FINASTRA

CORE SOLUTIONS

Preparing for and Growing in the Future

THE FUTURE OF FINANCE IS OPEN

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EXECUTIVE SUMMARY

Financial institutions across the board experience risks and challenges from all areas—regulatory compliance, security, fraud and more. Internal operational issues around consistent employee engagement also exist along with external customer experiences within an omni-channel environment. Given everything required of executive leadership teams today, how can financial institutions adequately prepare for and ensure growth in the future?

The Future Depends on People and Technology Working Together

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Technological advancements, especially in banking, have grown exponentially over the past decade. Executive teams, with extensive I.T. involvement, have sometimes found themselves in panic mode, suddenly making decisions about technology solutions without adequate, timely information. With a feeling of not being able to stay up with consumer demands, some financial institutions rush to mimic the latest consumer banking functionality in all delivery channels, both digital and traditional.

The foundation of engaged team members and loyal customers lies within the organization's people, of course. But without the right technology solutions in place to facilitate the exchange of information at the right time, in the right channels, experiences both internally and externally can come up short.

At the Core
The core has always been the technology backbone, but now also allows for tighter integration with third-party vendors in an open architecture environment. For so many years, though, some institutions have thought technology first and everything else secondary. Financial institutions can no longer afford to think this way, given the highly competitive landscape in all areas, internally with employees and externally with clients.

Most features and benefits of an open and integrated core revolve around reliability, functionality, connectivity, flexibility, compliance and security. Choosing a technology solutions provider that is reliable becomes critical given the importance and length of the agreement. Connecting to third-party solutions for future growth is also essential and gives more options for strategic growth initiatives. Functionality and flexibility go hand-in-hand by lining up what you need in a core system now and well into the future. With so many non-traditional financial technology third-party providers promising better, faster, stronger solutions, more concerns have risen about vendor management, due diligence and longevity in an ever-changing world. Ensuring regulatory compliance and security is always top of mind for all financial institutions when considering technology solutions and their providers.

Because banking solutions are being developed so quickly and from a variety of non-traditional solution providers, an adaptable, open architecture system lets financial institutions react to changes in this ever-changing environment. In essence, the financial institution can itself (with the right core solution provider) stay ahead of the curve by proactively seeking out alternative ways to serve their customers. What's needed is a completely integrated solution—end-to-end.

Increasingly, consumers are demanding a consistent, omni-channel banking experience. Starting with a customercentric approach, banks and credit unions can customize each delivery channel based upon what's desired in each while also providing an integrated branding experience with an open core model. Of course, an open architecture can also enable cores to integrate better with multiple solutions through the same financial technology solution provider from which they purchased their existing core system. This may provide lower overall costs, easier vendor management and more effective due diligence methodologies.

A 2016 study by NTT Data Consulting shows that only four percent of banks plan to replace their existing core platform over the next three years. That's a surprising statistic given that 70 percent expressed concerns about their current core system. The top challenges cited were cost of responding to regulatory pressures (35 percent), the cost of maintaining legacy systems (29 percent), the complexity of integrating with third-party solutions (29 percent), the cost of product development (28 percent), the scalability of supporting future growth (26 percent) and improving the customer experience (26 percent).

Another reason why so few are looking to switch core solutions eluded to in the study is the perceived lack of resources to do so, with 78 percent of IT budgets spent on maintaining their existing system. In fact, 80 percent plan to maintain or increase their level of investment in their existing solution.

The study also showed how respondents ranked desired functionalities within a core system. At the top was the ability to offer new products and innovative banking services to their customers. If ideas for new products and services cannot be developed within the existing framework, financial institutions will seek out alternative solutions elsewhere. Next was internal process improvements. Maximizing operational efficiencies and reducing

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costs is mission critical for competing in today's landscape. Improving the customer experience landed third on the list. Given the need for consistent customer experiences within a multi-channel environment, tight integration of solutions from internal or third-party solutions must be in place to produce a high level of customer satisfaction and ongoing loyalty.

Partnering for Success

Additional resources are sometimes needed when researching and deciding on the best solutions for both team member and consumer experiences. This could be from both internal and external sources depending upon the level of integration and depth of involvement. Just remember, when asking for help from external sources, that your organization will ultimately be responsible for your successes and failures.

On the other hand, a technology solution provider who truly becomes a trusted partner by knowing your team, members and purpose will be a wonderful asset for many years, providing non-biased information that helps your team make the best decisions for your customers and for your employees. Depending upon your strategic priorities, aligning them with the right technology solutions will help narrow down specific integrated solutions for achieving short and long-term goals.

Conversion Considerations

Many elements are involved in order to personalize the client core conversion experience.

- Business and connectivity requirements
- Interface/integration planning
- Building the server environment (in-house or service bureau)
- Training (different for each function at the credit union)
- Final configuration and audit
- Mock conversion testing
- Go Live with onsite client support
- Post-conversion ongoing client support
- Client survey/lessons learned

As anyone who's been through a core conversion will tell you, all functional areas within the organization are touched and should be involved in the selection process. Although the bulk rests with the IT department, their function provides information for all touch points in some fashion. Involving representatives from all functions becomes critical, exposing everything that needs to be evaluated.

How do you know what to look for when it comes to technology solutions? You probably already know what you do not want from past experiences. To more forward, some seek advice from consultants who can see things from a different perspective (they see challenges from other institutions firsthand and can offer good insight). Some feel that the consulting fee is worth the investment of uncovering the unknown and learning from other clients' experiences. Others prefer to trust their intimate knowledge and their internal team to come up with choices and solutions themselves. Keep in mind, this method takes much longer and takes away time from the team executing other already-planned strategies for the year. Keeping your options and mind open to new and different perspectives will allow your team to evaluate and finally choose the technological solutions that integrate well, giving your team (and eventually your customers/members) the synergy needed to succeed.

