Capgemini

Core Banking Modernization

powered by Temenos

FinTechs/BigTechs/challenger banks are leveraging cloud-based core platforms and easily integrating with the partner ecosystem to take offerings to market faster. These dynamics demand that incumbent banks (many with legacy core systems) transform into digital banks to match the pace of their faster counterparts. The only way to enable this transformation is through core modernization.

But core modernization is an enterprise-level change that raises several questions for banks. Should it be on-premises or on the cloud? Will it be in phases or one large implementation? What's the best way to securely migrate data from legacy?

***Capgemini's Core Banking Modernization** offering addresses these questions and more, helping banks modernize their core and achieve business outcomes such as higher revenue growth, reduced costs and de-risking their operations.*

With Capgemini's Core Banking Modernization offering, banks have a proven, methodical approach to core modernization that will help them keep pace with digital competitors and provide customer-centric experiences.

Why is Modernization Necessary?

Customers today want an experience that transcends the purely transactional. It's not enough to have a brick and mortar building with customer agents or mortgage lending agents offering loans. Today, newer banks are offering customers a "one-stop shop". Value-added services such as buying a house or car can be accessed by customers through connected marketplaces and other platforms. Customers can then search, buy and fund their purchases in a few steps. These banks are practicing the "banking-as-a-lifestyle" model, reimagining customer journeys to provide valuable advice, products and services with one click at the right time in their customers' lives.

Not bound by legacy systems, FinTechs/BigTechs/challenger banks are harnessing cloud-based core platforms that easily integrate with the partner ecosystem, driving innovative offerings to market faster and meet the evolving customer demands. These dynamics demand that incumbent banks transform into digital banks and also have the flexibility and agility to respond to changing customer and business needs to match the pace of faster counterparts.

Enabling banking-as-a-lifestyle requires:

- An open platform within an extended collaborative ecosystem that can drive new business models
- Cloud-enabled solutions and "on-demand" servicing models that leverage the power, extensibility and efficiency of the cloud
- Supporting emerging technologies, including artificial intelligence (AI) and machine learning (ML)-driven capabilities to improve customer insights, drive customer outcomes and enhance risk and fraud management

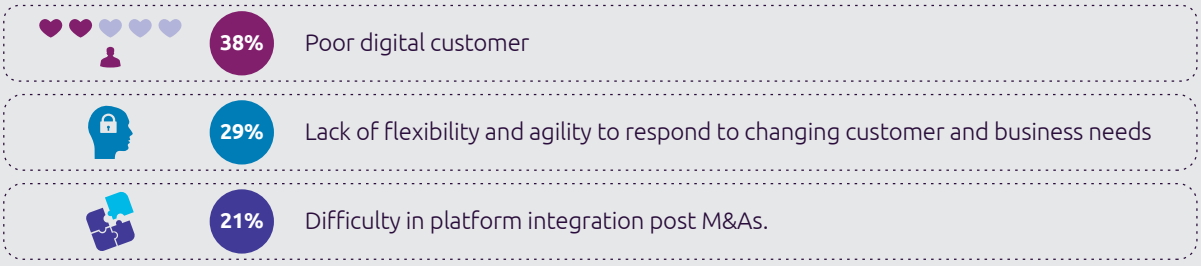
But for many banks, this can be slow-moving. In an open banking era of data sharing, open APIs and open ecosystems, banks that are constrained by legacy core systems struggle to rise to the challenge posed by new entrants.

With bulky, unwieldy legacy core systems making it difficult for integration with third-party applications and platforms, there is only one remedy for incumbent banks – modernize the core.

Legacy systems can prevent incumbent banks from enabling banking-as-a-lifestyle, as well as affect the firm's bottom-line. In fact, according to the Everest Group's "Core Modernization for Building Future Banking Experiences" report, 95% of mid-market banks in North America are currently not satisfied with their core banking system capabilities.[1]

Additionally, legacy systems were behind some of the banks' biggest challenges (Refer to Fig. 1).

Figure 1. Challenges Attributed to Legacy Core Systems, Source: Everest Group (2020)



[1] Core Modernization for Building Future Banking Experiences, Everest Group, April 2020.

Figure 2. Banks with modern core platforms can achieve higher revenue growth, drastically reduce cost and de-risk their operation

Core Banking Transformation for large Irish retail bank

The bank had an inflexible, product-centric core banking legacy system that limited customer segmentation and support for customer-focused channels and services and slowed down time to market for new products and services. Capgemini created reference architecture business processes and roadmap and deployed a version of Capgemini's Connected Banking platform underpinned by Temenos Transact. When implementation is completed, legacy systems will be decommissioned, allowing cost savings and improved efficiencies via the cloud-based platform, as well as enabling quick creation of customer-segment-focused products and services.

