



Managed services: Success, standardized

Cloud and open APIs mean that managed services provide a standardized platform on which banks can innovate their way to success.



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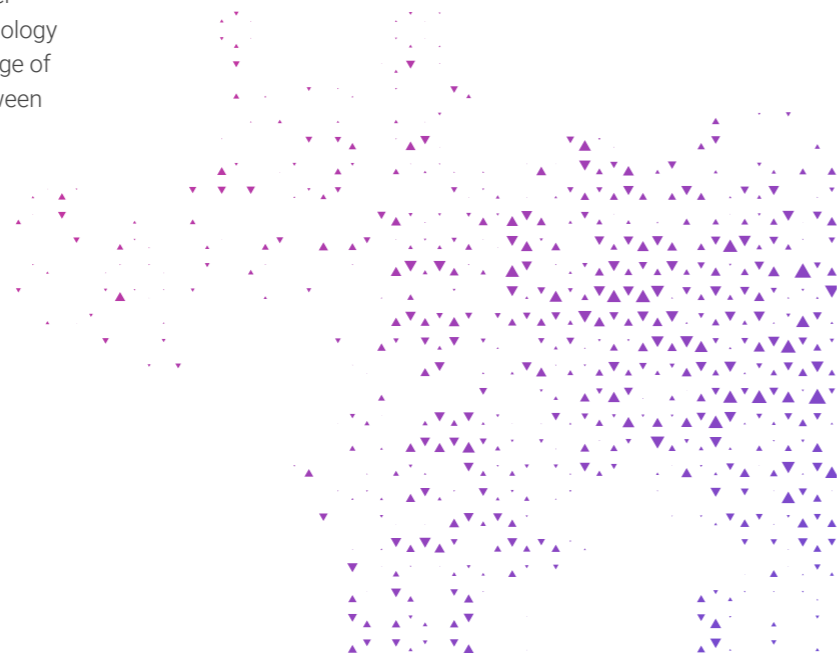
Introduction

In our paper [Managed services: a foundation for innovation](#), we outlined how the traditional banking technology model is losing relevance in the face of accelerating change and disruption. Weighed down by legacy infrastructure and processes, financial institutions are being compelled to think differently and consider how to become more agile and innovative.

The solution, fortunately, is within reach. With the recent accelerated adoption of cloud-based infrastructure, more and more banks are accepting that they no longer need to run every aspect of their technology infrastructure in-house. There's a change of mindset, too with the relationship between banks and their customers changing.

Firms are shifting away from a vertically integrated philosophy towards a willingness to develop, deliver and sell financial products and services with partners.

In this paper, we examine what this new collaborative way of working makes possible. We look at how the managed services model combined with open platforms, standardization and an open mindset can liberate innovation in corporate banking, payments and treasury.





Why managed services?

Managed services are a critical enabler of the transformation towards becoming a more agile, compliant and cost-effective business. They pave the way for change by transferring the operational burden that financial institutions are otherwise compelled to carry.



Maximize ROI

Managed service models ensure that costs are more transparent, predictable and manageable, lowering total cost of ownership over time alongside improved levels of service.



Accelerate agility

This is an essential skill in a fast-moving market where non-traditional competitors are taking share across financial services. With well-executed managed services, banks can accelerate innovation with expert guidance from their partner and the ability to make solution changes faster, with less disruption and higher quality.



Mitigate risk

Higher quality systems and increased business resilience – managed services allow banks to continuously monitor and maintain their systems, and ultimately move to a world of zero-defect software in production.



Focus on what matters

When firms spend too much time and resource delivering non-differentiating services, it reduces their ability to innovate and seize opportunities to create value-add services. Managed service providers can take care of everything from infrastructure and IT management to customer support, upgrades and technical operations, freeing IT teams to refocus their resources on their strategic goals.

Standardization through open APIs: the route to collaboration

Open banking has opened vast new possibilities in finance and transformed customer expectations.

Open banking has opened vast new possibilities in finance and transformed customer expectations. Commercial customers can look forward to automation, real-time liquidity management and the ability to create value-added services, including Banking as a Service (BaaS). Today, there's an appetite for integrated experiences, with financial institutions no longer relying on customers coming to them – driving the move from conscious to contextual banking.

With organisations outside of the financial sphere also experiencing a surge in online transactions, banks are looking to BaaS to enable innovative services controlled by third parties.

- 85% of financial institutions globally agree that the integration of technology and innovation should be at the forefront of the financial services industry.
- 78% of financial institutions are looking to use APIs to drive or enable Open Banking in the next 12 months
- 85% of financial institutions anticipate Banking as a Service to have an impact

The combination of cloud and APIs make it possible to create an open, standardized environment, and managed services can unlock the opportunities that this presents.

With a software-led managed service, financial institutions can exploit the API potential and capabilities of their solutions as they evolve. This approach means that a bank's services can combine in-house and, external solutions and data resources. Innovation is "on tap" from a wide ecosystem of collaborative partners.