In-House or Service Bureau

Years ago, on premise or in-house systems dominated the banking environment. Arguments for this included better control, reduced costs and increased flexibility (especially with an open architecture). Over the past few years, however, many factors are causing credit unions to reconsider going through their core service provider in favor of a hosted or service bureau environment.

Regulatory requirements and compliance have increased so dramatically that some credit unions cannot keep up with them. The expense of staff, time required and investment needed now outweigh any benefits from flexibility and control. More financial institutions are now strongly considering moving away from this type of structure in lieu of one within a secure cloud-based environment providing a large array of business benefits such as reduced capital expenses, easier system management, increased reliability, improved employee productivity and greater peace of mind. More often now, financial institutions are taking their core and third-party financial technology solutions to a cloud or SaaS environment. Not only is hosting this way cheaper in the long-run, it can also be a more secure way of protecting member data and proprietary information. Other benefits include increased mobility, scalability and compliance.

Implementations

The goal is to integrate the conversion process for all chosen technology solutions by streamlining implementations. Clients have every right to expect a seamless process regardless of what solutions are being implemented. Providing clients high value throughout the conversation process involves certain deliverables:

- Onsite strategic business review to gain mutual understanding of the client's needs
- Continuous process excellence utilizing one program manager coordinating all touchpoints with best practices and processes
- Solutions diagram visually representing in-house and third-party and vendor interfaces for unified integration

Onsite Training

By the time user training starts, many rounds of data verification have occurred beforehand involving all aspects of functionality. One important element of training involves using the credit union's actual data for beta testing. User acceptance training (UAT) literally walks the credit union through every aspect of how the system is used every day including end-of-month/quarter/year reporting. Do all aspects of opening up a new account match up with the previous system's results? Is there a seamless loan application and origination workflow process? Are all compliance and regulatory processes running smoothly and accurately? Are all the back-office systems performing as they should? What reports are being run to validate everything during the UAT process?
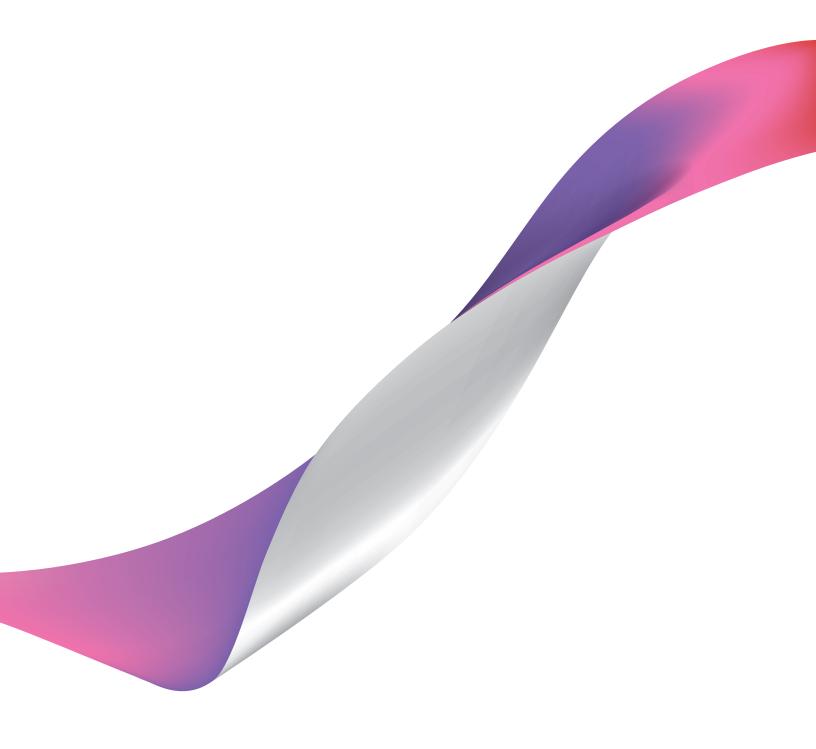
During the last few days before going live, support staff from the core solution vendor is normally onsite to conduct in-person training and to field questions during training sessions and UAT. On the go-live date and days beyond, training staff remain onsite to support the client during this critical time.

Moving Forward

Matching your long-term strategic planning process to the right technology solutions allows your organization to grow effectively in the future, and is crucial to your overall success. Ultimately, it comes down to partnering with a technology solutions provider you trust—one who listens toand collaborates with your organization on both a strategic and technical level.

Most will agree that incorporating a well integrated, end-to-end technology solution has many advantages with only a few disadvantages that are mostly mitigated with proper enterprise risk management strategies. Your internal culture must be firmly in place before attaching a technological set of solutions within your organization. After the necessary research, finding the right integrated technology solutions provider is key, and will provide a true long-term strategic partner moving forward.

Contact Finastra today to discover which core solution is right for you and your long-term strategy.

About Finastra

Finastra unlocks the potential of people and businesses in finance, creating a platform for open innovation. Formed in 2017 by the combination of Misys and D+H, we provide the broadest portfolio of financial services software in the world today – spanning retail banking, transaction banking, lending, and treasury and capital markets. Our solutions enable customers to deploy mission critical technology on premises or in the cloud. Our scale and geographical reach means that we can serve customers effectively, regardless of their size or geographic location – from global financial institutions, to community banks and credit unions. Through our open, secure and reliable solutions, customers are empowered to accelerate growth, optimize cost, mitigate risk and continually evolve to meet the changing needs of their customers. 48 of the world's top 50 banks use Finastra technology. Please visit **finastra.com**

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