Capgemini in Action

What are the Paths to Modernization?

Core Modernization is an enterprise level-change; banks face a unique set of challenges on their journey. These include build vs. buy decisions, phased vs. big-bang implementations, and choosing between on-premises vs. cloud implementations. Additionally, banks are faced with altering business processes, evangelizing Agile and DevOps processes, ensuring minimal impact to integrating peripheral systems, and migrating terabytes of secure data from legacy to modern cores. Organizational change management, including staff training and enablement, is also important. Finally, banks must also accelerate the overall implementation to ensure business benefits are realized.

Capgemini's Core Banking Modernization offering helps incumbent banks undergo legacy modernization, address all the challenges above and achieve business outcomes to remain competitive.

There are many approaches a bank can take to modernization, with three options supported by Capgemini: Full Core Replacement with a New Tech Stack, Progressive Modernization and Greenfield Banking via a New Stack.

Full Core Replacement with a New Tech Stack is the riskiest option that occurs when banks need to urgently migrate to a new platform and retire their legacy systems for various reasons (e.g. regulation).

Progressive Modernization is a low-risk option that works to retain the legacy platform but progressively minimize it ("hollow the core") over time as a modern microservices-based architecture is built around it. This approach, which works as long as the current core system is viable for 5-10 years,[2] allows banks to build the architecture around the most important customer journeys.

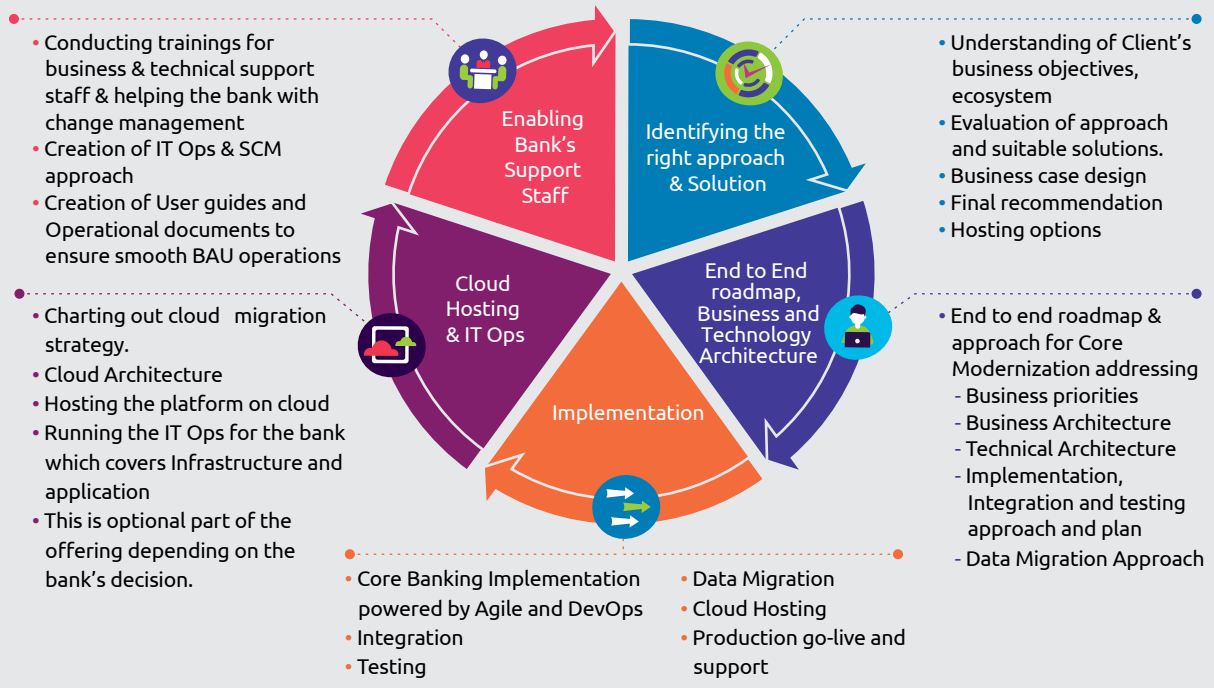
Greenfield Banking via a New Tech Stack is riskier than Progressive Modernization but also faster to adopt. Here, banks can instantly transform into digital banks as a cloud-native core platform is implemented and new customers directly onboarded.

