



Unlocking the Hidden Value in Financial Institutions

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Unlocking the Hidden Value in Financial Institutions

“Rising costs, complex customer needs and a rapidly evolving regulatory environment present compelling reasons for financial services organisations to invest in their underlying technology.”

Introduction

In this whitepaper we explore the challenges facing financial institutions, and the opportunities that can be unlocked through the deployment of modern, agile systems based on standardised Internet technology.

Complexity and rapid change have become hallmarks of the financial services industry. New competitors are entering the market and customer expectations are increasing. It is essential that financial institutions take action to be well positioned for a more competitive future.

Customers are becoming more sophisticated and are demanding a broader range of products and services. They want real time visibility of their entire relationship with financial providers and their expectations for self-service have risen accordingly.

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While many financial institutions have thrived under these conditions, the IT systems supporting them have often struggled to keep up. In an industry where agility and flexibility are essential, some institutions are finding IT is hindering their ability to compete.

Old tools for new tasks

Look under the covers of many financial institutions and you may find a disparate mix of hardware and software - systems that ceased to be state-of-the-art years ago, being held together by a complex web of patches, interfaces and middleware. These heritage systems typically provide the core functionality needed, but modern requirements see them glued to yet more systems that provide document management, business intelligence, analytics and web delivery.

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This patchwork of IT systems may appear adequate for today’s requirements, but they are costly to maintain and prone to providing unreliable data. They can also be fragile, threatening to break under increased workloads, and

are nearly impossible to modify without significant cost or business disruption.

As more systems are tied together, the overall IT environment becomes more complex. These applications are often referred to as legacy systems due to their age, but it is a lack of flexibility that is their true legacy. Restraining business growth by stifling new product development, these systems make it increasingly difficult to unlock the value that resides within data and prevents institutions from meeting customer service expectations.

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Opportunity through technology investment

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Modern customers, sophisticated expectations

The benefits that the Internet has delivered to customers across financial services and beyond are undeniable. The Internet has shifted the industry model beyond that of 9-to-5, face-to-face interaction to create a paradigm where business is conducted at all hours from anywhere a customer has online access.

This evolutionary shift is not unique to financial services. The airline, retail, telecommunications and media sectors all demonstrate how Internet-connected systems can radically change the nature of customer interaction. They have dramatically lifted customer expectation, with demand for higher levels of self-service and instant gratification from product and service providers now being the norm.

Having seen and experienced the benefits of 24-hour real-time interaction, people expect it in all their dealings. They demand services be delivered in a consistent manner via their preferred channel; whether that be face-to-face, online, mobile or a call centre. They feel entitled to have complete visibility of their provider relationships regardless of how complex or dynamic they might be.

They believe their service provider should truly know them – their transaction history and their preferences – and that they should receive a level of service that matches their importance and needs. They will not accept being kept on hold, given out-dated information, or offered unsuitable or undesirable products.

“Given the inflexibility of many service providers’ technology infrastructure, the challenge of complying with fast-changing regulatory requirements can be almost insurmountable.”

Meeting the demands of modern customers means acknowledging they now hold greater power in the relationship. Better visibility of their dealings with service providers gives them a better understanding of that provider’s performance. It has never been easier for customers to measure the quality of service that they are receiving and compare it against alternative providers. With the Australian Government encouraging citizens to consolidate their superannuation holdings, many are now evaluating their financial services relationships more critically.

In the Internet era, competitors truly are just one click away. This requires a major change to the way customers are managed and sets a benchmark for IT that many legacy systems struggle to meet. The old model of overnight batch processing simply can’t meet the needs of customers that want real-time, complete visibility of their financial position.

Consumer expectations are not the only consideration. Changes in government policy, competitive new products, in-sector crises and an environment of rapid regulatory change all require system flexibility and configurability to accommodate change.

But given the inflexibility of many service providers’ technology infrastructure, the challenge of complying with fast-changing regulatory requirements can be almost insurmountable.

