

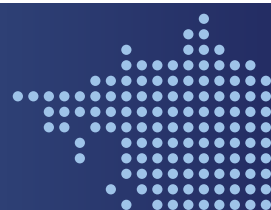
Banking Transformation: The Challenge to Evolve



axxiome
proven global expertise

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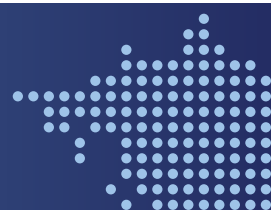
Introduction: How technology advances are forcing banks to adapt a rapid rate

If we take a look back, we can see how much technology has changed over the last five years, from what is available, the way we use it, and what we expect from it. Technology is everywhere, and most of us cannot get through our day without relying on our computers, smartphones, tablets, and other wearables that purport to make our lives easier.

Five years ago, smartphones were just beginning to grow in popularity. The majority of consumers were still constrained by limited data plans, and the number of apps available was considerably lower. For instance, a chart provided by Statista¹ shows that as of 2011 there were 356 000 apps available on iTunes™, compared to the over 1.4 million apps available in 2015, for just one app provider.

Today, not only do we all have smartphones, we also have tablets, smartwatches and multiple computers that we use on a daily basis to complete routine tasks, interact on social media, and stay up to date with the ever changing technology. This has led to a paradigm of real-time, world-wide communication. It's a reality everywhere a person is - at home, at work, out shopping, and on-the-go. This change has generated new needs and new demands from the population. The meaning of real-time transactions and the overall sense of time has changed dramatically.

Every industry is affected by these advances and expectations, and the financial industry is no exception. Today, people don't expect to spend more than a few seconds to complete transactions such as transferring money or paying their bills. The expectation is that these types of transactions won't interrupt with their daily activities. They expect a seamless experience, regardless of the device they are using to complete a task. They want customer service via the channel of their choice. They want minimal disruptions to their service, and they expect topnotch security at all times. If you fail to meet these needs and wants, you can be sure they will take to social media to express their dissatisfaction.



Why is rapidly changing technology a challenge for banks?

Banks face a massive challenge to provide the level of service their customers expect, and many banks are still trying to adapt to this new reality. We are living in a transition period; there is new technology that provides new opportunities, but there are regulations to comply with and uncertainty as to how to utilize the technology in order to provide the services that customers expect.

In addition, many traditional banks are still carrying the weight of their legacy architecture, one that has supported the core of their business for at least the last 15 to 20 years. Making changes to this legacy platform is a time consuming and costly endeavor.

What are the constraints of legacy banking systems?

Banking legacy systems and architecture have suffered many changes and patches over the years, and have most likely grown tactically as the business put pressure on their IT to be able to launch new products to the market.

These changes and patches have led to complex layered systems that make even the smallest of changes an uphill battle to implement. Systems are siloed, often undocumented, and there is always the risk of uncertainty in not knowing how implementing a change on one part of the system will affect the rest of it.

The burden of maintaining these complex legacy systems and architecture prohibits responsiveness, innovation and growth at the same rate with which technology is evolving. In fact, research has shown that banks who have updated their core technology have improved time-to-market of products from months to weeks.²

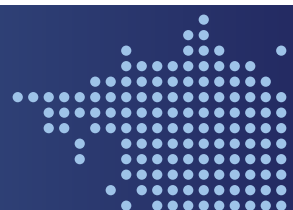
Why do banks need to change?

As outdated legacy systems are beginning to show the cracks and stress under the pressure to change, there are external forces at play.

Banks are not the only ones providing banking services anymore. New players are entering the financial services market, with new and flexible technology, and they are disrupting the market. Whereas a customer might have once only had the option to go to a bank for a loan, they now have peer-to-peer lending options at their fingertips. Investment bankers are being challenged by robo advisors. Standard payment options are being challenged by mobile wallets. There is no shortage of room for entrants into the market and offer financial services that were traditionally offered only by banks.

These disruptors to the industry have also created a more demanding customer. Customers want to bank on their time, by their preferred method, from the device of their choosing, and pay little to no fees. Regardless of the technology they are using, they expect a seamless experience from one device to the next, and they expect a layer of security when they bank. These are lofty challenges to meet, especially if a bank is devoting most of its time and IT budget just to maintain their current system.

How can banks change?





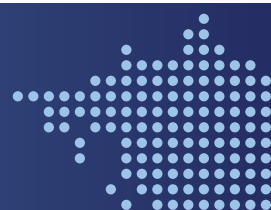
³Source: Tru

Banks with legacy systems know that they need to change, but they also know that there is no shortage of challenges that come with such a transformation. Often the experts that are required to carry out the work are not within their own organization, since changes of this magnitude happen only every thirty years or so.

Choose your partner wisely. To minimize risk, banks need to work with an organization that not only understands the challenges and processes that are required for transformation, but that have the experience and expertise from having done many transformations before.

