



# Core Systems Transformation

## Our Capabilities



Deloitte offers services across all stages of the core systems delivery lifecycle, acting as your transformation partner along the journey.

### The market challenge

The market demands continuous improvements to operational performance and ever lower cost-income ratios. The combined pressures of saturated markets, transient customers, heightened competition from mergers and acquisitions, increasing regulatory focus and complexity, and rising risk management constraints make these aspirations difficult to deliver upon.

### A potential solution?

We believe that past incremental investments in IT could be a bank's greatest weakness, locking in cost, creating complexity and inhibiting responsiveness to the market. Our hypothesis therefore is that only through Core Systems Transformation can financial organisations achieve a break through transition so as to operate efficiently and compete effectively in the future financial services market. Cost efficiency, radical cost reduction and revenue enhancement programmes can offer immediate or short-term benefits to the "cost-income ratio": however, we at Deloitte believe this may no longer be sufficient in 21<sup>st</sup> century banking.

We define Core Systems Transformation as the end-to-end implementation of a core financial system or the complete replacement of a significant proportion if not all of an institution's heritage systems with a modern package-based solution able to fit with business needs and to handle future constraints.

Furthermore Core System Transformation is not only relevant for Banking systems but the context includes as well Asset and Investment management systems.

### Our opinion

We believe that many banks are at a crossroads, facing two distinct options, to remain in the current incremental investment approach or choose a radical alternative path. An entity can continue with periodic layers of IT investment in its core system technologies and observe, over time, the percentage of strategic spending being squeezed and its overall market competitiveness is challenged.

Non-replacement of Core Systems leads to:

**Locked-in costs:** costs locked into maintenance/tactical spending and not strategic development

**Implementation failure:** even the smallest system changes are associated with significant cost and risk

**Inhibited responsiveness:** the multitude of interfaces and platforms prevents banks from rapid delivery time to market

**Operational complexity:** silos of product processing engines limit potential for single customer view and process efficiency

Alternatively, a bank can replace its Core Systems and break through to a higher level of performance.

Core Systems Replacement leads to:

**Efficiency and reliability:** improved operational efficiency and enhanced customer service through atomic and straight-through processing

**Product and services innovation:** flexibility and pace of product launch improves capability

**Greater future investment:** spending is re-directed from tactical to strategic investment and enhancing customer solutions

**Simplified architecture:** rationalised systems and platforms reduce ongoing costs

### Is this really possible?

We at Deloitte remain close to the core system market and the vendors that operate within it. There has been significant change in the core system vendor landscape, to an extent driven by consolidation.

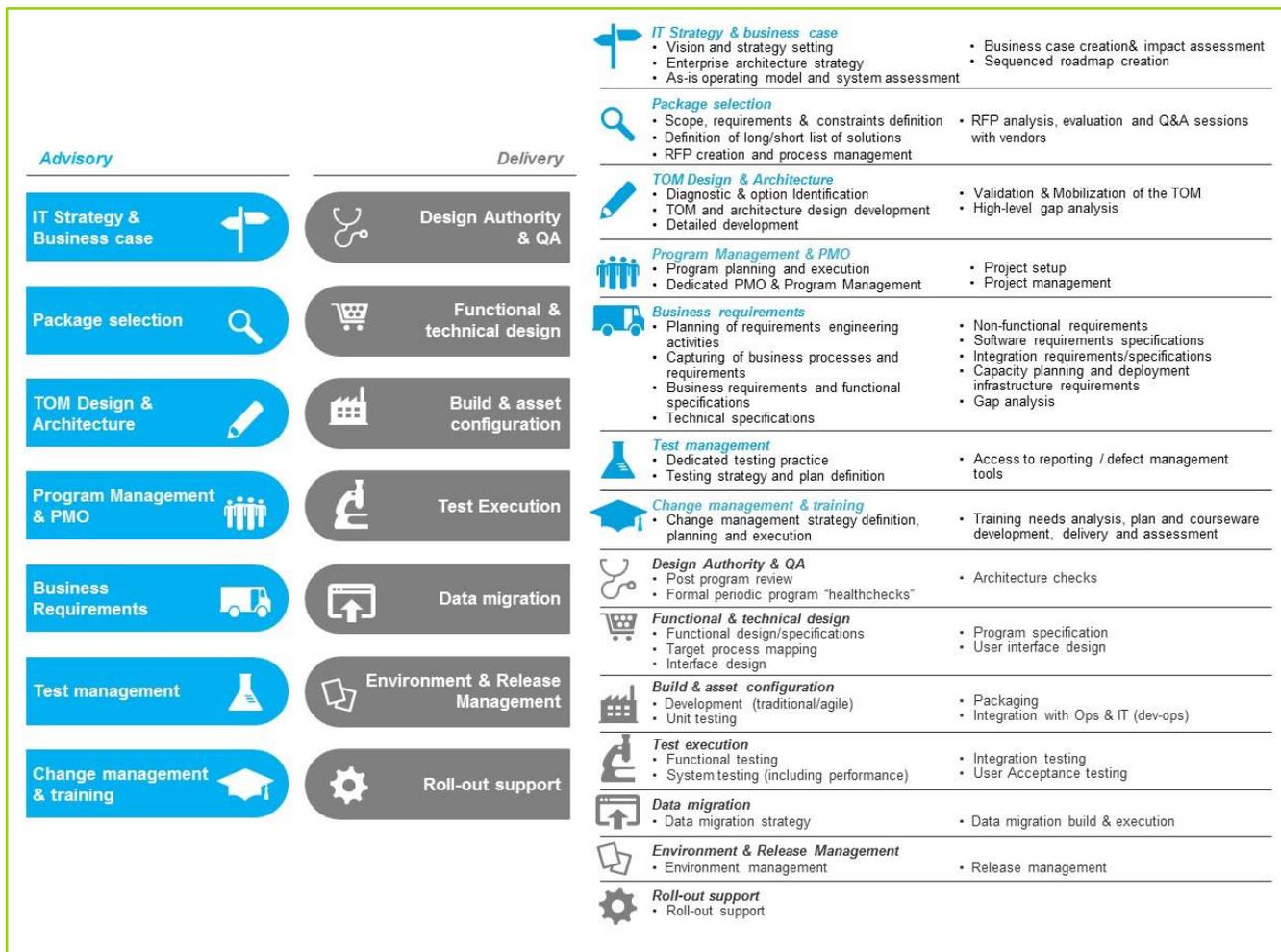
More significantly, this has been caused by the emergence of new players operating in the lowest cost markets and not sticking to the conventional product distribution model but instead building on multiple electronic channels to sell their products.

As we observe the market, core systems replacement deals are being announced almost weekly.

## You are not alone

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## Our Value Proposition



We offer a comprehensive toolkit that can help you to navigate this complex and challenging opportunity. Using our frameworks, we have helped clients break down this full meal into digestible chunks via our Value Proposition.

## Deloitte's global presence

Due to Deloitte's large network of member firms spanning the globe we are in a unique position to serve our national and international clients locally, globally and throughout the EMEA region. We can address conventional and Islamic banking requirements via our Deloitte CoE for TEMENOS T24™ based in Luxembourg and our CST capabilities in the ME practice.

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