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IT IS A MINDSET

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With all of the data and new ideas, we can completely redefine banking today.

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KIM HAMMONDS, CIO AND COO AT DEUTSCHE BANK, IN AN INTERVIEW WITH THE INTERNATIONAL BANKERS FORUM. **FOTOS** RUI CAMILO

If you have the chance to talk to Deutsche Bank CIO Kim Hammonds, you quickly get an impression of her way of doing things. There is not much talking around, Hammonds thinks in solutions. Before she joined Deutsche Bank, she had nothing to do with the Financial Industry, she worked for Boeing, Ford and Dell. Her credo: Systems have to run.

Kim, you have been with Deutsche Bank for almost three years now. Could you give us an impression of your work at the Bank?

Kim Hammonds: I concentrate on the topics of technology, operational processes, real es-

tate, procurement and security. I am responsible for ensuring that the Bank functions. And at best flawlessly, every day, 24/7.

But my most important job is to re-engineer the Bank in such a way that it is equipped for the future. That is my mandate. That is what I call it.

How much progress have you made?

Hammonds: Our focus is on configuring the Bank for the long run. We have to drive efficiency by automating and digitalising. The staff are really important in this context, too. The Bank has to concentrate on recruiting the right talent and selecting the right ►

»We not only want to cut costs, but our goal is also to reduce complexity and risk. My team and I are giving the entire Bank a totally new architecture, and that starts with the IT« **KIM HAMMONDS**

► management personnel that will enable us to really achieve our objectives. Innovations are the most enjoyable topic for me, but no doubt we will discuss that later.

You are an engineer. How does that fit in with Deutsche Bank?

Hammonds: I have a degree in mechanical engineering. I draw on the skills I learned and am now trying to apply them across the Bank.

It sounds like this is a major challenge.

Hammonds: Let's put it this way: I am on a new learning curve at Deutsche Bank. I have a pretty good understanding of automation and processes. These are absolutely common and necessary concepts in industrial companies. I worked for Boeing and Ford. It is part of such companies' DNA to work in exactly this way. In the financial industry, people are just starting to realise what this actually means.

Is any of this sinking in?

Hammonds: Yes, absolutely. But, of course, this is change that leads to further change. Employees will have to undergo a shift in mindset. We must adjust and realign expectations. This is occurring across all levels of the company.

After the nearly three years that you have been with the Bank, do you think this change is possible?

Hammonds: Change is possible. We have already achieved a great deal. The stability of the IT systems has increased significantly. When I started here, there were glitches in the system every few days. We have improved in this respect and are continuing to work on this.

Were the systems outdated?

Hammonds: The Bank's technology was much too complex. Of course, this has to do with the history of the Bank, which grew very rapidly in very many areas. This resulted in a landscape that lacked structure.

Furthermore, we have introduced many more regular tests to check whether the systems function properly. This is just what I am used to from my previous jobs. In industry, there is a lot more testing to ensure that a system really does operate trouble-free. It does not make sense to chase mistakes just for the moment. It

is more sensible to install a stable system from the outset.

What is the current status of the IT? Is it viable for the future?

Hammonds: This is a long-term process. We have over 4,000 applications. There are many versions of software and hardware spread across the entire Group. We are streamlining and standardising. There will be a more simplified structure including cloud technology. We not only want to cut costs, but our goal is also to reduce complexity and risk. My team and I are giving the entire Bank a totally new architecture, and that starts with the IT.

Are you already at the point where you want to be?

Hammonds: There are some areas we are really excellent in. These include, for example, the Autobahn platform that we use in investment banking and the new mobile banking app that we launched a couple of months ago. These have won us awards. This is something I am very proud of. But, quite frankly, there is still a long way to go.

All of this costs money. How much is the Bank spending on all of this?

Hammonds: Without giving you concrete figures, I can assure you that we are making the necessary investments. We have to do this, too, because one thing is particularly important to me: I want to get the IT sorted once and for all. We have al-

ways invested in the IT area, of course. But now we are attempting to spend the money where it really makes sense. We will be ploughing a billion euros in digitalisation over the course of the next five years. And we invest a three digit million Euro number every year in order to comply with new regulatory requirements.

The Bank comprises four different segments that have different requirements. You speak of standardising and simplifying. These areas differ so much – how can that work?

