

Replacing your core to achieve growth and agility

Are you considering a change in your bank
or FI's banking systems?

“Banks and FIs need to cut the cost of running - often outdated - IT systems while still responding to customer expectations for ecommerce-grade products and services.”

Niamh Albertyn
Head of Global Pre-sales, Finastra.

Banks and FIs have reached a tipping point where it's not whether to replace their core, but when. Outdated and fragmented IT systems developed decades ago using outdated languages and legacy technologies hold many FIs back from adopting new operating models.




Over 75%

of retail banks report that “it is more challenging to win and retain customers than it was 12 months ago.”

57% of banks

cite delivering greater speed and agility as a top three priority.



Source: Celent Technology Insight and Strategy Survey 2023

Building agility

One of the objectives that banks are increasingly looking for from replacement projects is the ability to build the new products and services that customers want, delivered within much faster timeframes. This requires the type of agility that is not easy to achieve with cores built decades ago, and it's a key benefit of today's next-gen, flexible cores.

As well as thinking about why, and when, you should think about the how.

1 Consider your strategic future

The IT team will play a crucial role in implementing a new core, and will have the closest working relationship with technology partners. But the danger of introducing a new core without considering the future shape of the business is that it fails to remove obstacles to whatever the FIs aims happen to be, from increasing profitability to improving cyber resilience.

2 Take your people with you

Change can create uncertainty, so clear and consistent communication with everyone affected by the migration is vital. Explain why business processes will be impacted and how they will bring value to the bank as a whole, to its employees and to its customers.

3 Remember to ask your customers for their views




The new way of banks doing this is to involve customers, whether it's through focus groups or surveys, early on to get their feedback. This is best done before they are fully committed to a project plan, rather than waiting until after they go live to get the feedback.

4 Bring in the experts

Without a clear definition of outcomes that can be shared with their IT partner, the project will be in danger of failing to reach its objectives, and investment being wasted.

What are your options for a new banking core?

Migrate: providing you choice

	 1 One Step (Big Bang) Complete replacement or upgrades of front-to-back solutions with single Go-Live date	 2 Green Field (New Customers) Phased journey to future state. New customers first, existing customers migrated over time	 3 Phased / Progressive Build a new core platform and integrations with initial launch for one line of business / product first
Risk profile (Single Domain)	● ● ●	● ● ●	● ● ●
Business Impact	● ● ●	● ● ●	● ● ●
Project resources demand	● ● ●	● ● ●	● ● ●
Operational Impact	● ● ●	● ● ●	● ● ●
Costs (hw/sw/people)	● ● ●	● ● ●	● ● ●
Time to Value	● ● ●	● ● ●	● ● ●
Most suitable for	Smaller, less complex institutions	Large, complex, growing institutions	Large, silo-based institutions

●●● High risk ●● Medium risk ● Low risk

Option 1

The one step or big bang approach is the complete replacement of front-to-back solutions with a single go-live date.

Option 2

The green field approach is adopted either by digital-first banks that are starting up from scratch, or by financial institutions that are on a phased journey to their planned future operational model.

Option 3

The phased or progressive approach is most often used by large, silo-based financial institutions that introduce a new core (or keep the existing one), then digitize lines of business or products one at a time.

Measures of success

 1 Revenue growth

 2 Operational efficiency

 3 IT cost-saving

 4 Reduced risk / Improved compliance

 5 Enhancing the customer experience

What do you need to know before replacing your core?

- What are our **objectives** from replacing our core? Do we want to reduce operational costs, introduce new services at a faster cadence, or improve resilience?
- Do we have a business case that reflects those objectives that will help secure the budgets needed?
- **Who** should be involved in the core replacement project team?
- How do we **plan** for future **growth** with the right banking systems core and technology partner?
- Read '**Replacing your core: Enhance organizational innovation, growth and agility**', our new whitepaper, to find the answers to these questions and more.

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