



## Submission No 26

### **Inquiry into Australia's relationship with India as an emerging world power**

**Organisation: ANZ**

**Contact : Mike Grime  
Manager Director  
Operations, Technology & Shared Services**



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Dr Margot Kerley  
Secretary  
Joint Standing Committee on Foreign Affairs, Defence and Trade  
Department of the House of Representatives  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600

Dear Dr Kerley

**Inquiry into Australia's relationship with India  
as an emerging world power**

Thank you for the invitation to ANZ to make a submission to the Committee's Inquiry into Australia's relationship with India.

This submission outlines ANZ's business operations in India and our plans for future growth. We thought the Committee may be interested to see an example of an Australian company working to broaden and deepen business relationships with India.

ANZ's interests in India comprise of:

- ANZ Operations & Technology Private Limited – a software development and processing operation based in Bangalore;
- ANZ Capital Private Limited office in Mumbai;
- trade finance transactions for Australian companies doing business in India and for Indian companies doing business internationally;  
and
- a long-term strategy to establish a partnership with an India-based financial institution.

## **ANZ Operations & Technology Private Ltd, Bangalore - Technology**

ANZ is the most international of Australia's banks with operations in 29 countries employing 28,000 people. With such globally dispersed operations, ANZ has adopted a strategy that locates back office technology support services in the most appropriate locations.

ANZ competes in a global economy in the highly competitive field of financial services. Our ability to compete depends on us being able to deliver the products and services our customers want in a cost effective and efficient way. Utilising skilled employees in the countries in which we do business is a sensible business decision for ANZ.

ANZ has expanded its business in India in order to remain competitive and to allow it to continue growing its business in Australia. This includes, for example, opening more branches and creating 3,000 additional jobs, mainly in front line staff in Australia, over the last two years.

The Indian Government has strongly supported the development of its IT industry for over 20 years and has been very proactive in developing a successful comparative advantage in this industry. In recent years, Bangalore has developed as a global technology centre with many of the world's largest companies, including IBM and Microsoft, basing key parts of their technology and operations support functions there.

### **Overview of ANZ Technology business model**

ANZ has owned a technology business called ANZ Operations & Technology ("ANZ Technology") in Bangalore, India since 1989 (it was formerly known as ANZ IT). Over the last 17 years, ANZ Technology has established a specialist capability in developing and managing software and technology for many of ANZ's systems.

ANZ currently employs about 1,000 people in Bangalore and this is expected to rise to around 1,300 staff by the end of 2006.

ANZ Operations & Technology Private Limited:

- o is a wholly owned subsidiary of the Australia and New Zealand Banking Group Ltd (ANZ), headquartered in Melbourne;
- o is a technology service provider of end-to-end solutions to ANZ Bank worldwide, in most of its business areas, providing 40 per cent of ANZ's technology delivery requirements;
- o selectively provides services to other companies e.g. ING Vysya, Bank of Punjab, Bank of Samoa and HFC Fiji. However, it is currently in the process of exiting third party services;
- o also selectively provides services to other companies such as Standard Chartered Bank and SBSA Bank in South Africa; and

- o is among 1 per cent of software organisations worldwide assessed to be at CMM Level 5 Quality. This contributes to the professionally attractive work environment offered by ANZ Technology in addition to high quality delivery.

The model aims to segregate front from back office activities moving ANZ towards the centralised back office model used successfully by the top performing banks worldwide.

Advantages of the Bangalore model include:

- o access to skilled people including large numbers of graduates who are interested in technology and operations roles, especially a larger pool of people skilled in newer programming languages;
- o Bangalore's position as a global technology centre;
- o the different time zones between Australia and Bangalore provide an extended working day, which creates efficiencies;
- o lower total costs including employment, property and technology costs;
- o quality of the work output;
- o better access to vendor laboratories such as Microsoft and Oracle; and
- o more resilient business continuity planning in the event of major incidents by having operations activities in multiple locations.

The close relationship that has developed between ANZ's teams in India and Australia is one important reason why we have been successful, in spite of the 'tyranny of distance'. Successes include:

- o staff satisfaction is at 88% - an industry best – and reflects the world standard working conditions and employment opportunities offered by ANZ in Bangalore;
- o reduced customer IT costs by 21%;
- o optimal implementation of Core Banking system across 16 countries;
- o IT Cost reduction of 40% - customer cost/income ratio in mid-40s; and
- o increased project throughput twofold.

The ANZ Bangalore premises have world-class infrastructure and work facilities that are co-located with major IT vendors such as Microsoft and IBM. This provides ANZ's staff with better access to vendor laboratories that are located in India, not Australia.

ANZ's investment in its Bangalore operations consists almost entirely of people and premises costs. We aim to be an employer of choice in the 29 countries in which we have operations. The Indian market is highly competitive for skilled IT labour and we compete with other firms in this market for the best talent available.

### **ANZ Operations & Technology Private Limited , Bangalore - Operations**

We have identified a small number of functions involving around 100 roles where we are piloting operations roles in Bangalore. It is early days in our consideration of the concept and it will take two to three years to develop the idea.

Currently, we are piloting a Statutory Compliance team divided between Australia and India. The Statutory Compliance team is responsible for the management of and response to regulatory notices, court orders and other instruments used to compulsorily obtain information in relation to ANZ customers.