Hammonds: We are proceeding methodically. First, we have to invest in the backbone of the whole system. If that does not run smoothly, the rest does not run smoothly either. We started with this aspect and have achieved the required stability. Now we are working our way upwards into the area of the applications in the individual business areas that you specified. There are Chief Information Officers in each of these areas who, for their part, are working through their lists of tasks. Differing priorities might crystallise there. However, the basis is always the same.

Will the future Deutsche Bank be anything like it is today?

Hammonds: It will be less complex. This includes, for example, the "pay-as-you-go" model. We only pay for what we use. It is so pointless to keep software and hardware on hand that we do not need. This just burns money. By the way, pay-as-you-go may be quite innovative for the financial industry, but in technology companies this is standard practice. That should give us a competitive edge. Today, 27 percent of our applications have been standardised. By the end of this year we want to reach the 35 percent level, and by the year 2020 this should be over 85 percent. Doing this simplifies and accelerates updates.

This all sounds like a very structured approach, but are the employees on board? For years, many things were done differently.

Hammonds: Large teams like to know what is expected of them and how success is measured. Employees want to be part of a project that brings improvements. We are gradually seeing the ►

CURRICULUM VITAE

KIM HAMMONDS

Kim Hammonds, born in 1967, is responsible for technology and operations, including information security, data management and digital transformation and corporate services. Ms Hammonds joined Deutsche Bank from Boeing in November 2013 as Global Chief Information Officer and Global Co-Head of Group Technology & Operations. She joined from Boeing, where she was previously Chief Information Officer. Before Boeing, Kim Hammonds held management positions in Dell and Ford Motor Company.



DISSOLUTION *A while ago, Deutsche-Bank-Chef Cryan called the IT at Deutsche Bank "lousy". Hammonds calls the IT too „complex“.*

► first results. This is a journey that will last for years.

You demand a lot.

Hammonds: I also learn a lot. I learn something every day. This is also where my background as an engineer comes in useful. I want to solve problems by tackling them. This is what drives me.

What are you yourself learning?

Hammonds: Something I've experienced over and over again, and here too: you are only as good as your team is. You have to win people over. Otherwise, the entire strategy fails. I have also learned that although the financial industry has its own particular features, the fundamental requirements do not differ all that much from those in industrial companies such as my previous employers, Ford and Boeing. Besides, I have learned that we have to be among the leaders when it comes to integrating the innovations fintechs are generating. We must understand what they are attempting to do and where they use their strengths to shake up the financial industry.

How seriously do you really take the fintechs?

Hammonds: Very, very seriously. It is not an issue of one single fintech taking over the business of a bank. But there are umpteen thousands of these companies spread across the globe. They are all seeking to make inroads into individual areas of our business model. Does that keep me lying awake at night? No, it doesn't.

Why not?

Hammonds: I don't see fintechs as opponents but as partners. There is so much that we can learn from them. But they can learn from us, too. If fintechs want to be successful they have to attain economies of scale. Things have to work.

Everywhere, all the time. Regardless of whether this involves payment transactions, trading or security issues. As banks, we have the relevant volumes and customer base. We can help fintechs along the entire value chain.

When you speak of partnership, what does it look like?

Hammonds: We have innovation labs in Berlin, London and Silicon Valley, with more to follow. We intend to get to know

as many fintechs as possible. Last year, we took a closer look at well over 500 firms. We are looking at their technologies and seeking to integrate them into our company where it makes sense. We recently opened our Digital Factory in Frankfurt, where 400 software developers, IT experts and banking experts work together with fintechs that come from all around the world and send their staff on temporary assignments there. Everyone is working under one roof. This is a new form of collaboration.

Does this mean the era of business attire and blue suits is over at Deutsche Bank?

Hammonds: To each his own. An important aspect of the major transformation taking place within the Bank is changing how we do things, in other words, how people work together. It is purely a mindset. Continuing to do everything just like it has always been done is not an option. We need catalysts for change. With all of the data and new ideas, we can completely redefine banking today. And we are realigning ourselves much closer to the needs of our clients.

Taking a look at the financial industry it is clear that banks of today are actually technology firms.



THE SPHERE The art installation by Mario Bellini is the centre-piece of the Deutsche Bank headquarter in Frankfurt. It is made out of almost 60 rings.

»Technology is driving everything. If it doesn't function, everything comes to a halt. For this reason, stability is a topic that keeps me going« **KIM HAMMONDS**

Hammonds: Yes, that's exactly right. They are technology firms in the banking business.

