

IBM Performance 2012

Smarter Analytics. Smarter Outcomes.



The high cost of IT and how Bank of New York Mellon responded

Changing the economics of Information Management



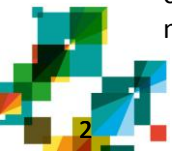
John Emmerik

13 November 2012

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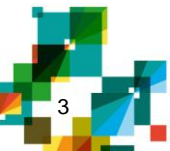


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Agenda

- Information Growth, Trends
- Very Simple Savings Proposition – Dispose of Unnecessary Data
- Bank of New York Mellon:
 - Challenges
 - Solution
 - Benefits



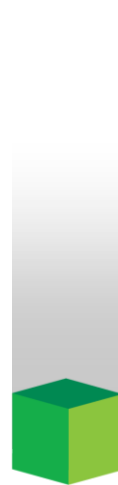
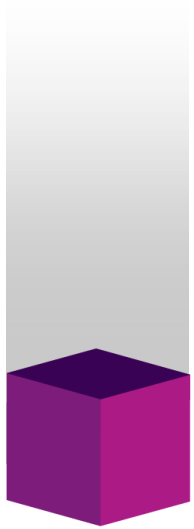
Some relevant questions

- How to handle data explosion ?
- How to handle regulatory compliance ?
- How to increase business value ?
- How to limit IT spend ?



Content in Motion

Realizing the value of content
to transform your business



Content is exploding

The marketplace is driving greater
**volume, variety
and velocity**



The Information Flood is Breaking Current Governance Processes

90%*

of the information in the world was created in the last 2 years.

44x*

The additional amount of information that will exist in the universe by 2020.



Content is exploding



15 Petabytes
of the information created daily



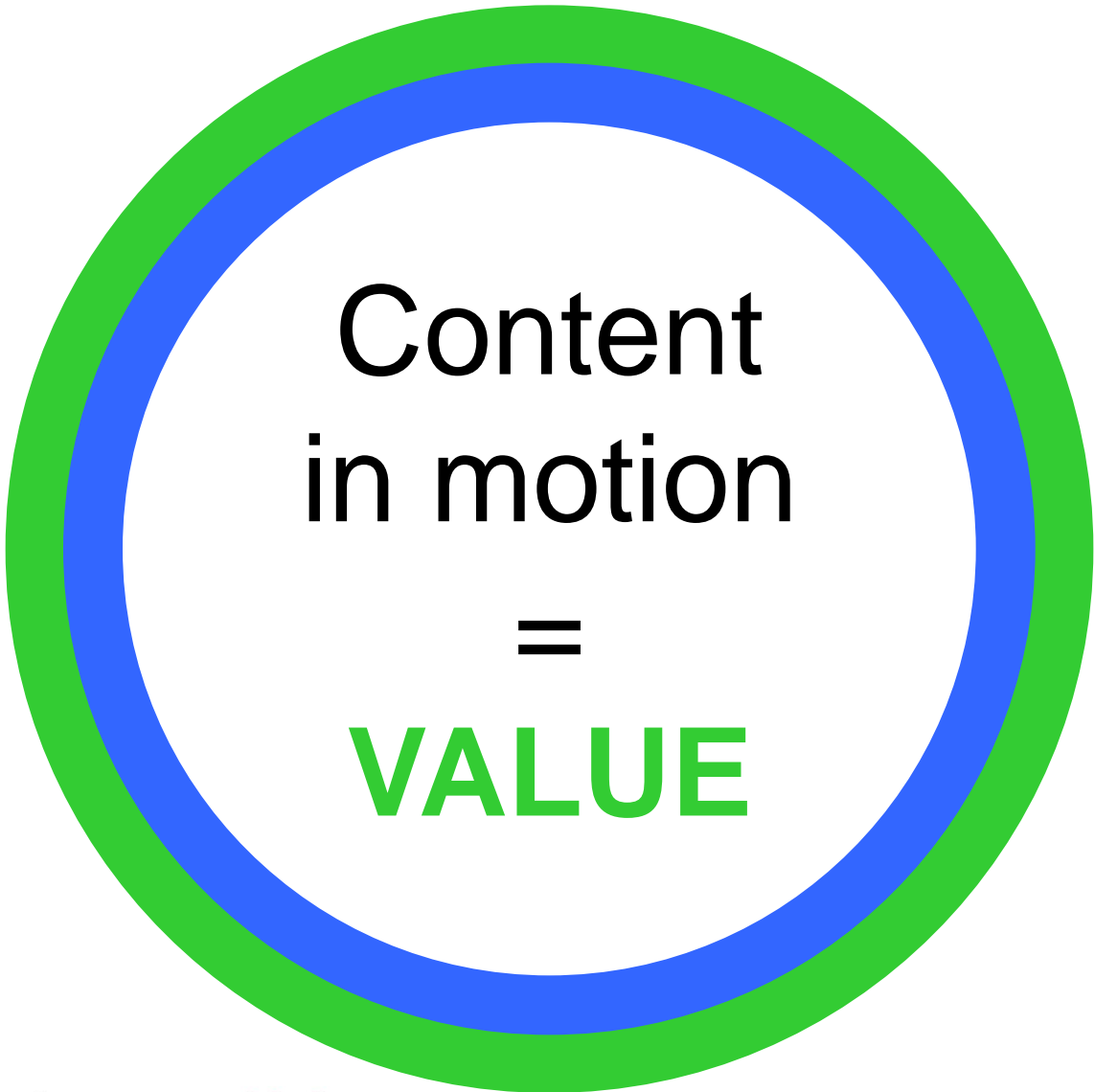
80%
of the information growth is
unstructured content





