



JAGGY™

Sharp IT Solutions



Agile, Responsive Banking Solutions

"The new era of banking demands a fresh technological approach, as banks must rid themselves of the burden of inflexible solutions designed and implemented when the financial world was a different place."

Source: Ovum Core Banking Report 2011

Banks worldwide are in the process of transforming their core banking business to adapt to new market and industry drivers. Increased regulation and globalization are heightening competition, forcing banks to become more agile in the marketplace and adopt international best practice. Expansion into new markets is forcing banks to leverage more on their existing branch and channel networks. Furthermore changing population demographics and more demanding, intelligent customers mean banks must understand their customers completely and meet their needs, or lose them to competitors.

Are your systems and data delivering on their potential to facilitate superior customer service and manage the full spectrum of risk? Can you flex your systems in response to an increasingly stringent regulatory environment? JAGGY can help.



Core Banking Transformation

Banks are constantly seeking to refresh and enhance their core systems. New distribution channels and product innovations are emerging all the time and existing technology platforms must keep pace with change.

At JAGGY we recognize that every organization is at a different stage of the core banking evolution - some are clearly more advanced than others. We have been supporting the transformation journey of our clients for many years, helping to optimize the core banking systems needed both to support new product development and to respond to the market changes that have an impact on business.

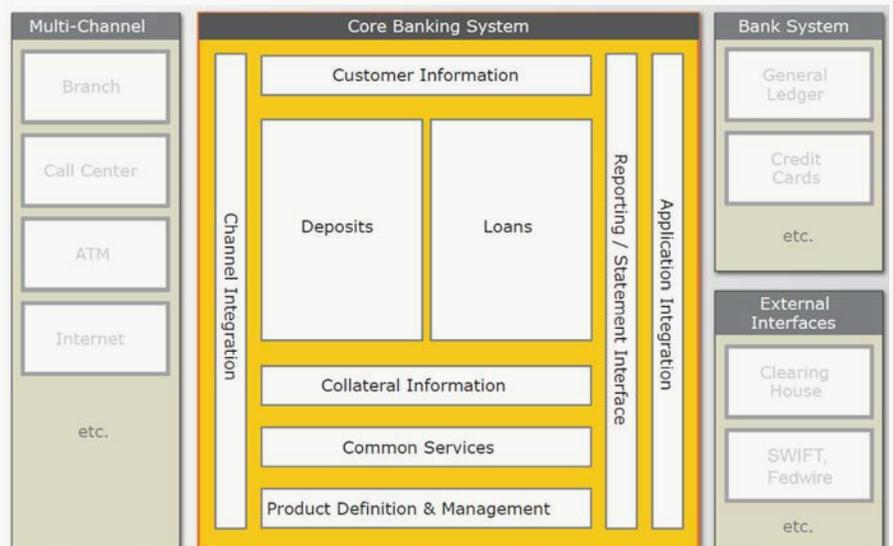
We ensure that our client’s core banking systems support the effective management of operational, credit and fraud risk, while helping to open new revenue opportunities faster than before. We achieve this by leveraging our broad experience of bespoke and leading core banking systems. Our proven track record of working closely with leading technology vendors, including Temenos, Oracle, SAP, and Mysis, ensures our clients’ systems are not only fit for purpose today, but are able to support future needs.

What is Core Banking

Core banking in simple terms, is a highly efficient “customer accounting” and transaction processing engine for high volumes of back office transactions. The purpose of a core banking system is thus to give banks the ability to process large transaction volumes in a fast and efficient way.

What Core Banking Systems Do?

- A core banking system is a transaction processing engine with customer-level accounting and reporting of the deposit and loan products processed in the bank.
- Core banking also handles transactions such as interest and fee calculation, pre-processing for statement printing, end-of-day processing, and consolidation of daily individual transactions as “accounting entries” which are posted into the bank’s GL system according to its chart of accounts structure for the daily trial balance sheet preparation.





What Core Banking Systems Do Not Do?

- Core banking systems do not handle customer-facing front end of the bank. Core banking systems also do not include the analytics embedded in an industrial-strength data warehouse design.
- Core banking systems do not include a comprehensive CIR (Customer Information Repository) though they do include a CIF (Customer Information File) or CIS (Customer Information System) focused on their own processing and reporting needs. These components have only the necessary customer information or capabilities embedded.
- In a Service Oriented Architecture solution, the Customer Information Repository will be positioned on top of the core banking systems, as it is assumed that a bank will always have multiple core systems which need to interact and share customer information.