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Source: Financial Services State of the Nation Survey 2021

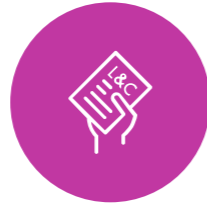
Four areas for open innovation



Payments

The payments landscape is evolving at pace, with a wide range of vendors – empowered by open banking rushing into the market to offer solutions. On the demand side, the pandemic has turbocharged the shift away from cash towards digital, mobile and contactless payments. Banks have many opportunities to play a major role in payments innovation. And with payment solutions as part of a managed services model, cloud's elasticity means they can scale effortlessly to meet customer demand.

Financial institutions can also react to changes in regulations and payment systems. In the traditional model, a new SWIFT release, for example, requires a bank to simultaneously overhaul its master data management systems and adapt all its payment systems. In the managed service model, changes such as these are incorporated so a bank's payments infrastructure is always up to date.

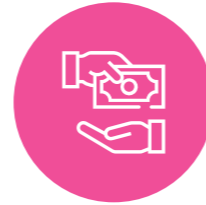


Lending

Competition in the lending market is fierce. Here, the challenge is to create seamless experiences for lending and borrowing. But the reality is that lending is often siloed – and even if a bank has achieved an “end-to-end” lending process, any changes – even something as simple as a new calculator – can take significant time to implement. By leveraging cloud capabilities and APIs, managed services can replace multiple complex systems with a single end-to-end loan management solution that makes the entire lending process more efficient.

It can join together silos of information to give a 360° view of all facilities under management, and use AI to deliver valuable insights.

Lenders can achieve fast ROI from this model, which integrates with their existing systems and across banking apps as well as make compliance and fraud checks easier. Borrowers, for their part, get a vastly improved customer experience, which includes faster onboarding and more personalized and relevant service.



Transaction Banking

Banks need to modernise their environments to effectively compete in trade finance. The challenges of securely conducting transaction banking operations worldwide continue to expand in size and complexity: new ways of processing international payments, more stringent regulation, new technology standards and new methods of payment. All the changes that are happening in transaction banking, with the aim of improving services for corporate customers, require an agile and sophisticated technology landscape.

With managed services, banks can future proof their international trade services and better support their customers' needs. Managed services allow banks to leverage cloud and open APIs to simplify, speed, and secure interbank communication, enable seamless straight-through processing, and lower costs. As a result, exchanging complex trade and payment information becomes easier, new products can be brought to market faster, and profitability is increased.



Treasury services

Today's treasury services need to operate in real time, for example to provide real-time payment reporting, create better visibility and facilitate strategic planning. Yet bringing together the data and processes needed to achieve this is challenging in the traditional banking model. There is significant automation needed, together with always-on connectivity to the right data resources. Open APIs and managed services provide the connections and capabilities that banks need to innovate in treasury services.

With a managed services model, banks can easily plug into the latest AI, machine learning and advanced analytics to innovate across treasury services, for example in fraud detection, liquidity management, compliance and risk management. It's also the foundation for transforming treasury services so they can respond quickly to regulatory and commercial demands, with automated workflows and real-time data management.

The Finastra Managed Services model

Finastra Transform

Finastra Transform, which transitions customers to a software led managed service model, encourages banks to move away from bespoke services. The extensive IP and standardized integrations make it straightforward for banks to adopt open APIs – and its compatibility with the FusionFabric.cloud platform connects customers with a community of fintech partners.

Finastra's model enables banks to simplify their integration architecture, reduce TCO and develop a more streamlined architecture allowing for greater agility. It also promotes collaboration to create “as a service” outcomes.

By working with one another and with a growing fintech marketplace, banks can extend their solutions to offer “as a service” functionality to customers. Technical elements can be handled by Finastra, freeing banks to focus on developing solutions and exploring growth areas such as embedded finance and Banking as a Service.

Conclusion

A model fit for the future

We've seen how the managed services model unlocks innovation across financial activities such as payments, treasury, transaction banking and lending, opening up the potential to leverage APIs and deliver Banking as a Service.

Managed services are ideal for helping banks face the future for this reason alone, but also because it helps banks to move beyond institutional risk to vendor accountability. With more manageable IT estates and much less complexity, banks are less exposed to the risks presented by constant change. Vendors take over the operational burden, shifting the focus from piecemeal projects to shared outcomes, collaboration and drive purposeful innovation.

To find out more about Finastra Managed Services, [contact us here.](#)

THE FUTURE OF FINANCE IS OPEN

Finastra is unlocking the power of finance for everyone by creating a platform for open innovation in the world of financial services.

About the author



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Neil brings over 17 years' extensive experience within Financial Services, advising and supporting clients to shape and execute their complex transformation, leveraging technology and the broader ecosystem to achieve this.

Prior to joining Finastra he held a number of senior leadership roles within the Consulting market. He joined Finastra directly from Accenture where he was a Managing Director within the UK Financial Services business where he worked closely with a range of global Financial Institutions across a broad portfolio of initiatives.



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About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top 100 banks. Our open architecture approach brings together a number of partners and innovators. Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at finastra.com

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