Content
at rest
=
COST





Content
in motion
=
VALUE

Information Lifecycle Governance (ILG) / Defensible Disposal (DD)

Changing the economics of Information Management



Organisations struggle to manage information volume, value and risk.



How do I meet legal obligations more efficiently and reduce legal risk?



How do we find information of value and use it to make better decisions?

How do I deal with doubling data and shrinking budgets?

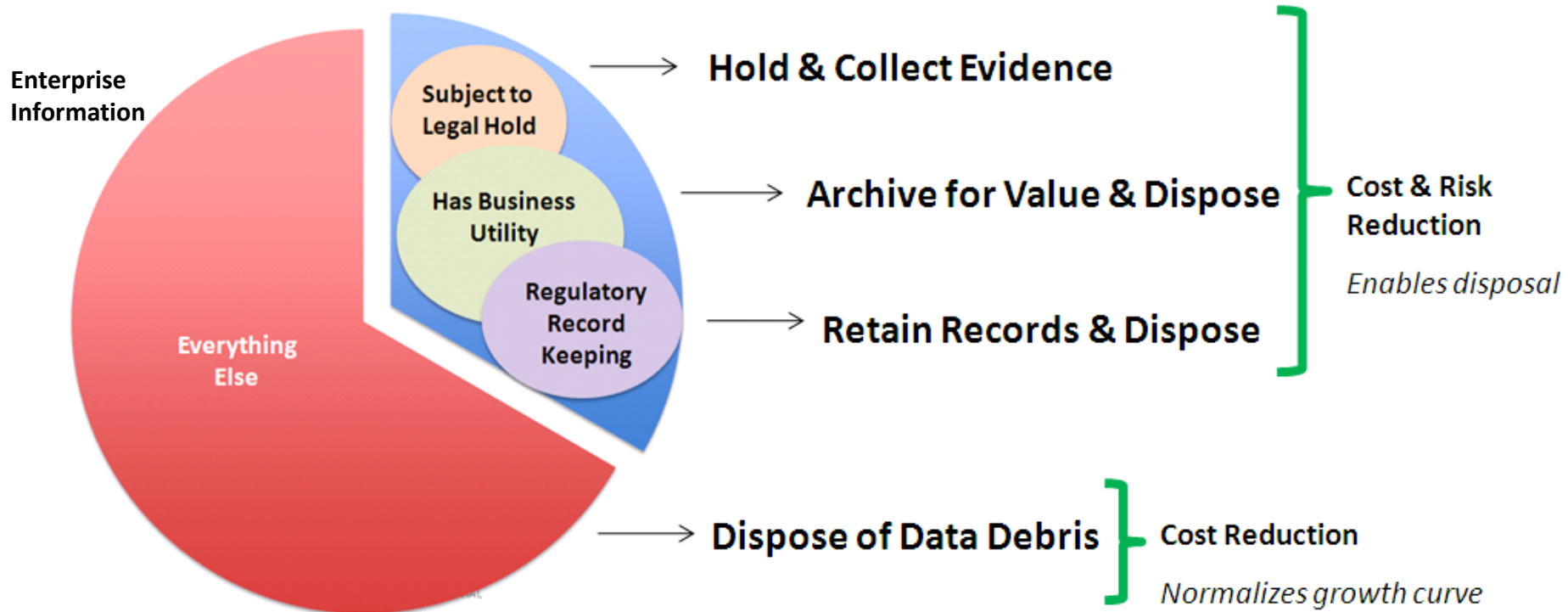


How do I go from physical to digital records management?

Disconnected siloes are the problem and the source of high cost and risk.



Defensible Disposal a Very Simple Savings Proposition



90%* of the information in the world was created in the last 2 years.

44x* The additional amount of information that will exist in the universe by 2020.

**Big data: The next frontier for innovation, competition and productivity McKinsey & Company, 2011 Study*

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57% of respondents' companies had governance committees

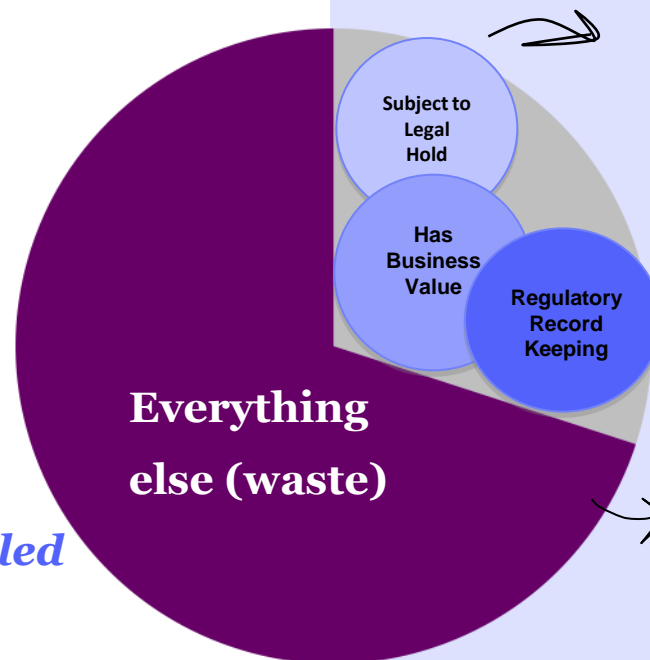
Only 17% said right stakeholders were at the table

Business as usual is no longer a rational option

The "Keep Everything Forever" model has failed

New CGOC Survey Confirms Key Governance Challenges and Needs:

85% Agree consistent collaboration and systematic linkage across legal, records and IT needed



75% agree Legal holds process and inventory of all legal holds are needed

77% agree Retention schedules that reflect both regulatory and business are needed

75% agree Defensible retention schedules and actual disposal are needed

Many reasons to initiate an ILG Disposal Program, examples

RISK COST REDUCTION

- ❑ French bank: Government investigation led to unnecessary discovery and disclosure of information dating back to 2001 (7 years older than required retention) which cost €70MM to collect, restore and review and led to additional settlement costs in excess of €200MM
- ❑ Swiss bank: Government investigation led to global ediscovery and disclosures which unnecessarily exposed aged client data
- ❑ US bank: Litigation and government investigation led to discovery of 750 million emails and extreme ediscovery cost, making \$300MM settlement more cost effective than continuing the dispute
- ❑ Swiss pharmaceutical: Litigation led to discovery of 15 year old unnecessary information that triggered \$1B settlement

