



FUTURE-PROOF BANKING STRATEGIES WITH AGILE TECHNOLOGY

TECHNOLOGY TRANSFORMATION STARTS NOW

Banks now better understand the strategic nature of their core systems and are ready to embark on critical technology projects to support future growth. Industry analysts predict that 2011 will be the year banks start renewing core systems. Major banks globally have already kicked off projects to renew software. Indeed, core renewal best practices and case studies filled a recent special edition of *Bank Systems and Technology* magazine.

During a CSC-sponsored webinar for banking industry leaders in February, more than 55 percent of participants surveyed said they were planning core system transformation projects in the next 12 months. "It's not really a matter of if but when for core systems renewal," said webinar moderator Matt Gunn, associate editor of *BS&T*.

BUSINESS CHALLENGES MAKE CHANGE IMPERATIVE

Is 2011 going to be the year in which all the discussion, analysis and hedging about core systems transformation finally turns into action? It would appear to be critically needed, given the market challenges that currently impede growth and expansion, which include:

- Growing wallet share
- The need to find new sources of revenue and accelerate time to market with new products and services
- Regulatory impacts after the global financial crisis
- Competition from new entrants such as Walmart and PayPal
- Increased requirements for managing credit risk
- Inefficient processes and brittle, complex environments
- Emphasis on total cost of ownership (TCO) and faster return on investment (ROI) for all IT projects due to depleted capital
- Integration challenges with acquisitions of distressed banks.

The good news is banks can leverage IT to address many of the challenges. Customer relationships drive bank performance, and myriad technologies are available to understand, extend and improve those relationships.

CUSTOMERS (MUST) RULE

The customer relationship is the paramount factor in growing wallet share. Providing relevant and competitively priced products and higher levels of service improves customer satisfaction, retention and acquisition. This requires banks to move from an account-focused operation to a customer-centric one. A bank must have a holistic view of each customer's relationships and interactions with the bank and current risk profile. Building a comprehensive understanding of customer behavior and needs allows a bank to offer its customers the appropriate products and services.

"Modern technologies are fundamental to delivering customer centricity," says Paul Leadbetter, CSC's global chief technology officer for Banking and Credit Services. "Capabilities for real-time delivery of content, products and services, intelligence and analytics should be central to a bank's strategy. From my experience working with top banks globally, it's clear that having a strong core system coupled with new technologies and associated capabilities can make a significant difference to how a bank meets its growth and efficiency objectives."

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CSC's Celeriti® is a new end-to-end suite of software products, components and services created for financial institutions of all sizes that want to realize the benefits of agile banking, cards, payments and lending platforms. Celeriti allows banks of all sizes to progressively modernize their environments while aligning with business imperatives.

Contact CSC at 1.800.345.7672 or inforequests@csc.com.

To learn more about Celeriti, visit www.csc.com/celeriti.

Customer-Centric Approaches	Enabling Technologies
Understand the full customer relationship by breaking down organizational silos	Customer-centric retail banking applications, SOA, customer intelligence and analytics
Offer bundled, targeted products and services	Business rules management
Deliver accurate, timely information and standardized processes	SOA, business process management (BPM), Web 2.0 services

First, Acknowledge that SOA Is Fundamental

Providing excellent customer service means aggregating checking, savings, loan, debit and credit card information and reliably delivering it through the customer's preferred touch points. Today's customers expect this. Using service-oriented architecture (SOA) will allow a bank to harmonize channels, create consistent processes and deliver a higher quality as well as a more consistent customer experience.

"SOA is critical to breaking down the organizational silos and improving customer satisfaction," says Leadbetter. "Web services improve customer satisfaction by delivering dynamic content and an enriched user experience through the use of lighter-weight SOA-based messages." Business process management and straight-through processing improve operational efficiencies and enable real-time product and content delivery.

"Banks must be responsive within the customer-designated timeframes and in ways that make it easier for customers to do business with the bank. That means standardizing and improving processes and dealing with more exceptions automatically," continues Leadbetter. "Standardized open Interactive Financial eXchange (IFX) Web Services can allow greater access to information, easier maintenance and simplified integration."

In addition to being critical to customer centricity, SOA is also a way to strengthen management of security and entitlements, giving banks better control over who can access data. Further, SOA is foundational to many technologies that deliver additional business benefits. For example, SOA enables business activity monitoring (BAM), which banks can use to improve customer responsiveness and reduce process bottlenecks.

Retain Existing Customers, Attract New Ones

As competition for customers continues to intensify, banks must focus on delivering a distinctive experience to retain existing customers and find new ones. Customer centricity not only provides customers with the experience they demand, it lets banks cross-sell with actionable and compelling information at each point of contact. Customer satisfaction is further enhanced through timely and accurate delivery of information using Web technologies and standardized processes that make it easier for customers to do business with the bank.

