The Journey to Core Banking Transformation

Webinar Speakers

Andrei Gaman
Commercial VP
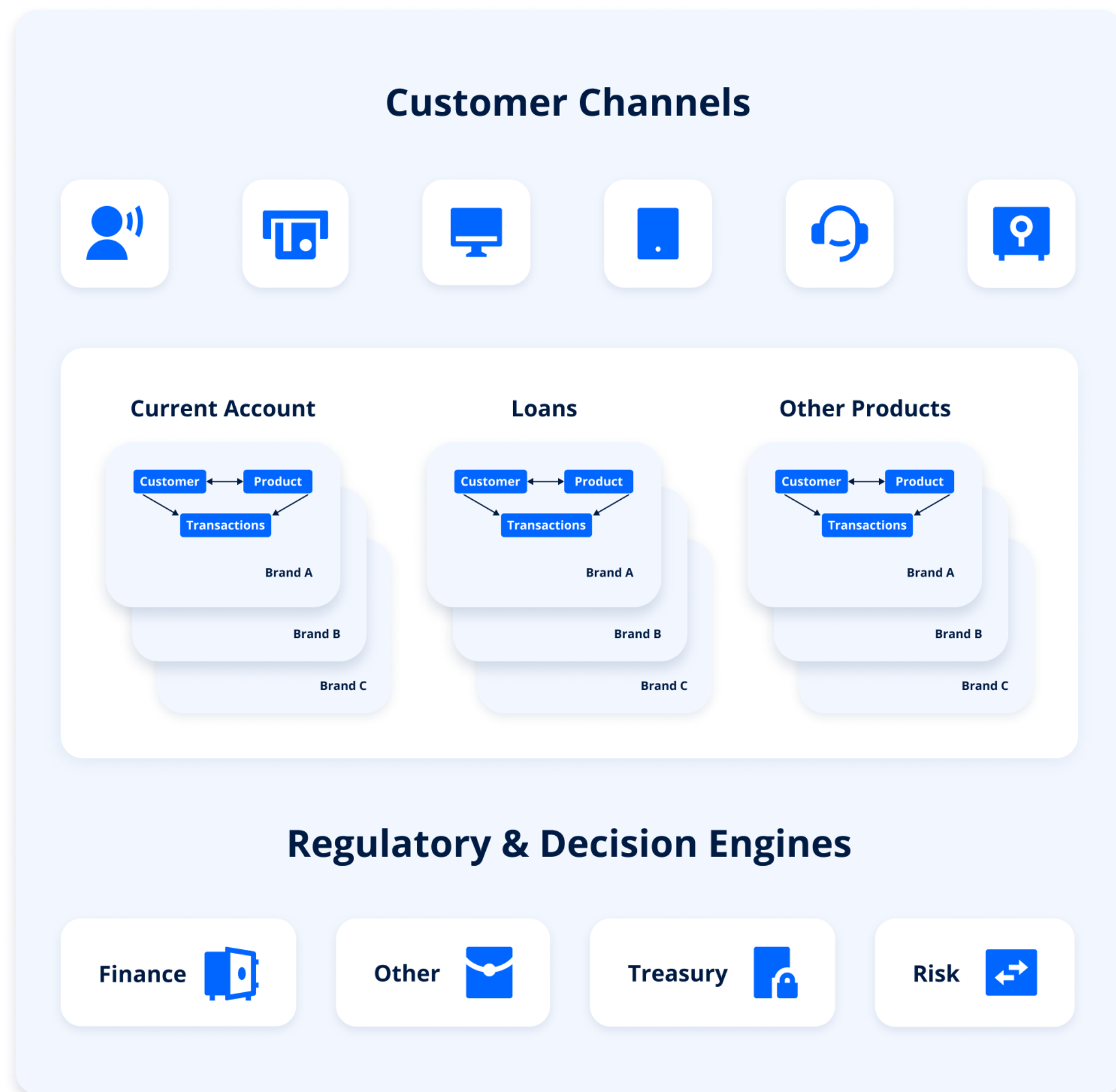**FintechOS**

Andra Sonea
Head of Solution Architecture
FintechOS

Ed Herman
Global FSI Leader
Microsoft

What is "Core Banking"?