Core Banking Replacement

Core banking replacement is becoming a hot topic in banking. Many banks consider replacement because of the following perceiving needs:

- No/Limited Basel II Support – New and more complex Basel II-driven risk frameworks are not supported
- Ageing Technology Infrastructure – Ageing technology that is increasingly difficult and expensive to maintain and support
- No Common Customer View – Multiple customer views and complex processes are not easily integrated with the existing technology infrastructure
- No Product Factory – Innovative, highly interdependent product bundles are not supported by the existing core banking systems, making it laborious to launch new products and services
- Long Deployment Cycle – Technology inflexibility demands lengthy deployment cycles

Due to such perceptions, the business users demand a replacement of the core banking systems. Here are some examples of justification given for this investment to address all of these issues:

- *"We are losing market share. We need to replace our core banking system now to increase our competitiveness and regain lost markets".*
- *"We need to replace our core banking system to have a better understanding of our customers".*
- *"We need to replace our core banking systems to be able to bring new products to market faster".*
- *"We need a core banking-enabled product factory".*

The key questions to ask are:

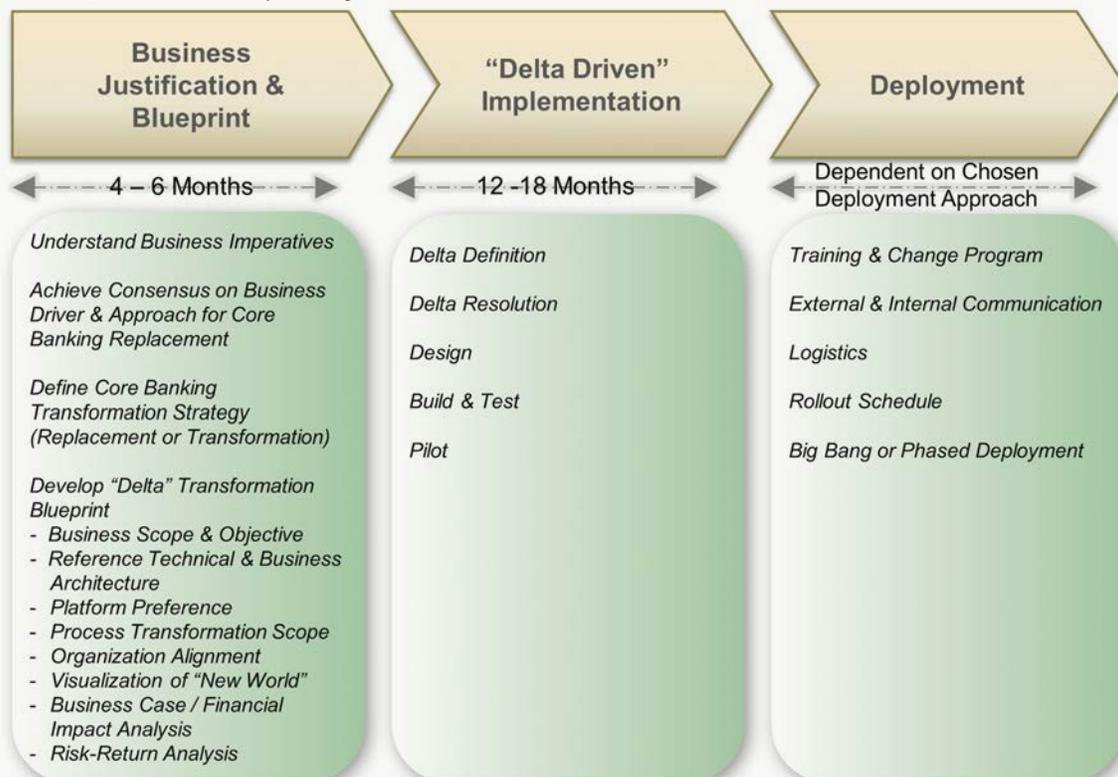
- Is the bankers' perception about the outcome of a core banking replacement correct?
- Does a "traditional" core banking replacement project address all of these issues?
- Do the statements made by vendors truly reflect what their clients can expect from a core banking replacement project?



What to expect in core banking replacement?

To start an effective core banking replacement program, the bank must manage the expectations of all parties involved. Therefore, it is very important to clearly understand what a "core banking replacement" really is. In some cases, a bank might not even need to change the core banking system but just refresh the ageing front-end system. In other cases, a bank might need to do both, e.g. replace the core banking system and simultaneously replace the front-end systems of the bank. This of course is a project of much greater magnitude.

Replacing or even upgrading the core banking system is a complex and high-risk proposition requiring substantial resources and time. Most banks prefer to defer the decision till the change becomes imperative. The decision making progress includes providing financial and business justification to the management and evaluating the risk and returns; it is a time consuming process that requires the involvement of not just the IT people but also decision makers across functions. Risk-return analysis has to be coupled with development of business objectives, gap analysis of the existing infrastructure and delta analysis of future needs. It is critical at all stages of selection and implementation that banks keep business objectives as the primary consideration.