Core systems renewal creates a single version of the truth by breaking down the old-fashioned silos of data that are a consequence of the different point solutions implemented over the years. Banks can gain an expanded view of customers while giving them more ways to deal with the bank, including self-service, in real time, on all types of payments instruments and transactions. Banks can also leverage SOA to send mobile alerts and enhance new channels with the Web 2.0 technologies needed for social media, for example, to gain market share.

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COMPLIANCE AND PRODUCT MANAGEMENT BUILD PRESSURE

Generating new sources of revenue is an imperative for banks in this era of depleted capital and high reserves. This builds pressure on banks to improve time to market and gain flexibility to tailor and bundle products for their targeted segments of the marketplace. Broader customer segmentation is no longer sufficient nor is offering financial products the same old ways. Wallet share is being further eroded by new competitors such as Paypal's e-commerce payments, Walmart's ubiquitous branch banking, and a host of non-traditional entrants into the banking space.

Managing compliance and adapting systems to support new regulatory requirements will consume significant resources. To accelerate response to changing requirements and reduce time to market with new products and services, banks need lower cost, more agile, and more configurable applications and testing capabilities.

As a reaction to the global financial crisis, the increase in regulatory requirements and scrutiny has impacted revenues worldwide. In the United States, the Dodd-Frank Act alone will create roughly 5,000 pages of new regulations for traditional banks, estimates the American Bankers Association.

Product Management and Compliance Approaches	Enabling Technologies
Deliver and configure new products, features and pricing in real time	SOA, business rules management
Comply with regulatory change more efficiently	Business rules management
Automate in-country processing for global banking	One globally applicable product suite and code base

Change How You Manage Compliance and New Products

Business rule management systems allow banks to accelerate the introduction of new products and features and deal with regulatory compliance and localization requirements more efficiently and cost-effectively. With the ability to express business logic as rules instead of application code, banks can revise rule sets and get products to market much faster and at less cost. It's also easier for the end user to test a new offering before it's moved to a production environment.

Placing greater control in the hands of business users and freeing IT to deal with more strategic and larger systems development initiatives also has clear advantages from both the business and IT perspectives.

STABILITY DEPENDS ON CREDIT RISK MANAGEMENT

Banks have struggled with how to holistically manage risk, and it has become even more of a target of regulatory disclosure and control. Understanding the bank's exposure to risk with respect to an individual customer, a block of business and across the enterprise is critical to continued profitability.

The lack of customer centricity, siloed nature of the organization, and absence of a single version of the truth make risk determination and management difficult. Decisioning, modeling credit management strategies, and executive and management risk reporting place even greater demands on access to information.

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Banks can make informed assessments and manage risk across a portfolio or the enterprise by understanding all of the relationships that a customer has across the bank and having reliable and accurate data. Decision-making is further improved by integrating internal data with trusted external sources, such as credit data, mortgage data (e.g., undisclosed liability reporting) and other information providers.

Credit Risk Management Approaches	Enabling Technologies
Understand the customer's full credit profile	Business intelligence, SOA, integrated retail banking
Model risk in portfolios using real-time transaction data and third-party data sources	Business intelligence, SOA, real-time core banking systems, hybrid environments, business rules management

Create Actionable Insights from Actual Data

"The next wave of intelligence and analytics is a major paradigm shift whereby data is used to proactively drive the business," says Leadbetter. Banks must consolidate data at the enterprise level, a challenge for those running siloed legacy systems. A centralized data warehouse lets a bank access a large store of transaction information for improved risk management, strategic planning and better understanding of the customer.

Business intelligence and analytics will empower real-time fraud identification and prevention, as well as selling through 24x7 channels with real-time creation of tailored bundled offerings. Finally, banks can incorporate dashboards and other Web-based reports, using SOA to manage appropriate access so end-users can conduct their own queries without burdening IT staff.

COMPLEX ENVIRONMENTS AND PROCESSES IMPEDE PROGRESS

Environments that are already brittle and complex are being further strained by the need to support the above business imperatives. Banks must modernize and simplify their system environments to contribute speed and agility to the business. Some banks are exploring alternative operating platforms and investigating cloud computing in an attempt to help lower TCO and improve operational efficiencies.

Banks are also taking new approaches to core processing. Top-tier banks have historically preferred on-premise processing, while second- and third-tier players have chosen outsourced/hosted environments. On-premise processing can provide more flexibility, agility and time-to-market advantages, but requires capital investments. Outsourced processing can lower capital expenditures, but requires vendor management and can be less flexible and slow introduction of new products and features.

Banks cannot take core system renewal lightly. The traditional "rip and replace" is often very expensive and high-risk and can result in the loss of application features that create competitive advantage. Balanced against that is the opportunity for major organizational improvements and comprehensive process redesign. Yet banks must do something or risk losing customers to the competition while they devote more and more resources to making legacy technology meet regulatory requirements.

