremely inefficient. As such, it is highly recommended that a payment gateway is used for processing online transactions. Examples of popular providers include WorldPay, PXP, SagePay and PayPal.

Going down this route will ensure that card details and other sensitive customer information is handled by a third party. Sensitive data, such as card details, should not be stored in the web layer as this brings added concerns around making the website compliant with Payment Card Industry Data Security Standards (PCI DSS). This will, in all cases, lead to considerable overheads. It is also worth questioning whether storing customers' details to enable convenient repeat payments is worth the risk and effort.

Security

Probably the biggest concern for customers using websites, especially ones that safeguard their finances, is security. However, integrating with a technology services provider is an effective way of outsourcing these concerns to a third party. That said, this does not mean security can be taken for granted.

To ensure customer data is safe, the Open Web Application Security Project (or OWASP – a well-regarded online community concerned with web security) recommends the following security tips within its 'top ten':

- Make sure that authentication and session management is handled well. Best practice guidelines suggest that applications don't reveal more about a user than is necessary; that accounts are locked if suspicious behaviour is detected, that users must be verified before registering or resetting their passwords, and that a sensible password policy is put in place.
- Make sure the website never sends user supplied data back to the browser through cross-site scripting. An application built in this way could allow a hacker to hijack a user's session.
- Ensure the site is safe from injection attacks where hackers can take advantage of an application that sends untrusted data to an interpreter. Take special care not to reference important objects, such as account numbers, in the URL of the page. This could allow hackers to access information they are not permitted to view.
- Take a holistic view of the components of the website to ensure it is configured to provide the maximum levels of security. It takes only one component in the stack to be misconfigured

and a website is at risk. It is also important to ensure that any components used are updated and are not harbouring any known (published) vulnerabilities.

- Encrypt sensitive data. Without this, data could be intercepted or stolen and would be immediately understandable to the perpetrator. Data encrypted with the latest algorithms would render this data unreadable even if it is stolen.

This list is by no means exhaustive. So it is wise to ensure selected technology suppliers are knowledgeable when it comes to these issues; and even wiser to involve a specialist web security firm to undertake a full security audit of the website prior to launching. This will give piece of mind that the system and customer data are as secure as possible.

The crucial take out

Financial services is one of the most firmly established sectors in the business world and it can be hard to evolve something that is so entrenched in time-honoured systems and customs. But the truth is that the industry is brimming with innovation and financial services are gearing up to embrace new web technologies.

As businesses like Funding Circle, Zopa, and Nutmeg show, fresh thinking in the industry, powered by digital technology, is disrupting financial services like never before. Consumers have become accustomed to the conveniences that these innovations can bring; and their expectations are evolving accordingly.

Those that push back against this progress will find themselves left in the wake of Fundsmith and the other progressive – and highly successful – new kids on the block. In short, success in financial services is now dependent not just on smart investments and smart thinking, but also on smart technology.

Abhay Kumar is technology consultant at Priocept, a UK-based company that designs, builds and runs web technology platforms for well-known European companies including Glaxo Smith-Kline, Allianz, Virgin mobile, Dyson, London Stock Exchange, and TUI Travel.



By Abhay Kumar