COST REDUCTION

- ❑ US Bank: at current course, data volume grows from storage costs growing to \$1B in 2015 from \$200MM today and there is no ability to dispose of data as it ages
- ❑ US Bank: merger caused 300 redundant applications and regulatory rules required decommissioning within 18 months. Initial efforts took 6 months per application to determine regulatory, legal and business need for data
- ❑ US Bank: IT Transformation plan called for \$400MM reduction in IT spend in 36 months
- ❑ US telecom: Application retirement project promised \$100M savings but stalled by lack of clarity on data retention and legal requirements
- ❑ US insurance company: email and unstructured data volume growing twice as fast as IT budget





BNY MELLON

- Who We Are
 - Financial services company focused on helping clients navigate global markets.
 - One of the oldest, continuously operating financial institutions in the world.
 - Served clients through every economy since our founding over 225 years ago.
- What We Do
 - Manage and service investments for clients in capital markets around the world.
 - Enhance transparency, facilitate liquidity and help clients manage risk in financial transactions.
 - Serve a diverse range of individuals and institutions.

Business Highlights

At June 30, 2012

Investment Management \$1.3 trillion in assets under management

Investment Services \$27.1 trillion in assets under custody and administration



REVENUE

Reaching and retaining customers is difficult in current industry, economic and political circumstances making expense reduction essential to profit growth

VALUE

IT spend in most companies is misaligned with revenue, profit and growth objectives while IT expectations from customers and the business are changing faster than ever

ALIGNMENT

Data volume is a key pressure point and consumes an increasingly large portion of IT budgets without commensurate increase in business value

IT organizations must transform to:

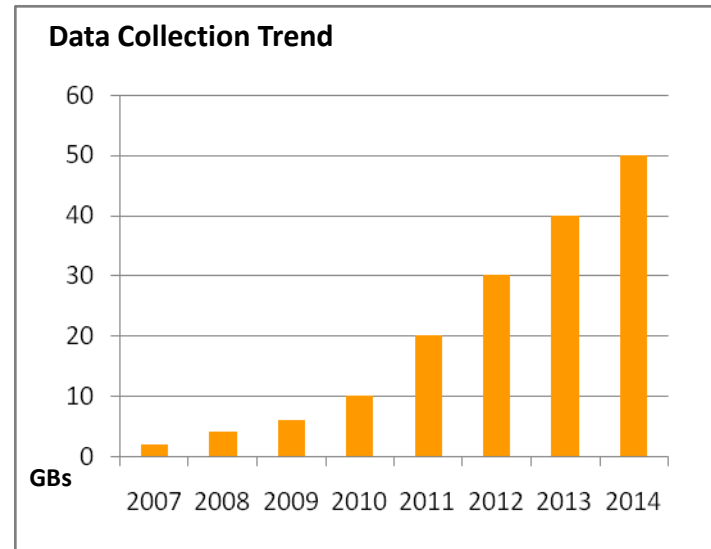
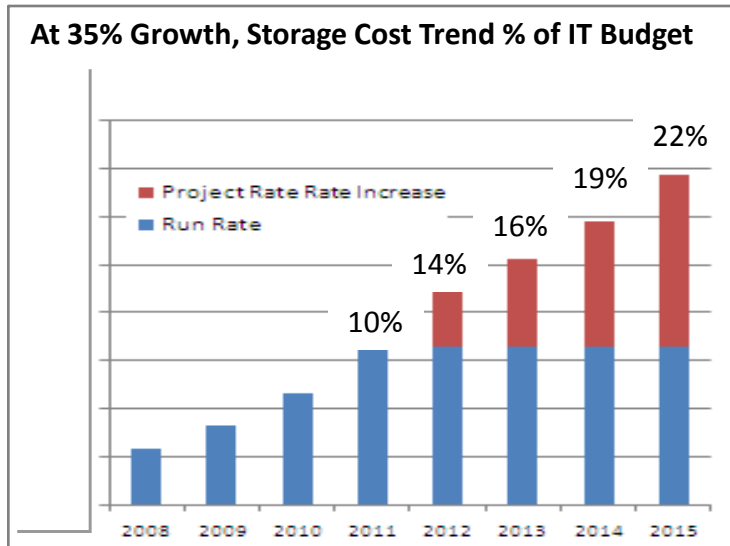
1. Make greater contributions to profit and shareholders
2. Meet expectations of CEOs, customers and shareholders
3. Lower costs and allocate resources to higher-value activities
4. Align information cost to information value