Risk Mitigation

Risks and potential losses in replacing a core banking system are very high, making it imperative that banks tread with caution at each step. There are five broad stages in the replacement process and inherent characteristics of each.

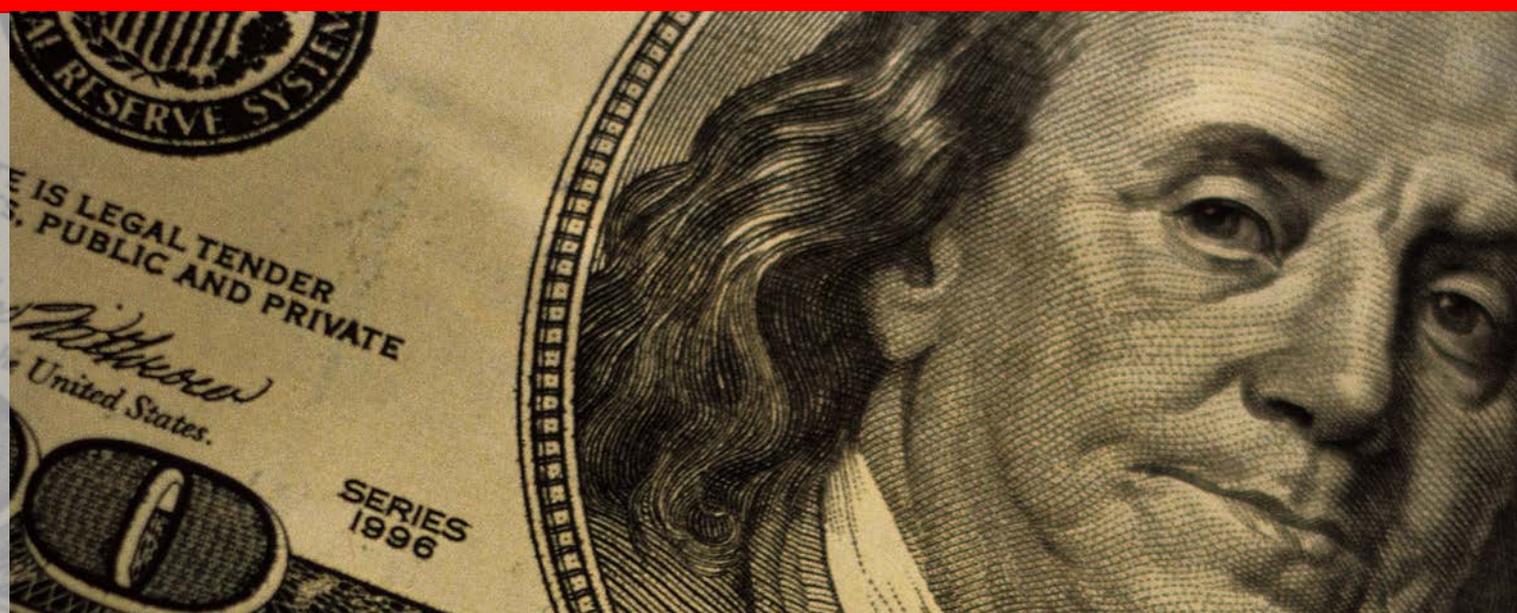


Lack of management commitment is one of the primary causes for project failure. A core banking replacement project needs business and management support in totality and the project should not be perceived as an IT project. Management commitment should not be limited to simply business and management involved at all stages of the project but extend to strong leadership support that sees the project through.

The evaluation of business needs and objectives must be comprehensive, as inadequate assessment of technical and functional requirements will lead to improper selection and possibly expectation/delivery mismatch at a later stage. It is critical for the bank to understand the type and depth of functionality provided by the core banking solution in the context of its own requirements and replacement objectives.

Vendor Risk

It is vital for a vendor to have a long-term view of the banking business just as a bank would have. Many banks will consider the decision to team up with a core banking vendor using similar criteria to the ones on which one might decide to make a long-term investment or extend a credit line. Corporate governance, the quality of management and their vision, are positive indicators. System integrators and vendors of core banking solutions are more than just developers of another piece of software and banks are recognizing this.



Project Risk

Probably one of the biggest obstacles to core banking legacy replacement is the serious risk of disrupting the business. Unfortunately large scale in-house core system replacement projects have a very poor track record and have on a number of occasions failed to deliver. The other problem that is often associated with such projects is the fact that they can take many years to complete and the business requirements tend to change during that period.

