

Hit the Road Running:

Pre-configured Banking Framework



Ready, get set, go...

It's a tough world that banks conduct business in. Even as globalization presents financial players with new opportunities, it has unleashed an era of hyper-competition. Larger and stronger banks are often better equipped to convert these opportunities into business. Fuelled by their revenue base, they speed to new markets and invest heavily in technology to increase wallet-share. They add new products and geographies to their portfolios with ease, satisfying demanding customers and challenging local players on the way to increasing profits.

What can the bank with mid-sized operations do in this tough world? It has neither the money power nor the reach to take on larger operators. Investment in technology is a fundamental imperative for these banks to deliver wide-ranging financial services and meet changing customer requirements. Yet, this is still prohibitively expensive, for many.

If smaller operations of banks or even mid-sized banks are to take on the competition and succeed, they require a technology solution which allows them to expand, innovate, and delight customers – at a reasonable cost.

Implementing such technology transformation, entails detailed requirement analysis, identification of business parameterization

phases and significant cost build up for the bank. A pre-configured, fully integrated banking framework that enables rapid go-to-market for the business and its offerings, across geographies, may provide the answer. It allows mid-sized banking operations to respond to changing market dynamics by ensuring that the time and resource investment required to go-to-market is reduced significantly. It will give them the operational-agility advantage over global banking titans as well as regional satraps. With it, they can quickly respond to customer needs while ensuring organizational excellence.

The framework is like a ready-to-wear outfit that fits perfectly, allowing the wearer to attend the party without having to invest in long-drawn and expensive tailoring. It offers an off-the-rack implementation package for a bank's operations by providing parameterized functions, processes, products – everything the bank needs to start business.

Let us examine what such a framework can do and what it must include to help banks meet the challenge of today's business.

100-metres dash

In earlier times, a trader moved across kingdoms, selling wares out of a box. All he needed to set up shop was perhaps a tent and his products. He went to new markets, pitched tent, opened the box and was ready for business. A far cry from today's day and age, when setting up a business, specially a bank, is a complex undertaking.

To be successful, a new bank must fulfill the varied requirements of diverse customers, adhere to several regulations and invest in technology. This degree of preparation and investment is very time-consuming and expensive. Moreover, in today's world of shrinking margins, the time and cost expended can make the difference between success and failure for a bank with medium-sized operations.

Wouldn't it be nice if the bank could move like the trader, carrying products in a box and starting business on entering a city? A pre-configured, fully integrated banking framework allows banks to do just that.



The framework comes readily configured with essential product, process, reporting and regulatory parameters – all the bare essentials needed for a bank to start business. It constitutes a repository of ready-to-deploy banking functionalities that provide the means by which a bank can begin operations on day one in a new environment. Thus, it slashes time to market and helps cut costs even as it provides agility and efficiency – critical for business success.

According to research data, small banks are most likely to upgrade their core banking systems. It may be advisable for them to consider a pre-configured implementation framework. However, in order to be effective and remain fit-for-purpose, the chosen framework must meet certain requirements.

Maximum pre-configuration

An ideal implementation framework must be pre-configured to the maximum extent possible, relegating changes in parameters to a bare minimum. Thus, it would need to encompass everything required to set up a bank – pre-defined functionality, services, tools, processes and reporting.

Pre-configured implementation brings to the bank a readymade framework for products, users, and business logic. Also included are reusable components such as master data, currency and calendar details custom-tailored for the geography of business.

Pre-configured processes cover the varied business processes essential to the functioning of any bank. They include processes that govern everything from customer creation, account opening, cheque processing, structuring the pricing matrix to carrying out transactions across channels.

Pre-configured reporting relates to both internal and external reporting. While the former refers to MIS reports, requests and forms, external reporting entails all documentation support to meet varied regulatory mandates.

Such comprehensive parameters allow banks to start operations quickly on an as-is-where-is

basis, across markets and at all times. Greenfield implementation is not only made easier but also faster, factoring agility and scalability, without compromising on quality.

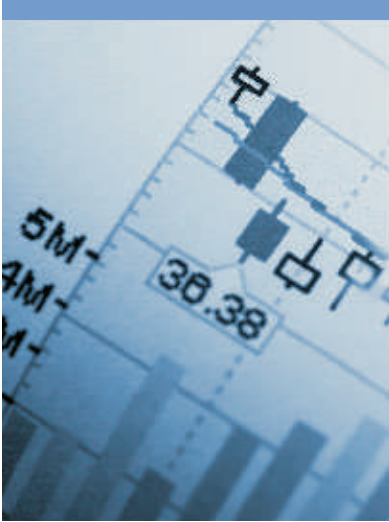
The framework in its entirety offers a streamlined and feature-rich infrastructure that presents all the essential functions and processes a bank needs, to go operational with minimal lead times.

Significantly, adopting such a framework slashes the time and effort required for testing, since the implementation package and the various interfaces are pre-tested. It also effectively supports the bank's agenda to quickly launch innovative products and offer customer-friendly processes, without the constraints of stringent, end-to-end testing – one of the most onerous and time-consuming steps along the route to Greenfield implementation.

Multi-entity support

Few industries spend as much on technology as banks. With banks functioning as one-stop financial shops, offering a range of products and services for everything from consumer lending and insurance to Internet banking and online bill payment, they require technology to enable it all.