Legal Costs Rise with Information Volume Growth

Rising Volume and Cost At Odds with CIO Goal to Reduce Costs While Increasing Value to Enterprise

The Amount of Discoverable Evidence Increases as Data Volume Rises, Driving Up Litigation Costs and Risks



"Data storage is the single fastest-growing component of a technology organization's spend, because of the insatiable appetite our customers have for data and information"

– John Fiore, CIO Bank of New York Mellon
Bank Systems & Technology, Oct 2011

"Discovery phase can represent over 50 percent of the total litigation costs, with e-discovery consuming more than half of that budget" -- Protiviti Inc.

Accumulative – compounding quantity and costs.

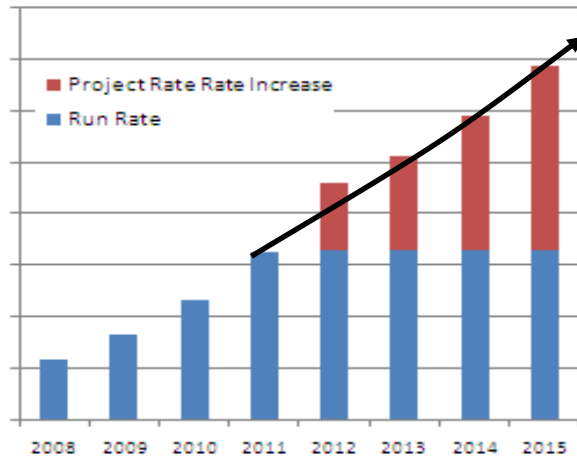


Data Growth Outpaces Storage Budgets and Business Processes



*Run rate costs double quickly if volume grows >30%
Consumes CIO budget*

Storage: Direct Procurement Costs in Millions

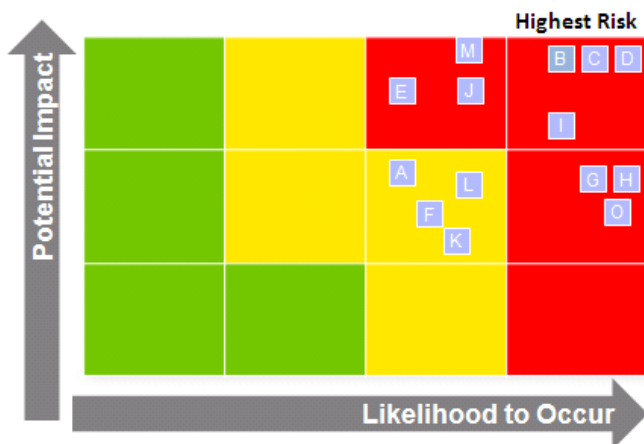


*Information volume overwhelms information governance processes
Undermines their effectiveness*

Governance processes have not matured to reflect volume, specifically how to:

- Define and execute legal holds and data collection (A-F)
- Apply retention schedules to electronic information (G,H)
- Align storage and manage information based on specific legal obligations and business value [I]
- Provision, decommission and dispose of data [L,M,N]

High Risks & Mitigation Burden



This leads to excess data and cost as well as operational challenges that in turn contribute to risk:

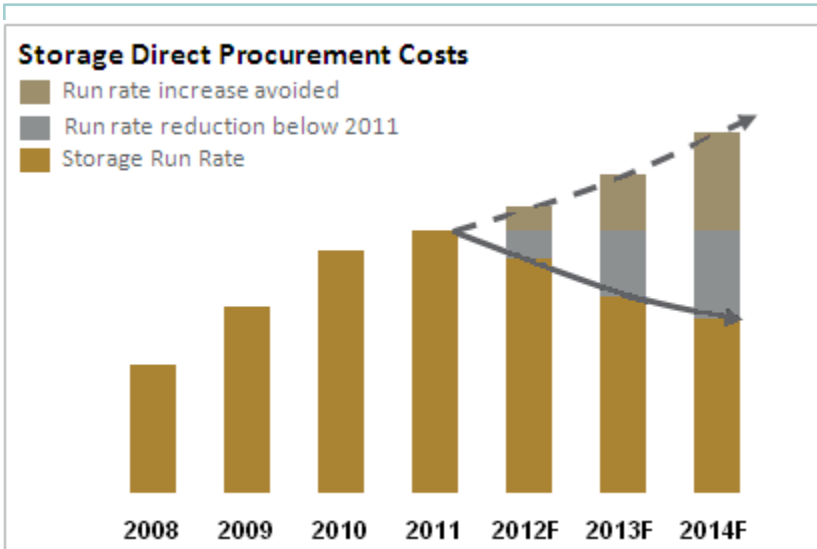
- Difficulty disposing of unnecessary data
- Complexity in applying legal holds
- Inefficiencies in data management and governance