Rewards from greater efficiency

The solution lies in implementing much simpler, leaner technology platforms that unlock the business value inherent in existing systems and processes.

Using modern systems built with standards-based, web technology allows financial institutions to not only deliver the real-time experience that customers demand, but also to create new opportunities for continuous growth through better customer insight and faster product development. These technologies are sufficiently robust and mature now to meet the needs of even the most conservative providers, and their emphasis on open interfaces enhances longevity and flexibility.

Scalability and reliability

Unlike proprietary legacy systems, which can be expensive to upgrade and maintain, modern systems

based on web technology scale easily as a business grows, leveraging pools of low-cost, standardised computing hardware to cater for increasing workloads. Functionality can be easily enhanced to meet customer demands through the integration of additional software modules. Open architectures ensure there is none of the fragility that can appear when legacy systems are linked together. Modern systems also incorporate the latest risk management solutions providing the disaster recovery and data security that financial institutions demand.

Better service visibility

Modern systems use standardised open interface technology to create seamless links between business processes, enabling financial institutions to adopt straight-through processing and eliminate the use of batch processes that are the hallmark of legacy systems. The use of open interfaces also ensures

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simple connectivity with third-party systems. For customers this enables real-time visibility of their entire financial portfolio. They can receive a consistent and predictable service where transactions are completed in real-time with all reports providing an accurate representation of the actual state of their relationship.

Greater efficiency

Modern systems provide the basis for creating fully automated processes from the origination of a transaction through to the presentation of its outcome to the customer. Improved connectivity can also reduce the number of exceptions generated within processes. Human intervention is generally required for the processing of exceptions and other errors, so reducing their

occurrence also reduces costs. By improving interfaces between systems and raising data quality it is possible to significantly reduce or eliminate exception processing, leading to an average 30 per cent increase in employee output.

Improved data quality

The quality of data generated by legacy systems can often be questionable. Legacy systems often retain multiple stores of information regarding individual clients, making it difficult to view the entire relationship. Bringing these systems together with straight-through processing delivers a complete view and enables managers to more ably understand the complex nature of their relationship.

Systems can also be designed to ensure that data is highly validated and well structured. This eliminates poor quality data and provides a stronger basis for decision-making, which can lead to enhanced opportunities to cross-sell additional relevant products. Improved client and market data is an essential element in accurately measuring and pricing risk. The integration of systems into a single platform means it is easier to migrate clients between services as their needs change, and delivers a smooth passage through the investment lifecycle.

Defined market segmentation

Better customer visibility enables providers to more easily compare their activities. This can lead to the creation of more accurate customer segmentation against a broader range of criteria. Such segmentation can be crucial in identifying profitable product opportunities, as well as for the cost-effective creation of products for smaller or more specialised customer segments. The process of creating and configuring new products can be easily achieved with minimal IT intervention, accelerating new product development. Service providers have reported that through the use of modern systems, the time-to-market for new products falls from a historical average of four or five months to just four or five weeks.

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Reduced operating costs

The implementation of modern systems can lead to lifetime of cost savings through reduced maintenance and servicing costs. Legacy systems generally carry higher maintenance costs because of the need for specialist skills and their dependence on proprietary platforms. These costs multiply with the number

of systems a service provider runs. Modern systems are designed so that capacity can be easily increased using cost-effective standardised hardware, and also configured in virtualised or private cloud environments. Processes can be supported from locations where they can best be delivered, even in different parts of the world, while still operating as a single, coherent system.

This means that modern systems are more easily managed by third-party service providers, reducing the need for financial institutions to manage their own IT. Providers that have implemented this model have reported reductions in IT running costs of up to 50 per cent.

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Conclusion

The financial services industry is rapidly evolving. Top performers are investing in new technology solutions that are modern, standards-based and agile. The best IT solutions support a business' need for change by increasing simplicity, rather than just adding layers of complexity to already fragile environments.