However, there is a ceiling on how much a bank with relatively smaller operations can invest on technology. It certainly cannot afford to invest in separate technology infrastructure for each of its entities, across different geographies. Besides, when banks buy separate technology platforms for different entities and functions, they create disjointed silos that lead to inefficiency and loss of productivity. Banks also realize that as customers choose to interact over a variety of channels and buy varied products, providing them a rich and unified experience is critical to gaining and retaining patronage. It is only when a bank provides the same experience and offers consistent, individualized and context-sensitive services & products – in real time – that customers are delighted with every transaction. And it is only when a bank can satisfy customers that they will be loyal and come back for more business, thus increasing revenue.



Banks require a single database, environment, application, and version across entities, which a pre-configured, fully integrated banking framework can provide, with relatively conservative investments of time and resources. This allows replication of data, sharing of best practices, functions and processes, enabling the delivery of a positive customer experience, within short lead times.

A technology framework that enables communication between multiple entities is therefore crucial. A multi-entity enabled framework helps banks break down silos, reuse data and business logic, deliver one view of the customer, and sustain fruitful relationships in the long run.

Dynamic framework

A tailor-made IT platform can help a bank differentiate itself from a crowd of competitors, thus attracting more customers. But can a bank stand a head above the rest and gain a strategic edge without indulging in costly and time-consuming customization?

A pre-configured IT platform can offer modules of varied products and processes across functions, tailored for geo-relevance, from which a bank can pick and choose. These modules can be integrated easily, fulfilling a bank's specific requirements without compromising the time and cost imperatives of a pre-configured rollout.

A bank can choose permutations from a range of modules to suit its deployment needs. The choices offer a range of pre-configured parameters across different product categories such as wealth management, Islamic Banking, corporate banking and so on. They also cover the demands of varied geographies. For example, a bank setting up operations in China can opt to meet geo-specific regulatory needs and also launch a global insurance offering across different channels.

The framework can thus be dynamic, offering room for judicious customization.

Time and cost-saver

To grow in the fast-changing marketplace in these days of brutal competition and thin

margins, smaller banks need to do everything possible to lower costs. Setting up Greenfield projects to increase wallet-share, they must launch operations quickly and cost effectively. This is easier said than done. However, a little out-of-the box thinking can help ensure growth.

This thinking finds fruition in a full-service pre-configured implementation framework that allows banks to hit the road running. The functions, processes, regulation-compliance, and systems are ready – all the banks needs to do is start operations. No add-ons are needed, so the time taken to start operations is significantly reduced. Nor must a bank spend money on in-depth customization or expend valuable time and effort on testing.

Needless to say, the readymade framework can be implemented rapidly, slashing time to market requirements. A bank can have the framework ready in a matter of weeks, enabling scalability, product innovation and organizational agility, yet allowing the rapid churn out of attractive products, at lower costs.

However, banks can cut costs in an even more significant manner with a pre-configured fully integrated banking framework. Let us see how this is possible.

Outsourcing the race

Even when banks choose pre-configured implementation solutions, which are highly cost-effective, they must invest relatively large amounts on the IT infrastructure and hardware. As margins get squeezed, lower investment amounts can make an enormous difference to the bottom-line.

A pre-configured, fully integrated banking framework delivered through the SaaS (Software as a Service) model, can give them the best of both worlds – a pre-configured implementation framework at a very low cost. With SaaS, a bank need not buy the IT infrastructure or the framework. Instead, it can merely use the software and hardware hosted by another entity as a service, paying a license fee for the privilege. In such a scenario, the bank need not deploy and maintain an on-site IT infrastructure, but can still enjoy all the



advantages of a cost-effective, efficient and agile implementation framework, on a 'pay-as-you-use' basis.

A bank can seamlessly outsource its IT with minimal business impact and cost, for greater efficiency and speed. A pre-configured, fully integrated banking framework through SaaS can transform the way a bank builds and consumes its hardware and software. SaaS is fast emerging as a vital and compelling option for a bank to cost-efficiently reduce the complexity of its IT landscape while reaping the benefits of commercially licensed software. The huge advances in connectivity and network technologies means a bank can locate its 'box' just about anywhere.

A pre-configured, fully integrated banking framework also offers banks the opportunity to leverage cloud computing. This technological trend effectively leads to 'virtualisation' of

technology. It enables software running on individual servers to be moved from one data centre to another. It is the most cost-efficient manner to meet business imperatives like the need for data back-up. It also sets the context, to migrate 'virtual machines' wherever computing power is cheapest, or energy is greenest.

While banks can reap several benefits by employing SaaS, these may not be fully utilized if the SaaS vendor is unable to meet the bank's requirements. A trusted transformation partner with a proven track record in pre-configuring enterprise-wide financial services has a distinct advantage. Moreover, a vendor able to provide enriched services leveraging system integration and business process outsourcing capabilities, can offer a cost-efficient end-to-end solution for a bank's business needs. This will equip a smaller bank with the varied offerings provided by a larger player and enable it to gain a winning edge.





Conclusion

Pre-configured, fully integrated banking frameworks offer invaluable and affordable off-the-shelf repositories of the various functions, processes and products banks need to set up shop. The parameters are set, the feature-rich framework is ready – all the bank has to do is open this magic box.

And when this framework is offered in the SaaS model, it is even more attractive. When a vendor hosts the IT environment needed to start a bank, budgetary issues are reduced to a minimum. A smaller bank can enjoy the best practices and products enjoyed by market leaders and can compete against them more effectively. However, before taking the plunge the bank must evaluate various vendors

and choose a transformation partner of proven caliber.

References

1. 'Retail Banking: Facing the Future', Boston Consulting Group, November, 2007
2. 'World Retail Banking Report', Capgemini, EFMA and ING, 2008
3. 'Core Banking Solutions For Small Banks', Celent, August 30, 2006

Author

Rajashekara VMaiya
Product Manager - Finacle
Infosys Technologies