16 governance processes impacted by high data volume such as placing holds, collecting evidence, decommissioning systems and their inherent risks, represented in A-P.

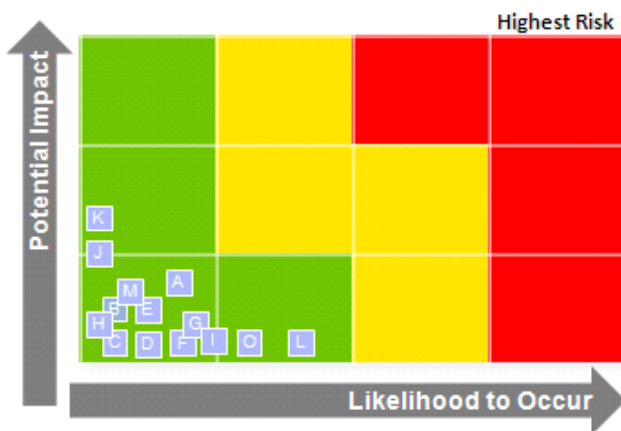
BNY started Information Lifecycle Governance Strategy and Solution Lowers Operational Cost and Risk



Curbs storage growth, lowers run rate permanently



Estimated Risk or Mitigation Burden Reduction



Program leadership, process improvement and technology from IBM

Information Lifecycle Governance Program

- Executive charter for enterprise initiative
- Processes, capabilities and accountability to achieve cost and risk reduction benefits through



Process improvements, expertise and technology:

Value-Based Archiving & Defensible Disposal

- Archive to shrink storage, align cost to value
- Dispose rather than store unnecessary data

Extend and automate retention management

- Include electronic data that has business value in addition to records for regulatory requirements
- Automate retention schedules across all information to enable reliable, systematic disposal.

Automate the legal holds and ediscovery process

- Structure and automate legal holds process to lower risk, increase precision, enable disposal
- Analyze in place to reduce unnecessary collection, processing and review



The Economic Benefits of Information Lifecycle Governance (ILG) Automation and Defensible Disposal are Compelling



We could spend \$.. m less next year and lower our run rate



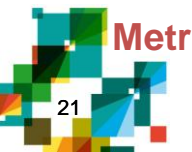
We could lower run rate \$.. m now and spend \$.. m less over 3 years



We could free up \$.. m to drive revenue and profit

TOTAL BENEFITS :

- 1. > \$... M enterprise value created over 3 years
- 2. with lower legal and IT costs
- 3. reduced risk



What is Information Lifecycle Governance for BNYM?

- Business sponsored initiative focused on improving data storage costs and aligning information management with information value:
 - ✓ Automate the Legal Holds and eDiscovery process
 - ✓ Extend and automate retention management
 - ✓ Implement value-based archiving & defensible disposal
 - ✓ Reclaim over-allocated/unused storage.

The End Result

1. Substantial cost reduction and avoidance
2. Reduced business, litigation, and records retention risk



Transformation is essential, ILG critical to improving cost and Efficiency Metrics



IT Transformation and Lifecycle Governance help BNY Mellon to

1. Re-align IT spend to business realities
2. Increase portion of IT budget invested in strategic business goals
 - Reach and retain customers
 - Grow revenue
3. Engage with the business in systemic change and improvement
4. Make greater contributions to profit and shareholders



Thank You!