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Environment and Process Approaches	Enabling Technologies
Leverage third-party experts for non-core processes	SOA including software as a service (SaaS), industry-standard interfaces (IFX)
Lower the total cost of ownership of IT	Fit-for-purpose platforms, including hybrid and cloud
Align core renewal with business drivers and reduce implementation risk	Progressive modernization
Create an agile technology environment that more effectively supports business goals	SOA, integrated retail banking, business intelligence, business rules management, BPO, Web 2.0 technologies, hybrid systems

Exploit Flexible Deployment

For organizations of all sizes, core system renewal projects increase deployment alternatives, including on-premise and off-premise options, and allow them to take advantage of new consumption models such as Software as a Service (SaaS), cloud-based infrastructure and business process outsourcing services. An SOA-enabled core system also supports hybrid models that let a bank focus on its core competencies and choose third-party vendors for discrete capabilities. For example, electronic signature signing and verification on an SaaS basis could be easily integrated into the bank's processes. Additionally, a bank can reduce IT costs and core processing through virtualization, offloading work, and extension to utility computing models.

Accommodating change is even more complex for banks operating in multiple countries, supporting software applications for multiple markets that must be deployed to different operating platforms. Global banks can lower IT costs by moving to one globally applicable code base as part of a core system renewal project, and leveraging platforms appropriate to their operations, availability, security and other needs.

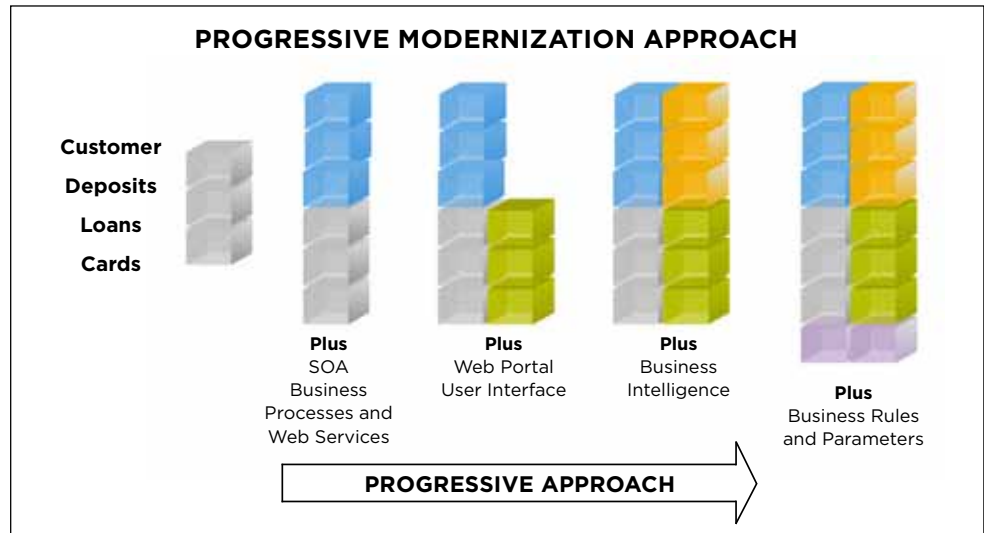
Build Agility with Progressive Modernization

A progressive modernization approach provides a bank with the modern technology and framework for transformation of all applications, processes and delivery channels while lessening the operational impact. It's a lower risk, evolutionary transformation approach that lets banks lower IT costs, prioritize investments and expand their reach in the marketplace.

The progressive approach aligns the introduction of new technologies with business imperatives and allows banks to renew their core systems at a fraction of the cost of a rip-and-replace approach. A well-architected progressive approach also supports the coexistence of legacy and new, allowing a gradual transition and minimizing disruption to the organization.

"Look first at agile technologies that deliver business value," says Leadbetter. "Progressive modernization leverages SOA to deliver new business processes and Web services for a dynamic customer experience and greater efficiency in delivery channels and back-office environments." Implementing SOA as part of a channel modernization program also accelerates implementation and broadens the set of services and products delivered to the customer.

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ABOUT CSC

The mission of CSC is to be a global leader in providing technology-enabled business solutions and services. With the broadest range of capabilities, CSC offers clients the solutions they need to manage complexity, focus on core businesses, collaborate with partners and clients, and improve operations. CSC makes a special point of understanding its clients and provides experts with real-world experience to work with them. CSC is vendor-independent, delivering solutions that best meet each client's unique requirements. For more than 50 years, clients in industries and governments worldwide have trusted CSC with their business process and information systems outsourcing, systems integration and consulting needs. The company trades on the New York Stock Exchange under the symbol "CSC."

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CSC provides mission-critical business solutions, consulting and outsourcing services to leading financial services firms around the world. We bring more choices to the industry. We help clients plan for business and technology change. We create software, tools and processes to address specific business needs, and we continually enhance those solutions by collaborating with an extensive network of client communities and technology partners. Our global outsourcing operations give us real-world insight into business and IT processes that deliver the best results for our clients. More than 1,200 major banks, insurers, and investment management and securities firms rely on the experience, ingenuity and leadership of more than 10,000 CSC employees focused on financial services.

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