Customer Channels

Current Account

Customer ↔ Product
↓
Transactions

Brand A
Brand B
Brand C

Loans

Customer ↔ Product
↓
Transactions

Brand A
Brand B
Brand C

Other Products

Customer ↔ Product
↓
Transactions

Brand A
Brand B
Brand C

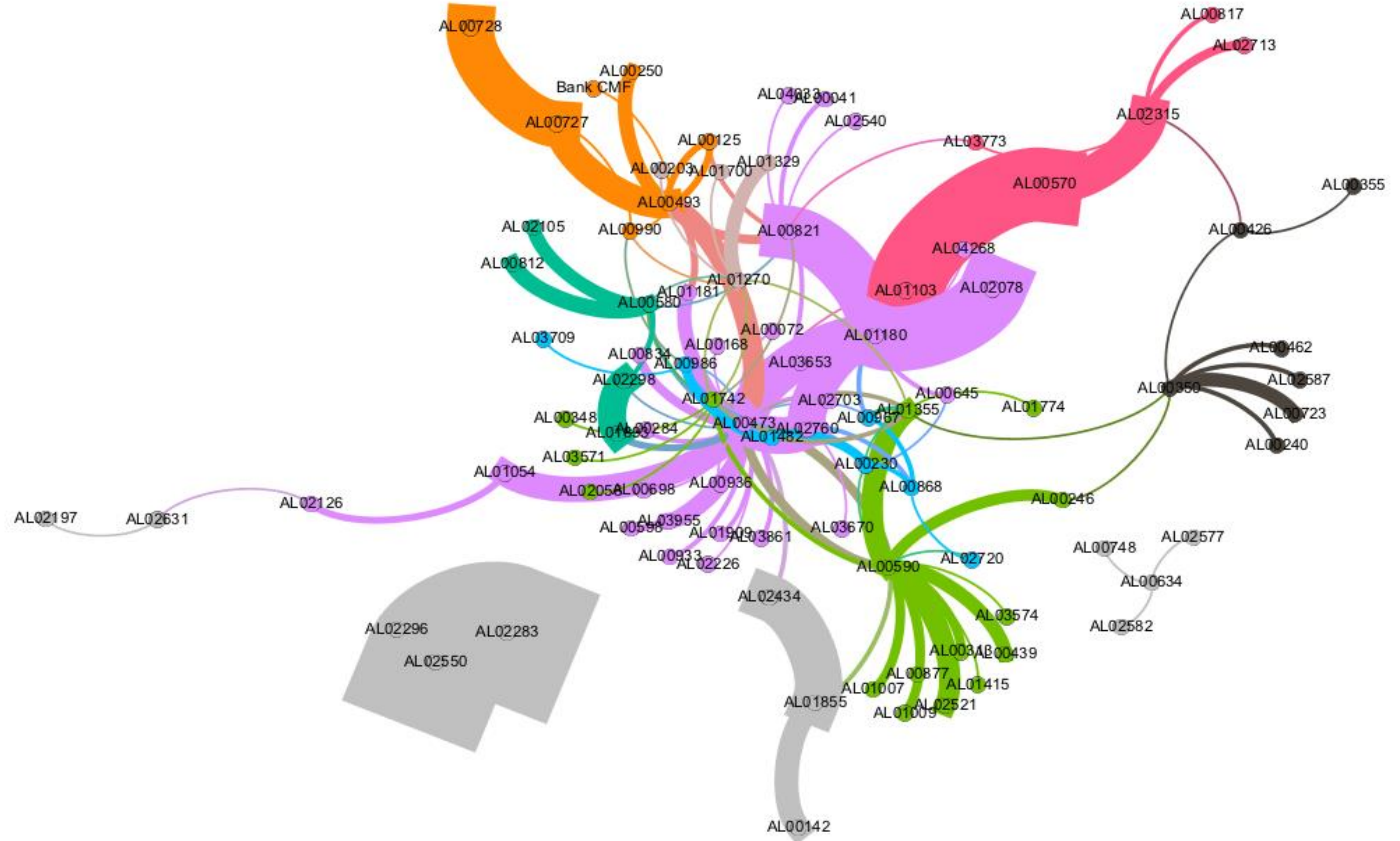## Regulatory & Decision Engines

Finance | Other | Treasury | Risk

- ☑ Core banking systems are **product-focused** while the digital world is customer-focused
- ☑ Large **generational gap** between most core banking technology and the one used by fintechs, leading to systematic difficulties to integrate
- ☑ Core Banking Systems keep being extended with other systems in order to accommodate the transactional context required for good CX
- ☑ It is not one core banking but many

▲ Upstream Effects ▲

▼ Downstream Effects ▼

- ☑ Heavily **regulated** domains
- ☑ The back office operates on **long time horizons**
- ☑ The final **aggregate figures of each domain** (Finance, Treasury, Risk) vary widely for the same business dimension (i.e. legal entity)
- ☑ The **timeframe** for the data to reach the decision makers from core banking is long and inadequate