Will we need banks any more at all?

Hammonds: We need bankers who understand banking. We need bankers who understand regulation. And we need bankers who understand their clients as well as their changing needs. This is what Deutsche Bank stands for. But technology is what is driving everything. If it doesn't function, everything comes to a halt. For this reason, stability is a topic that keeps me going.

Deutsche Bank's CEO John Cryan recently advocated more consolidation in the banking sector. What would this entail in terms of IT?

Hammonds: In most cases, the motivation for mergers is to cut costs or broaden the range of offers for clients. When it comes to IT, you have to identify the areas where the IT infrastructure is better and then migrate into one system. This is a challenge. For clients, it has to take place as seamlessly as possible. And you have to proceed very methodically. The aim here is to benefit from leveraging economies of scale.

Would a merger of Deutsche Bank and Commerzbank generate such scale benefits?

Hammonds: Right now, it is important for us to do our own homework.

Companies like Amazon, Google and Facebook are gigantic technology firms. These companies are of a completely different calibre, while typical fintechs are rather of small size. Does this keep you awake at night?

Hammonds: No, it doesn't. We can learn a great deal from these companies. For example, Amazon is a company that knows very precisely what its customers need or could need in the future. Whenever a purchase is made, there are immediately suggestions for something new. Google has some of the best software engineers in the world. It's an example that encourages us to hire more engineers.

And to bring IT back into the bank.

Hammonds: Exactly. When I first started here, we had outsourced over 70 percent of our IT activities, and we only handled 30 percent ourselves. We are turning this

ratio around. We will do 70 percent internally by the end of 2020. Of the employees we hired this year in my area, those joining technology were mostly from engineering or computer science backgrounds. They have learned how to tackle things to get them done.

How difficult is it nowadays to recruit all these experts? After all, the reputation of the banking sector is badly tarnished.

Hammonds: There are times when it is a lot of fun to work in banking.

Did you say fun?

Hammonds: Yes, I did. Even if it's a tough environment: I like to have fun. Ideally, every day. You are more productive and creative. We work in an industry that is currently undergoing deep-rooted change. If you thrive on change, transformation and technology, you will like working in the financial sector.

Is blockchain technology accelerating change? Some consider it the greatest revolution since the creation of the internet.

Hammonds: I am convinced this technology harbours enormous potential. It will continually be developed further and will become more robust. Together with other banks, we are working on the development of a digital currency, which we call the "Utility Settlement Coin". This will make clearing and settlement simpler.

Banks are very tightly regulated. How much does this slow you down in implementing your plans?

Hammonds: Regulation is a fixed item on our agenda. It costs money, but there are no alternatives here. We listen closely to what regulators expect from us.

Do you have the impression that regulators see eye-to-eye with you and your plans and understand how and why business is being transformed?

Hammonds: I personally spend a great deal of time with regulatory authorities across the globe. I explain what we do and plan to do. It is vital that we understand each other.

The day of the Brexit referendum was a true test for the IT systems. No one could predict what would happen. What was the day like for you?

Hammonds: This did involve a great deal of work for all of us; I only slept two hours

that night. For two months, we tested what could happen under different circumstances. Although no one really believed in the Brexit scenario for a long time, we went through it in the bank under real conditions. No one wants any surprises in such a situation.

How did it go?

Hammonds: The volumes traded were much greater than we expected, but everything ran smoothly and remained stable. The teamwork was outstanding. It was one of the experiences at the Bank when I was especially proud of my team.

What would have happened if there had been an error message? Would you have pressed the "help" button?

Hammonds: My life would be much easier if there were such a button. But in fact, we could have called up, for example, additional server or storage capacity if the data volumes had become too large. However, this was not limited to the day of the Brexit vote. There was very high market volatility for days afterwards.

What does Brexit mean for you and your area?

Hammonds: I share John Cryan's view. We have nearly 9,000 staff members in the UK. But as a bank with a home base in Germany and a strong presence in other European countries, we can respond flexibly to changes. But there is no need for us to take action until the concrete effects of Brexit become fully clear.

Kim Hammonds, thank you very much for this interview. ■



IN THE TOWERS IBF-Editor-in-chief Inken Schönauer and Publisher Andreas Scholz met Kim Hammonds at Deutsche Bank.