What is Capgemini's Core Banking Modernization Offering?

Capgemini's approach to core modernization is client-oriented and looks at the end-to end-solution – we align with your business priorities and operating model by collaborating with your Business, Operations, Data and IT teams. Together, we figure out the right solution and implementation approach for the entire lifecycle covering solution and roadmap definition, implementation, data migration, application value maintenance, bank support staff enablement, and ongoing IT Operations and maintenance for the bank.

Our Core Banking Modernization approach is represented in the diagram below:

Figure 3. Capgemini's Core Modernization Offering



[2] Next-generation core banking platforms: A golden ticket?, McKinsey Analysis, August 12, 2019.

Capgemini's Core Banking Modernization offering is underpinned by **Temenos**, the industry leader in banking software. With its open, integrated, componentized and upgradable software that offers breadth and depth of functionality across the banking value chain, Temenos is the top choice for banks as they undertake digital transformation initiatives.

As a key global strategic partner of Temenos, Capgemini offers comprehensive services and solutions that help banks unlock the full value of this powerful platform and create a core banking system environment that is simpler and more efficient, highly flexible, and that fosters responsiveness to the dynamic banking environment.

Accelerating & de-risking the Implementation journey

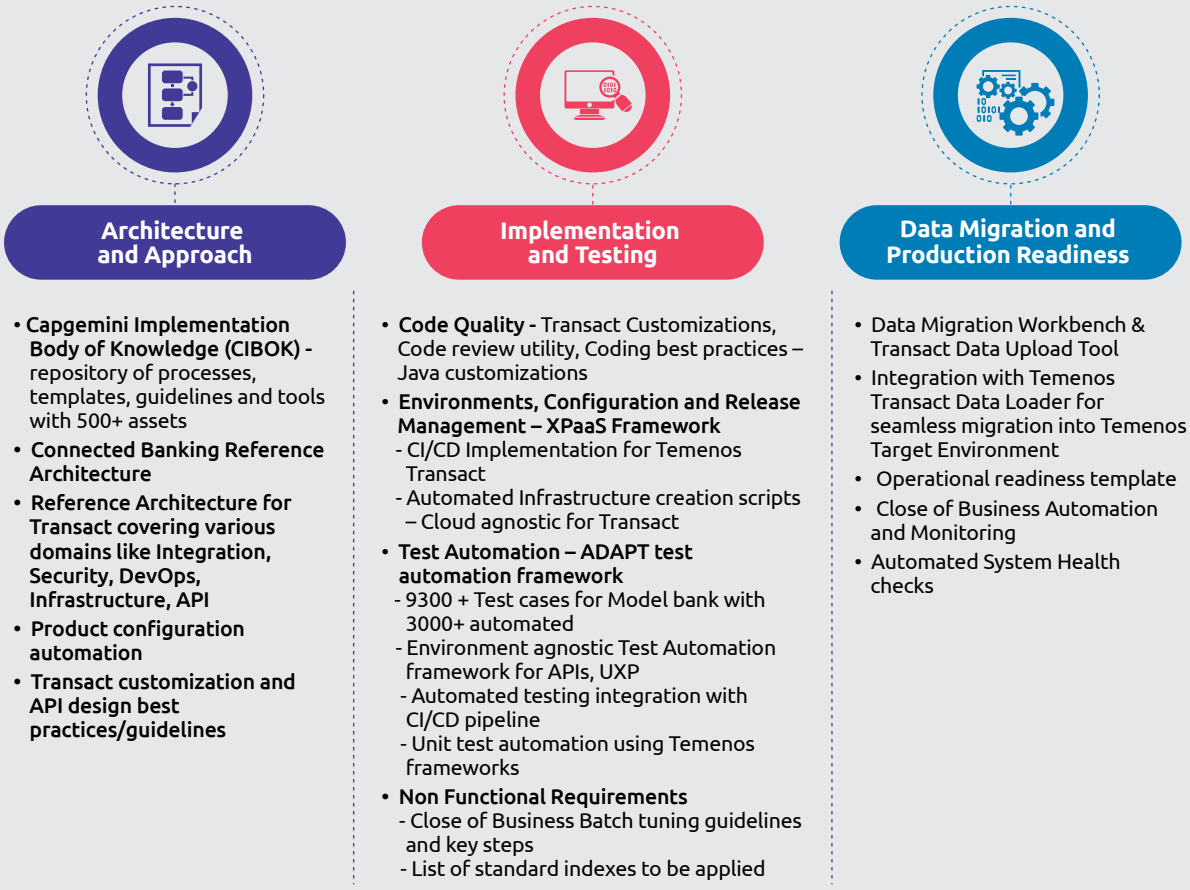
With over 25+ implementations, Capgemini has created reusable implementation frameworks and assets to ensure that all aspects and phases of Core Banking Modernization (including implementation, testing and data migration) are covered.