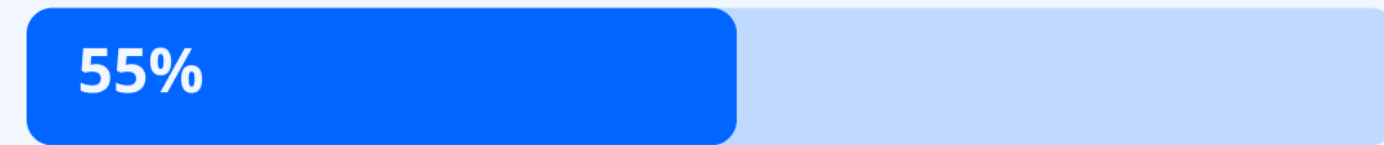fintech OS

Why it is difficult to change Core Banking Systems?

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Banks have three approaches for core banking modernizations

	1. Big-bang replacement of core	2. Journey-led progressive modernization	3. Green-field tech stack
User interface / Integration / Core systems			
Description	'Big bang' approach with monolithic system upgrade every few years Selected systems upgraded or replaced according to architecture roadmap (through 'buy' or 'build' approach)	Top customer journeys reinvented end-to-end through zero-based design New business logic built iteratively as modular microservices (and selectively 'hollowed out' from existing systems) with shared utilities	Green-field tech stack leveraging cloud-native architecture (eg. hyper-parametrized, real-time, modular, API first) New customers onboarded on the new platform, existing customers migrated (eg. cancel and re-enroll, recreate accounts)
What the bank needs to believe	Current core is dated or out of support and there is an urgent need to replace	Current core has support and is usable for the next 5 to 10 years Lower appetite for risk of data migration required than for 'big-bang' or green-field option Highly complex product set-up or legacy customers making migration a challenge	Risk appetite and budget to experiment with a technology hedge Speed of product innovation over risk of data migration challenges for legacy customers
Speed	Low	Medium	High
Risk profile	Low	High	High
Investment	$100 million to $500 million+	$50 million to $200 million	$50 million to $100 million

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In the study:

55%

of banking executives admitted struggling to reduce the cost of maintaining and managing legacy systems
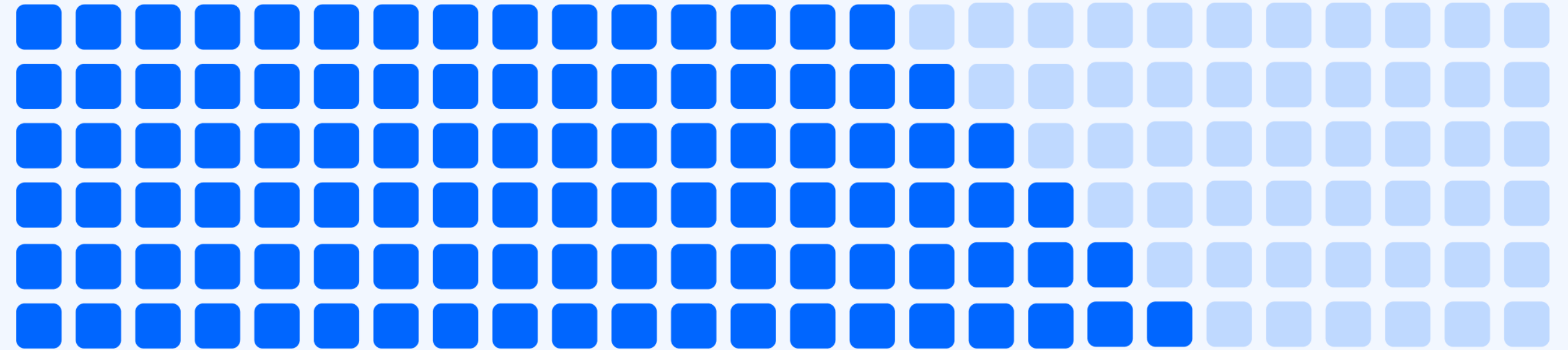
85%

said legacy technology was slowing down the delivery of new payment services

Marqueta, 2020 European Banking Survey

> In a McKinsey survey of banking executives in 2019, more than two-thirds (70 percent) confirmed that they were reviewing their core banking platforms.

viewpoint | **boldness pays**

The growing maturity and acceptance of the cloud should be driving new waves of innovation now, allowing banks to develop new products more rapidly, service customers more easily, scale sustainably, and create amazing customer experiences that match those of even the most advanced fintechs.

Ed Herman
Worldwide financial services lead, Azure & AI - **Microsoft Consulting Services**

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Thank you!

Andra Sonea | Head of Solution Architecture, FintechOS