

Interview with Group CEO Dr. Urs Rügsegger

“We’re in the midst of a transformation”



New technologies, international competition, complex regulatory requirements: The financial sector faces unprecedented challenges. Costs are rising. Margins are falling. Traditional business models are coming under increasing pressure. In this interview, Group CEO Dr. Urs Rügsegger explains why the business model of SIX is still going strong, and how the Swiss infrastructure can take advantage of the transformation currently taking place.

Mr. Rügsegger, is the existence of a central infrastructure for the Swiss financial center still justified, given the global momentum in the financial industry?

Absolutely – more than ever, we believe.

Please explain.

It enables the participating financial market players to deploy their resources in the right places – in other words, where they think they are needed. Services they cannot use to differentiate themselves can be outsourced to us. This makes them more flexible and gives them the opportunity to benefit from economies of scale that go beyond their own limited size.

What challenges does the financial sector face at present?

Overall, it faces the megatrends that have already fundamentally altered other sectors: globalization, regulation, digitization. These developments have led to huge upheavals in other sectors over the past few decades. The same “wave” is now rolling towards the financial industry.

So what does this mean exactly?

Modern technologies make tried-and-tested products and services “look outdated” from one day to the next. New competitors – many of whom are not traditional financial sector players – are entering the market. They systematically focus on providing a new experience for the customer, and force their way into the relationship between customer and bank. Pressure on business models is intensifying. At the same time, the established players are coming up against an ever denser array of international regulations, and this in turn creates new costs.

But surely these developments also affect SIX?

Of course. Ultimately it is our business environment that is changing at such great speed. Current developments could potentially change our company fundamentally, because of new competition from global technology giants such as Google or Apple, for example. Then there are financial market regulations, which could deprive us of market access in Europe if we fail to meet the EU’s equivalence requirements. And, of course, we feel the effects of the cost pressure faced by our clients too.

What is SIX doing about this?

Our diversified business model allows us to reduce our dependency on individual business areas and markets. That makes us financially stable – the best position from which to react appropriately to changing market requirements. We never stand still and we keep an eye on how our environment is changing. We, ourselves, are already in the midst of a transformation.

How does this transformation look, and what are the strategic considerations behind it?

Two considerations are of central importance: First, we regard the challenges currently confronting the sector as growth opportunities for SIX. We are confident that a central infrastructure is still well worth having even in the current state of upheaval, and that we will be able to tap into other areas of business. Second, we are aware that SIX needs to become even more agile and flexible if it is to remain a relevant partner for its clients in a dynamic economic environment. Our strategic directions for the period to 2019 are based on these two considerations. >

What are these strategic directions?

We are concentrating on four: expanding our business volume, industrializing our business model, strengthening our capacity for innovation and enhancing our ability for transformation. To this end, we have defined appropriate measures for the entire company as well as the individual business areas.

[The first specific examples of implementation are described in the pages that follow this interview – Ed.]

Let's take the example on page 30.

That's the ATMfutura project.

How does this generate business volume?

The first step is to standardize the software used in ATMs. At present, each bank is running its own solution. By standardizing and operating this service, we can realize significant economies of scale for the entire sector. At the same time, we are creating the necessary conditions for taking over other steps in the value chain. SIX could offer the whole range of services, from evaluating locations and installing, operating, and equipping ATMs right through to their disposal.

*SIX also wants to become more agile, and respond more quickly and flexibly to client requirements.**How is it setting about achieving this goal?*

When developing new products, we place emphasis on discussion and close collaboration with our clients and partners. This is shown by the examples on pages 29 and 33. Of course, we have the advantage that our clients are also our owners. We are therefore always close to the market. The gratifying findings of our annual client satisfaction survey also reflect this. A total of 52% of our clients award us top marks and see us as an important strategic partner.

So what's new in the relationship with clients?

We are involving our clients even more actively in the development of products and services. This allows us to ensure we are developing exactly what the market needs. And also that we ourselves are developing in areas in which we can be of use to the market.

And how is SIX becoming more agile?

We are working intensively to streamline our international organization further and speed up our processes. This is a challenge, because we

are simultaneously obliged to guarantee the stability of our systems and the quality of our services at all times. There is no doubt that the move to a shared location in Zurich West is another important step. As described on page 29, this will make it even easier for our four business areas to communicate with one another. Improving the way we manage projects is also crucial if we are to become more agile. We are doing this by means of the PM@SIX package of measures.

Is SIX also taking action on the cost side?

Yes, we as an organization must – as previously mentioned – become more efficient. On the one hand this aim refers to the absolute size of our cost base, which should grow considerably more slowly than turnover. It also covers issues related to outsourcing or transferring activities to cheaper locations. Furthermore, we also need to boost our scalability: in other words, achieve an above-average increase in profitability with new revenue. In particular, this means reviewing and harmonizing the product range.

And how important is it to develop new products and services?

It is absolutely crucial for us to open up new opportunities for our clients by offering innovative solutions. We will target investments in digitization so as to be better prepared to meet the needs and wants of an increasingly digital world.

In August 2015, SIX also founded F10 in order to create the necessary conditions for innovation and speed up the development of new processes.

Yes, F10 is still the innovation center for SIX. That is where we use an agile process to develop prototypes that we intend to quickly turn into marketable products, provided our clients say they pass the test. In October 2016 we changed F10 into an association in order to open it up to other companies in the financial sector. Bank Julius Baer and PwC Switzerland are among the first members. Collaborating within this network will benefit not only us, but also the entire financial center. ■