Energizing Core Processing Systems

The Problem

A changing of the guard

The traditional banking model is being pushed to the wayside. We live in a world now where change happens so fast that PayPal is considered by some to represent the 'old guard' in payments technology. Today there is Square and the like, whose card readers are turning an estimated 800 million smartphones into potential point-of-sale devices. Contactless payments in the form of NFC are on the horizon. Then there are non-banks such as Amazon and Apple who collectively hold over 250 million active credit cards on 1-touch payments.

> The world needs banking but it does not need banks.
>
> ~Bill Gates, Former Microsoft CEO and Chairman on the future of banks, circa 1998

Banks should focus on innovation

In the face of such change, many great minds, including Bill Gates and the late Steve Jobs, have written off banks completely – in the traditional sense at least.

Of course, banks deliver real value to people of all walks of life right across the globe. Bill Gates was wrong; banks are necessary. But innovation is required – now, more than ever – in order for banks to remain relevant to the customers they serve. Core processing systems are one such area that banks need to focus on innovating.

Playing by new rules

Core processing systems were built for a slower pace of play, where code changes were rare, and debit cards and ATMs were the dream team. For a while they were a winning combination. But now, legacy core processing systems are an impediment to innovation. Faced with a new generation of mobile, internet-savvy customers occupying a greater number of narrowly defined market segments, banks have to play by new rules or risk losing customers and profitability. And demanding customers wanting consistently new products fuel the levels of competition. So, do banks replace these core systems in order to compete, or do they limp along playing with what they already have?

The Challenge

Costly workarounds

Banks have managed this environmental change with build-ons, patches, and minor modifications added to core processing systems over the years. Meeting these evolving business requirements with short-term workarounds comes at the expense of overall processing efficiencies. Gains in production are erased through higher IT costs, including manual processing, increased error counts, and reduced agility.

> The average person in the street hates banks and given any reasonable alternative they would take it...if Tesco issued free bank cards to people and said, "put your money in here instead of the bank", we're stuffed.
>
> ~David G.W. Birch, Director of Consult Hyperion on issues banks face, circa 2009

When minor changes are big changes

Compounding the problem is that each new workaround leaves the core system more vulnerable. New codes, new layers, competing business objectives – these all expose the core system to new risk. Changing any one business process or rule can lead to a ripple effect across multiple levels of architecture. Even minor changes to a single product can have unforeseen, long term impacts. Workarounds slow down innovation. And when innovation slows down, challenges from new competition go unanswered.

Replace or...energize!

There is a third option of course. Energizing core processing systems with an innovation layer is a valid way to maintain legacy architecture while introducing innovative, horizontally aligned customer-centric modules that enable functions such as relationship based pricing, profitability simulation, and in the case of corporate banking, enterprise payments and billing. Enabling this single customer view is key in terms of banking functionality going forward.

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A Solution in Theory

Choose areas with 'low-hanging fruit' to prove the implementation strategy works and generate quick wins.

Innovate around core sub systems.

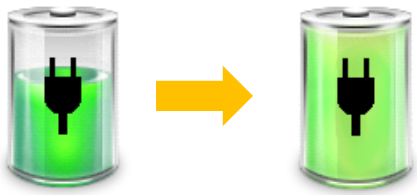
Identify core sub systems to insert strategic innovation layers around. For example, if global transactions services need innovation – and the sub system is functioning at a high level - then implement a new payment processing module to energize that sub system.

The single view of the customer measures the relationship value more accurately. That translates to an enhanced bank-customer relationship.

Replace or connect product silos.

Information silos impose inefficiencies on banks, and they limit banks' effectiveness in delivering value to customers. One key reason to energize core systems is to create a 360-degree view of the customer. Maximizing customer relationship value creates a competitive edge.

Avoid disruption of service, downtime, and unforeseen obstacles by energizing instead of replacing core systems.



Core Processing System 2.0

Energizing the core processing systems gives banks the functionality to deliver more and better value. Centralized billing, relationship pricing, product and profit simulation, are all tools that can increase top line revenue while enhancing the value proposition to customers of all stripes.

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Our Solution

The miRevenue Solution Suite is purpose-built to allow banks to innovate around core banking systems without the need for wholesale replacement. miRevenue is a completely flexible and configurable SOA that enables banks to dynamically measure relationship value, model price and profitability changes, and centralize billing, giving banks a customer centric view that spans silos.

The miRevenue product suite is currently operational at 12 client sites, processing tens of millions transactions daily. miRevenue saves banks operational capacity for their core systems while creating pricing and billing innovations on a large scale.

For example, at a large retail bank in Asia, miRevenue processes over 4 million transactions across 15 million customer accounts per day – resulting in processing efficiencies of over 600%. miRevenue has produced early service charges revenue recognition – giving the bank significant top line revenue benefits.

Results like this make miRevenue an instant "energizer" for core banking systems operations. miRevenue significantly enhances the processing capabilities with minimal disruptions.

What legacy systems face:

• Chronic operational delays, especially with dramatic spikes in core processing times, especially for end of day, end of month and end of quarter balances
• Delayed revenue collection resulting in loss of income on funds left on the table because of the delays
• Taxing demands on hardware processing power to meet the increasing loads and functions

Lighten the load with a calculation engine:

miRevenue can relieve legacy systems by performing calculations for:
• Transaction fees across all products and services
• Different types of interest calculations
• Calculation of average quarterly balance, average monthly balance and average daily balance and other similar metrics
• Asset and liability value indicator calculations
• Mortgage and loan payments calculations

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Conclusion

New players, increasingly agile entrenched competition, and a volatile regulatory landscape threaten ever shrinking profit margins. Legacy core systems challenge responsiveness. To maintain a competitive edge, banks most often consider modernizing these existing systems or replacing them.

But energizing a core system with innovation layers has a significant advantage. Using a modular SOA can give banks the functionality and flexibility they need along with tremendous ROI.

About Us

Zafin Labs is a leading global provider of innovative pricing and billing software solutions for banks and financial service providers. Recognized as a technology leader, Zafin Labs solutions are designed and built specifically for the financial services industry with a focus on revenue generation, recognition and assurance.

Zafin Labs' flagship miRevenue product suite enables dynamic relationship-based pricing, configurable billing, loyalty management and revenue capture capabilities with complete transparency and compliance.

Our clients come from all over the world and include Barclays, Standard Chartered Bank, SEB, HDFC Bank, Zürcher Kantonalbank (ZKB), IndusInd Bank, The National Bank of Abu Dhabi, and Dubai Islamic Bank. In order to better serve our international clients, Zafin Labs has offices in North America, Europe, Asia and the Middle East.

You can find us online at www.zafinlabs.com.

For more information on how Zafin Labs can help energize your core processing systems, please visit: www.zafinlabs.com

Or contact us at: info@zafinlabs.com

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