We leverage our proven Redesign through Application Package Iterative Development (RAPID) methodology, which enables us to accommodate Temenos-specific implementation processes ensuring alignment with Temenos best practices within our delivery cycles.

Moreover, RAPID ensures alignment of business and technology workstreams across the program lifecycle by identifying key outcomes and deliverables, as well as the workstream interaction. It supports iterative cycle delivery methods within various phases to provide early/ongoing visibility of outcomes.

Capgemini utilizes **proven assets and accelerators,** from standard set of templates and processes, architecture blueprints, Integration patterns, and API Libraries to test automation suites and ready DevOps and cloud implementations for Temenos Transact that help us reduce the risk and time to implementation for our clients. These assets/accelerators have been built over time and cover end-to-end phases of implementation and after "go-live".

Figure 3. Capgemini's Assets and Accelerators



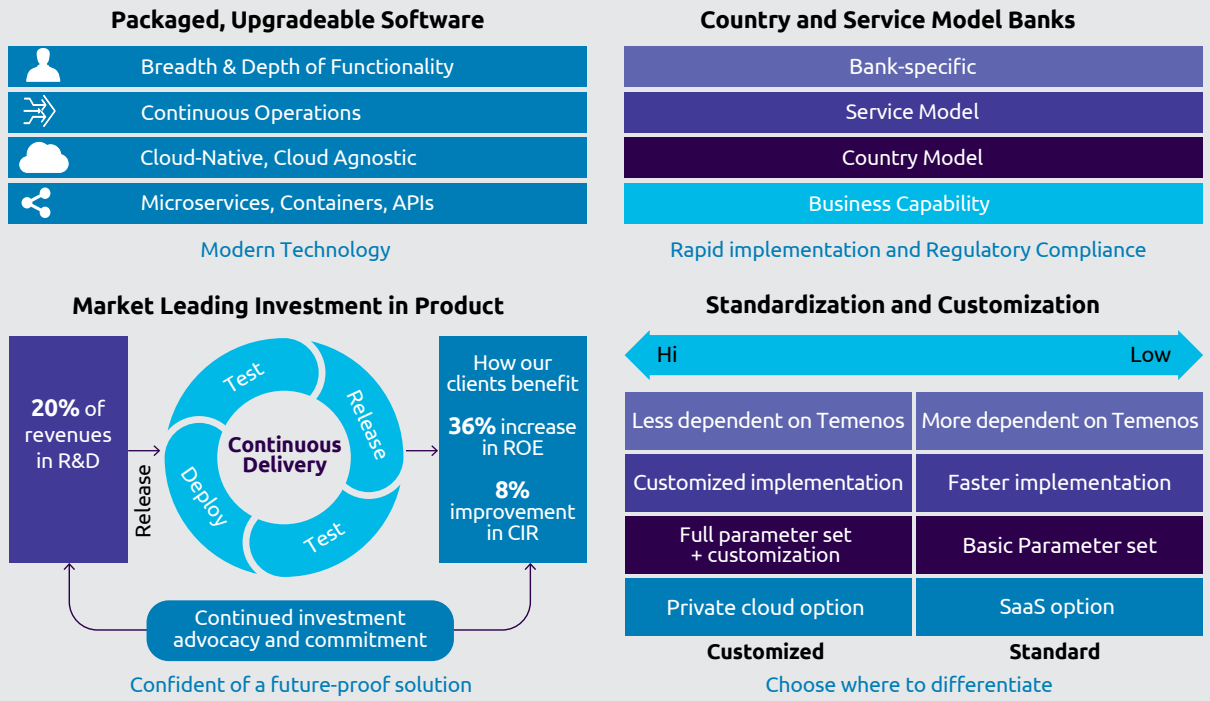
Why Temenos

Temenos's market-leading core banking platform - Temenos Transact - provides product definition, transaction processing, unparalleled operational scalability and functional depth for retail banking, corporate & transaction banking and private wealth banking.

With over 3,000+ banking clients in over 150 countries, Temenos provides a Country Model Bank framework which enable faster implementation and expansion into new countries at decreased costs while remaining in compliance with local regulations.