Locating part of this work in Bangalore is expected to improve efficiency and ensure greater workflow management of the more routine regulatory notices that ANZ receives on a daily basis. The ANZ team in Bangalore will support their Australian colleagues by remotely performing data retrieval and compilation tasks. ANZ's team in Bangalore has received training in relation to ANZ's privacy obligations, including the National Privacy Principles and they operate within ANZ's overall risk and compliance framework. A risk and compliance team is located in Bangalore to ensure compliance.

The integrity and confidentiality of customer information is a priority for ANZ and its program for relocating business processing to Bangalore. Each relocation is subject to appropriate governance and is supported by information security and privacy compliance reviews, which are independent of the reporting lines within the business concerned.

### **Supporting our staff**

ANZ has made a series of commitments to its staff to assist those affected by the location of some IT and operations services in Bangalore. This includes ongoing communication about proposed changes; retraining staff who wish to continue their careers at ANZ and giving them priority for vacant roles within the bank; and career counselling and support services to help others identify opportunities outside ANZ. Our focus is on redeployment and internal mobility to ensure we redeploy and retain as many people as possible within ANZ. For example, the majority of the 300 IT staff affected by last year's decision to move IT roles to Bangalore have found other roles within ANZ.

## **Customer contact roles remain in Australia**

As an international company, ANZ believes locating some functions overseas is necessary and appropriate. However, ANZ also understands that customers want to be able to talk to staff in Australia about their banking and financial services needs. As a result, all retail customer contact roles, including call centre roles, will remain in Australia.

## **Privacy of customer information**

Staff in Bangalore are ANZ employees and they operate under the same ANZ policies and controls that we have in place in Australia – that is, high standards of privacy and confidentiality.

Records for our Australian customers are located in Australia and will remain located in Australia. They are subject to Australian law and privacy standards and where there is a need to access customer data by ANZ staff in other countries, that access accords with Australian privacy law and ANZ's global information security policies.

ANZ takes its obligation to keep customer data secure and private very seriously - it is a central part of our role as a bank. We have a comprehensive set of information security systems and policies in place for ANZ's operations globally to ensure we fulfil that obligation in Australia, in New Zealand and in the other countries we operate in around the world.

To ensure we fulfil that obligation, ANZ invests in comprehensive information security systems, in staff training and in compliance monitoring. This includes a specific promise in our Customer Charter to keep customer information private and secure.

## **Trade finance business**

ANZ India represents the Investment Banking interests of the ANZ Group in India. ANZ India was incorporated on 7 November 2001.

The main business provided through the India office includes commodity trade finance, leasing and infrastructure finance, structured export finance and personal and private banking for international students and migrants. The main target market is trade finance for corporate customers. However, as we are classified as a non-bank financial corporation, all transactions originated in India are written cross border outside of India, primarily in Singapore.

ANZ has significant Direct Trade facilities in place for Indian corporations to finance the import of commodities into India as well as participating in numerous Indian bank trade transactions. We expect this business to

write around AUD1.50bn in 2007. ANZ also arranges transactions into India for our corporate customers elsewhere in the world.

Our customers are drawn from the top 50 corporate public and private corporations in Australia and India and also the top 30 Indian banks. The volume of ANZ trade finance business involves commodities including coal, soft metals, crude/petro-chemicals, grains, fibres and edible oils.

A growing area for ANZ is international student accounts and we are working with the respective Australian and New Zealand Government Education Offices, Education Institutions and Education/Migration Agents in India to promote ANZ personal banking products.

### **Investment**

ANZ believes there is enormous potential for economic benefits in India from Australian investment. ANZ welcomes the decision of the Australian Government to negotiate a trade and economic framework agreement with India.

Specific to banks, current direct equity investment by foreign investors in India is limited to 5%, with a scheduled liberalisation in 2009. ANZ strongly supports the liberalisation program and would like to see the Indian Government adopt regulatory flexibility in the interim for select, high value foreign investors.

### **Partnership strategy**

ANZ's ongoing strategy in Asia is to develop country-based partnerships with local banks or other financial institutions focused on retail and small business customers.

This partnership strategy seeks to combine the local bank's customer franchise, distribution and local knowledge with ANZ's strength in product development, operations and risk management. ANZ has used this strategy to acquire interests in operations based in Indonesia, China, the Philippines, Cambodia and Vietnam.

ANZ is currently developing a partnership strategy in India to complement our existing small ANZ representative office in Mumbai. ANZ is, in particular, looking to partner with one of India's 'new' (post-1994) private sector banks (Indian authorities allowed the establishment of private sector banks in 1994). In early 2006 ANZ commenced investigating a partnership opportunity with a well-established private sector commercial bank with pan-India operations.

## **Conclusion**

ANZ provides this information for the Committee's consideration as it reviews the relationship between Australia and India. ANZ's experience demonstrates the possibilities that are emerging for Australian companies to draw on the comparative strengths of Australia and India to grow our business, including finding cost efficiencies that can be used to create further jobs.

Should the Committee wish to seek further information or clarification on information contained in this submission, please do not hesitate to contact me.

Yours sincerely

Mike Grime  
Managing Director  
Operations, Technology & Shared Services