Whereas any project – including the implementation of a packaged core banking application – incurs a certain element of risk, there is ample evidence that package implementations have a much better track record. What is more, typical core banking vendors who have a product focus rather than a services focus, see it as being in their interest – as well as the interest of their customers – to constantly focus on simplifying implementations and reducing the time and effort required to implement the system.

Cost

There is no doubt that a core system replacement project requires significant investment. In-house project attempts, reported in the public domain, have often been denominated in US \$ hundreds of millions. Even though the average initial licence cost for a core banking package for smaller banks is now reported by industry analysts as being in the range of \$2M to \$4M, the actual cost of a project includes many more dimensions.

To understand the total cost of ownership of a core banking implementation requires a detailed analysis. Suffice it to say that important ingredients which should be considered include the annual maintenance fees and the initial cost of implementation and possibly more importantly the initial cost of customization – given that this cost is likely to be repeated to some extent – for those systems which are not fully productized – at each upgrade.

What is evident is that for most legacy core system environments the cost of maintaining the system often consumes 70%-80% of the available budget – severely constraining the ability of IT to innovate.

By contrast and assuming a highly productized implementation, the annual maintenance cost of a core system becomes highly predictable and is made up of the annual maintenance fee and – ideally – an annual investment in the effort associated with upgrading to the latest release.

JAGGY's long-term commitment to bank's success

JAGGY is not just an IT supplier; instead we partner with banks to provide not only the solution and integration services but also long-term relationship and technical support. We believe that banks should not just evaluate the financial viability and track record of vendors, but also ensure adequate fit with the project and be able to trust the service provider. This is especially true for the selection of core banking systems integrator, which can make or break a project by its decisions on the resources assigned to the project.



Core Banking Replacement Building Blocks

The process of core banking replacement consists of several critical building blocks that need to be taken into consideration during planning:

- **Big bang or phased deployment strategy** - is coexistence of the old and new worlds required? How will they coexist during deployment?
- **Service Oriented Architecture (SOA)** - what is the impact of the new core banking system on the bank's overall systems architecture?
- **Interface considerations** - how many interfaces need to be build?
- **Process rationalization** - which processes will be impacted by the core banking replacement? How much legacy do we want to take over to the new "post core banking replacement"?
- **Product rationalization** - which products can be converted without modifying the core banking system? Which products and services will be impacted by the core banking replacement?
- **Project organization and program management** - how project is organized? How much senior management involvement is needed?



Banks need to answer these and other questions for a successful core banking replacement project.

Impact of Core Banking Transformation Project

The impact of core banking system would be visible over the long term in the performance of the organization. A bank replaces its system once every 10-15 years (sometimes longer), and thus it is essential that the bank develops clear objectives and its expectations are detailed to ensure suitability of the system to avoid a mismatch between deliverables and expectations.

Rapid pace of change in the banking industry makes it extremely difficult to picture the banking landscape in the years to come. For this reason, the right selection would be one with a forward-looking flexible architecture that has the ability to respond to the business dynamics and adapt to newer products and services as well as the scalability to meet future growth.

JAGGY takes a long-term perspective while implementing core banking replacement projects, as we know continual upgrading and ongoing support services are critical requirements.



How to Implement a Successful Core Banking Transformation Project

Work with a Trusted Partner ...

We are a trusted partner to our customers. We do the right thing and we do it well. We listen to customers and help them anticipate, and take advantages of changes in the industry.

We have a deep understanding of specialized business processes gained from years of close collaboration with our customers. We specialize in complex and mission-critical systems. Our solutions are category-leaders. We have the broadest portfolio of best-of-breed technology solutions in the financial services industry.

We balance innovation with pragmatism. We apply the latest proven technologies to our vast breadth and depth of industrial-strength functionality. We are consistently striving to perfect and adapt our solutions through process and product development, best practices, and integration.

... to Successfully Implement ...

Our mission is to help our customers achieve their goals through a deep understanding of their specialized business processes and the smart and effective use of information technology.

We are able to adapt our solution to support customers' unique business strategies – helping them to become more efficient, capture growth opportunities through innovation, improve customer service and comply with regulations. Our implementation record is impeccable. Our customers can testify to the benefits they have received from our solutions and the enthusiasm, professionalism, synchronized teamwork and competence of our consultants as they worked diligently towards successful project completion.

JAGGY Core Banking solutions provide

- Integrated Accounting and Risk Management
- Agile Banking on Open Platform Technology
- Customer-centric, 360-degrees View of your Customers
- Comprehensive Retail and Commercial Banking Coverage

About JAGGY

JAGGY provides banking solutions for retail, commercial, and private banks. We provide banking professionals with solutions that support front, middle, and back-office operations, as well as solutions for financial management, risk, and compliance. JAGGY helps banks improve customer service management, streamline business processes, comply with regulations and capture growth opportunities. For more information, visit www.jaggy.com

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