Temenos has also built an ecosystem of products around Transact to help banks address their growth objectives. These products are modular in nature and can be bolted onto core banking, including Payments, Infinity Wealth (wealth management), Infinity – Digital Front Office, Fund Administration, Data & Analytics, Financial Crime Mitigation, and Data Lake.

Figure 4. Reasons Banks Buy Temenos



Temenos Transact Core Banking Platform implementation for Canada's largest Credit Union

The credit union had a legacy platform that was difficult to support or enhance and required high maintenance costs. Additionally, data warehousing and reporting tools could not be properly integrated to the platform. Capgemini partnered with a client to successfully replace the legacy with a modern Temenos Transact platform requiring significant data migration. Currently, 20+ GB of member data has been migrated to the modern platform, allowing customer-based views that permit easy data access and governance, as well as low maintenance costs.

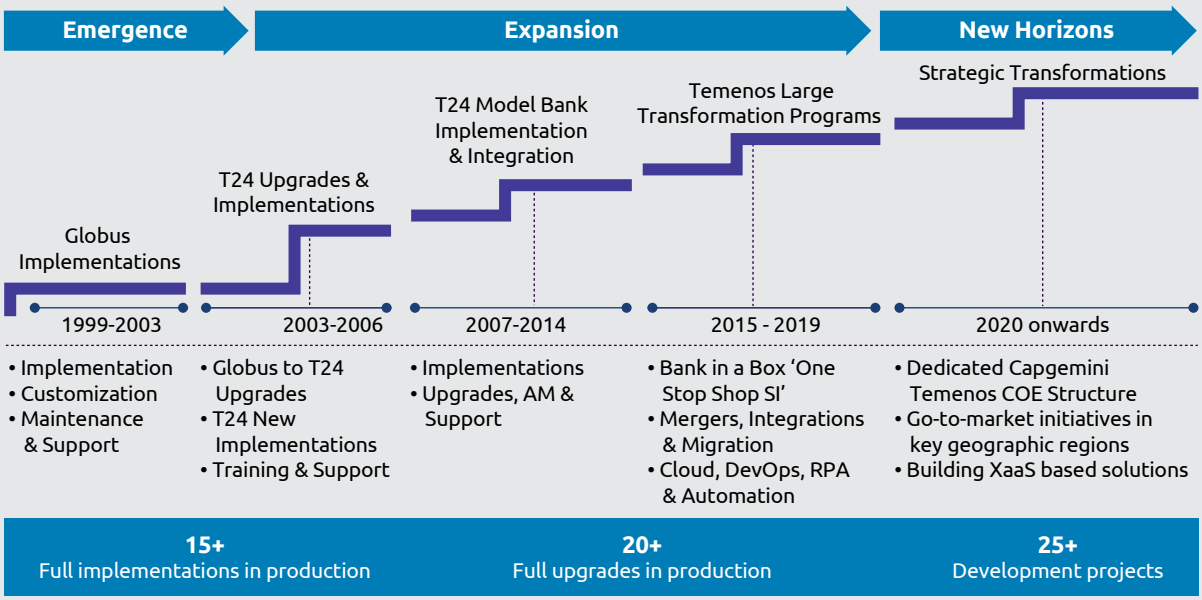
Capgemini in Action

Why Capgemini?

BigTechs, challenger banks and other digital banks are no longer disruptors in the banking industry. They are here to stay, and incumbent banks must evolve quickly to maintain market share. With a deep knowledge of financial services and banking domain expertise and delivery via our leading Banking Industry Practice, Capgemini can enable banks to meet the challenge through Core Modernization powered by Temenos.

Capgemini is a certified Global Partner to Temenos since 2010. Our Temenos Center of Excellence works closely with Temenos to get an early understanding of new versions and to co-develop innovative solutions for our clients. The strength of the Capgemini-Temenos relationship has grown significantly since it began in 1999. Together, we bring experience, partnership, best practices and knowledge to ensure a quality delivery with governance, providing immense value to our clients.

Figure 5. Capgemini's Experience with Temenos



To get started on the path to modernization, email us at banking@capgemini.com

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About Capgemini

Capgemini is a global leader in consulting, digital transformation, technology and engineering services. The Group is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year+ heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. Today, it is a multicultural company of 270,000 team members in almost 50 countries. With Altran, the Group reported 2019 combined revenues of €17billion.

Learn more about us at

www.capgemini.com

People matter, results count.