New technology provides the basis for next generation systems that deliver a seamless online experience, richer functionality and the ability to provide enhanced customer service. Such systems are capable of rapid evolution, and can deliver new high-quality, production-ready functionality month by month. They become true enablers of business agility, enhanced customer service, greater productivity and reduced costs. As the requirements placed on a business evolve, the underlying technology can keep up.

Market leaders are already showing that over time the migration from proprietary legacy systems to modern standards-based systems is the basis for long-term competitive advantage. These advantages include:

- The ability to deliver a single integrated view of all aspects of a customer's relationship, reconciled in real time and visible to the customer anytime and anywhere they can gain Internet access.
- Better knowledge of the customer, leading to improved capabilities for market and customer analysis, segmentation and cross-selling.
- The ability to operate an integrated technology platform that can easily incorporate new features and grow as the provider grows.
- Reduced expense through the elimination of costly legacy systems, reduced human intervention in processes and improved data quality.
- The peace of mind that comes from operating a modern platform that incorporates the latest technologies to ensure system security, reliability and integrity.

Modern systems based on web technology enable financial services providers to deliver greater value to clients through improved customer service and the creation of products and services that better suit their needs. They are robust, secure and cost effective, while also being scalable, flexible and agile to change as business evolves.

With service providers seeking every advantage in an increasingly competitive environment, it is important that they begin planning today for how they will meet the challenges of the future. A modern technology platform will be an essential component.

Next steps

Talk to Bravura Solutions about how we can help you migrate to a proven modern technology platform based on standardised Internet technology. Bravura Solutions has offerings to suit businesses of all sizes and service models.

We can provide you with:

- A technology platform that fits your business and can scale as your business grows.
- A comprehensive financial services solution that can match the complexity of your business, and can expand as your service offering expands.
- A simplified IT environment with greater reliability, reduced costs, and tighter security.

If you can see the future for your financial institution, Bravura Solutions can help you get there.

About Bravura Solutions

Bravura Solutions is a leading global supplier of superannuation and pension, life insurance, investment, private wealth and portfolio administration, transfer agency and financial messaging software applications, as well as business and strategic consulting services. With over 30 years of experience in developing and maintaining large scalable financial systems, over 650 Bravura Solutions employees support clients from sixteen offices around the world. Bravura's software is employed globally, with a range of corporate clients in Australia, New Zealand, Asia, South Africa, the UK and Europe.

Core to our software and services is the enablement of improved operational and cost efficiency, improved speed to market for new products, reduced risk and better service to end customers. This is accomplished through leading edge technology, rich depth of functionality and expert professional services.

About Sonata Wealth Management Suite

The Sonata wealth management suite provides a class leading administration capability for life insurance, pensions, funds and wrap platforms, supported by an award winning service and consulting organisation. In a rapidly evolving financial services landscape, you want to be sure your systems are capable of delivering the flexibility to perform. Sonata brings new meaning to workflow management and rapid product configuration, allowing unprecedented levels of speed to market.

Our long heritage of delivering richly functional solutions is complemented by our modern technology; solving the usual problem of having to choose between features and cutting edge technology. Integrating multiple business lines in one solution, Sonata delivers significant advantages in terms of costs and efficiency, making it possible to run multiple businesses on the same modern technology platform. Your success is also supported through the efficient scaling of Sonata on commodity hardware - allowing you to run large books of business with a minimal hardware outlay.

So whether you're looking to drive efficiency in your business, start new business lines or deliver new channels to market such as D2C, Sonata provides what you need to secure success.

About Roland Slee

Roland is a leading thinker, practitioner and communicator with deep expertise in the application of high technology in the Financial Services industry. He has broad experience in consulting, sales and management gained in Europe, Africa, the US and Asia. As Managing Director Asia Pacific at Bravura Solutions his responsibilities include accelerating growth, developing new lines of business, implementing major change programs and leading merger and acquisition activity in the region. Roland joined Bravura Solutions in November 2011 after nearly twenty years at Oracle Corporation where he held a number of VP roles in Asia Pacific.