Core banking modernization

Examining how banks can create a competitive advantage

Reliable core banking systems originally designed and implemented for branch- and call center-based businesses are being taxed beyond their intended purpose. Institutions need to become more flexible to compete with digitally advanced businesses. With expectations to have transactions processed nearly immediately, customers and partners are increasingly demanding to combine new products and services with innovative capabilities and services.

To deliver, you need core systems that provide the foundation for how critical digital functions are supported and delivered. Whether optimizing core services or cutting over to a new core banking system, adopting a modern cloud platform to support core banking can provide the agility banks want with the security you need.

This checklist offers things to consider as you evaluate a core system transformation:

1 Meet the increased customer expectations

Consider these questions:

- Are your initiatives for customer-centric banking experiences hindered by disparate core systems and processes?

- Is your current core banking environment hindering your ability to deploy business service components that are reliable and flexible to meet current customer demands?

- Can you containerize integration services, similar to applications, so they run on any platform and scale with the application?

- Can you include data and events, with the support of microservices, to provide personalized services for customers?

For years, institutions have focused on front-office transformation as a way to stay competitive. However, the top-down approach has far outpaced the capabilities of the heritage core systems. To be successful, institutions need to consider adopting a more modular business service foundation that brings flexible composition and reuse of capabilities to provide better customer experiences.

2 Break down disconnected technology systems

Consider these questions:

- Do you have disconnected applications with multiple generations of technologies supported by disparate groups?

- Do you have core banking applications running in one environment that need to be reconfigured to run in a different environment?

- Do you struggle with custom tooling to orchestrate interoperability between core components?

- Can you easily combine data and dashboards across your systems for decisions, insights, and analytics for the business?

Disparate and disconnected systems prevent banks from having the flexibility needed to deliver meaningful business results. IT leaders should consider a more modular approach to core banking—one that takes advantage of containers and provides the ability to deliver composable services and applications experiences that include core components to maneuver throughout.

3 Remove integration barriers for scale

Consider these questions:

- Can you scale across your core banking estate to deal with volume spikes and an accelerated deployment pattern?

- Can you easily streamline integrations and messaging technologies to connect your applications and data across hybrid clouds?

- Can your institution use automation, machine learning, artificial intelligence, and orchestration to strengthen cyber resilience?

Rigid, traditional core banking systems require complex and inefficient point-to-point integration models. By applying modern integration technology, banks can create data models from a variety of formats that scale across the enterprise.

4 Weighing the cost of core modernization

Consider these questions:

- What is the current system costing the bank in terms of lost opportunities, customer attrition, and reputational risk?

- What is the projected cost to keep running your current core with current maintenance schedules and planned development required over the next five years?

- How much will it cost to upgrade the existing system to better accommodate newer technologies?

- Can you mitigate the cost of maintaining substantial infrastructure by choosing where your data is processed and stored?

Your core system has two distinct costs, the first being the actual spend on hardware, licenses, staff, etc. The other can be measured in the cost of lost opportunities. By examining both, you can better balance what level of core modernization is right for your institution.

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