By working with a credible organization, banks can ensure that they are selecting the technology that is a fit for their organization, as well as for their customers. They will be able to map out the transformation journey without suffering typical setbacks.

Once partnered with an organization that can carry out the transformation, banks need to decide on which technology will enable them to grow at the same pace with which technology is changing.



Selecting the right platform

While every bank will have different needs, there are some factors that should be considered when evaluating the right banking platform.

- Flexibility

As we've seen over the past five years, change is constant and there is no reason to think that the coming years will be any different. The ability to evolve with these changes should be one of the key considerations in moving to a new system. Gartner indicates that flexibility in a system should include application connectivity and data integration, workflow, and component-based architecture.⁴

- Omni-channel capabilities

The ability to serve customers through the channel of their choice is a key factor in meeting customer expectations. Often customers use more than one channel for their banking needs, and in fact research indicates that 46% of people will switch between devices before completing a banking activity.⁵ Therefore, banks must have a system that can provide process management and integration capabilities, to enable new channels and enable customers to switch seamlessly between these channels on the devices of their choosing.

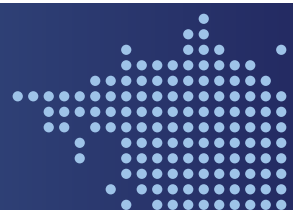
- Reduced time-to-market

Introducing new products and services should not require extensive changes and complex add-ons to a system. To respond to today's market, banks need to be able to keep up with competitors, as their customers are not going to wait months for a new feature that a competitor is already offering. At the same time, introducing a new product or service should cause minimal disruptions and downtime to the system.

- Integration

Banking systems need to be able to integrate with other systems, such as credit bureaus, output management systems, legacy systems, and third party vendors. When selecting a platform, banks should consider systems that have a flexible approach to implementation. Components should be easily integrated, easy to run, and easy to maintain.

In addition to these factors, a banking system must provide banks and financial institutions with ways to operate that are in line with the industry reality and prepare for the future. In an environment in which technology develops at record-breaking speed, and in which customers react to new ways of operating almost immediately, banks need a technology that will enable them to focus on what really matters: their customers.



A solution for today, and tomorrow

Axxiome has developed the Axxiome Banking, which is a fully integrated and operational banking system that contains preconfigured best practice processes and compliance solutions. The Axxiome Banking provides omni-channel capabilities that deliver a high quality experience for the bank's customers in a way that also reduces operational costs substantially.

The Axxiome Banking can form the foundation for the entire operation of a bank, or support specific lines of business. It is readily integrated into key banking sector networks and with other corporate systems; the architecture benefits from the best-practice integration methods developed by the Banking Industry Architecture Network (BIAN), a leading banking sector forum.

The Axxiome Banking is based on a proven Reference Banking Architecture. It incorporates Reference Banking Processes for Loans, Mortgages, Saving and Deposits, including Current Accounts. Proprietary products can be readily configured from its leading-edge banking product templates.

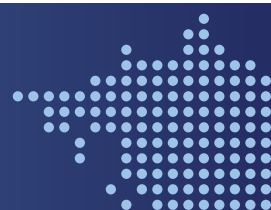
AXXIOME BANKING COMPETITIVE PERFORMANCE

REDUCTIONS	Costs	Risks	Complexity	Timelines
ENHANCEMENTS	PRODUCTS Agility to set the competitive pace	EFFICIENCY Set the cost/revenue benchmark	OMNI-CHANNEL Best-in-class capabilities	RELIABILITY Robust and scalable architecture
COMMERCIAL FLEXIBILITY	Deployment on site	Deployment in the Cloud	Capital purchase of license	Leased licenses
BANKING CAPABILITIES	World-class core banking capabilities	Market-leading banking products	Best-in-class pre-configured processes	Rapid deployment

ABOUT AXXIOME

Axxiome is a global solutions provider for the financial services industry with operations in Europe, North America, Latin America, and Asia Pacific. Axxiome excels in linking legacy banking platforms with modern solutions and is considered a leader in banking and insurance transformation projects across the globe. Axxiome's professional consultants are experienced in technical and advisory services and bring innovation and knowledge to customer projects.

To find out more about Axxiome visit:
www.axxiome.com



Resources

Front Cover: <http://designyoutrust.com/wp-content/uploads/2012/03/67.jpg>

¹ <http://www.statista.com/statistics/268251/number-of-apps-in-the-itunes-app-store-since-2008/>

² <http://www.redbooks.ibm.com/redpapers/pdfs/redp4764.pdf>

³ http://www.trulioo.com/wp-content/uploads/payment_change.jpg

⁴ Gartner: Core Banking System Selection: Criteria That Matter, Don Free, April 2011

⁵ <http://www.bankingtech.com/156062/omnichannel-the-new-normal-for-retail-banks/>

