

# Modernizing Banking **Despite Legacy**



## Survival of the Fittest

"Many financial institutions are trying to run services on disparate systems whose complexity and inflexibility make it difficult to respond to regulatory demands. Decades of ad hoc technology investment, combined with merger and acquisition activity, has left them with disconnected silos of information and duplicative processes. Systems that were developed in an attempt to stay 'ahead of the game' when they were implemented are now holding firms back." - [JWG Group, March 2012] – (Source- 'FS infrastructure: ready for G20 Reform?', JWG, March 2012)

With competition becoming more nimble and customers more digital, banks need to fight harder to stay relevant. They need to assess and overcome their operational shortfalls. The need of the hour is a flexible and agile operating environment that can quickly respond to dynamic market requirements.

However, legacy systems in traditional banks have hard coded rules around product features like interest rate, term length, up front fees etc. This not only makes banks less agile, but also inhibits development and modification of products. It results in lack of customer centricity and substandard operations.

**Therefore the threat of an outage is imminent for banks that fail to overhaul their legacy systems. Thus, modernizing legacy systems is not simply a matter of enhancing efficiency - it is a matter of ensuring survival and sustainability of the business!**

## To Build 'on' or 'beyond' Legacy?

Let us take a use case in lending. The lending process remains opaque to those who apply, making it difficult for customers to check the progress of an application or for the bank to provide updates through online or mobile channels. Customers struggle to find and select the product that incorporates the appropriate features for their needs without speaking with a bank agent. This prevents holistic view of the customer, which is imperative for a personalized customer experience.

Banks face several such challenges. They can either replace their core (i.e. legacy system) or integrate with a solution that is flexible enough to cater to current & future demands. The former requires banks to heavily invest in terms of cost and time and, simultaneously, take a huge risk.



# Compelling Reasons for Legacy System Modernization

Modernizing legacy systems is important for various reasons. Let's take a drilled down look at these-

## Burgeoning Data Generation



With the advent of smart phones, digital consumers consume and produce unprecedented amount of data, which is only expected to increase. Meeting the performance demands of this connected universe is already proving to be a challenge in mainframe environments. **With the rapid increase in data consumption finding more extensible, flexible and service-oriented alternatives to legacy systems is critical for the survival of banks**

## Regulatory and Compliance Imperatives



Banks are always under regulatory scrutiny. They consistently contend with increasing and evolving regulations. It is imperative for banks to ensure regulatory compliance with these evolving norms. To stay updated they need to ensure that software in the organization is able to support new changes. **Banks require a digital infrastructure that can readily adapt to ever-changing regulatory requirements.** Such agility would be missing in the existing technology, becoming a major impediment to compliance

## The Future Is Not What It Used To Be

Legacy systems were not created with the kind of the rapid change capability that will be needed in the future. Many enterprise systems running today were built three to four decades ago and often lead to redundant tasks and slow response times. As banks respond to dynamic environments, they need systems that can respond according to the changing needs of the future

## Complexity of Legacy Code



Legacy systems have been modified innumerable times by many different developers over the years. **This has resulted in a code which is inflexible, difficult to understand and complex. Such systems are not easy to modify and sometimes cannot be changed.** To maintain and update these systems easily, organizations need to have a way to do so. While this code continues to keep banks running, it raises a business risk that needs to be addressed urgently



## Disconnected Systems

Developing customer centric business strategies is getting increasingly important. To achieve this, information should flow seamlessly across the enterprise. To build more connected information flows, banks need to eliminate the silos within their core systems and new applications. Information available in discreet and disconnected systems creates time lags. A healthy flow of data between the main application and the rest of the enterprise is necessary to quickly adapt to market needs.

## Challenges Faced while Integrating with Legacy Systems

Even when a bank decides to make changes to its core system, several challenges lie in its way. Integration with core system requires careful consideration and planning. There are a number of key issues that need to be discussed and taken into account. Such as-

- Banks face a dilemma as to what should be **the scope of integration**. How to define legacy system and what should drive the full process. This can depend on the their risk appetite and priorities
- **“Build vs. Buy”** is another consideration that perplexes banks. Process improvement requirements are likely to be unique. Whereas the timeframe and costs of both are often incompatible with process improvement so a third way is required
- If banks choose to ‘buy’ instead of ‘build’ then **flexibility and scalability** become the basic requirements of the system. The system should be able to keep pace with rapidly changing regulatory and compliance requirements
- Core system substitution requires considerable amount of time and effort and is a **high cost and high risk proposition**. Given the challenges and risks, it’s no wonder why so many banks delay the decision until absolutely necessary



## Leveraging Legacy- The BPM Solution

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Since it is not easy to either build the whole system from scratch or buy a point solution, **banks struggle with the Build vs. Buy paradigm**. The answer to this lies in a robust BPM platform that leverages legacy systems without replacing them as a whole. **BPM acts as a “Process Glue” and is entirely customizable as per business needs.**

- It employs the configurable user interface that can integrate systems across organizations with the UI, providing a single work platform for users to access
- BPM solutions are highly flexible and provide a modular approach to systems integration. It provides the flexibility to add and remove components, allowing you to see which configurations work better. If not, it's a simple task to revert back at any point
- BPM can also use the data extracted from the legacy systems to trigger workflows and tasks automating processes such as emails, notifications, alerts, and reports and so on

## 5 Strategic Incentives for Integrating BPM with Legacy Systems

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BPM integration with legacy systems has a profound impact on a bank's business strategy and has significant incentives. Let's take a look at these-



### Doorway to Digital Strategy

The integration instantaneously places your bank in a position where it can take full advantage of the opportunities offered by digitization. The legacy system still remains a part of the infrastructure. It offers your business the requisite agility to respond to market changes faster with quicker access to information residing in core systems. This keeps you future-ready and offers a faster time-to-market



### Enhanced Functionality

Once the data is within the BPM system, it breaks down business silos. It introduces a seamless information flow between front and back offices, internal and external users. This data can be subjected to analysis using modern tools and techniques. It can be used to enhance customer experience by offering a 360 degree view of all customer information



## Scalability & Security

BPM frameworks offer organizations both flexibility to adapt and scalability to grow. If a legacy system is wrapped in a BPM layer, it facilitates adherence to modern security protocols including the use of role based permissions. Further, it offers comprehensive audit trails of all actions taken by any user within the system



## Enhanced Customer Centricity

The agility achieved with legacy system integration allows to meeting the demands of digital customers. It enables financial institutions to reach customers in real-time with products and services. Further, they can leverage valuable customer insights lying in legacy systems and utilize it to offer personalized services and enhanced customer communication. With a drilled-down view of the customer, banks can up-sell and cross-sell relevant products to their customers



## Accelerated Revenue Growth

BPM helps in the revenue growth with digitalized and agile processes, enhanced transaction volumes and reduced operational costs. It improves profitability by allowing the creation and modification of business processes and get them live without the intervention of IT department or specialized coding skills. Further, with the availability of enhanced customer information, banks can acquire a larger share of the customer's wallet by offering targeted products and services

## Overcoming the Legacy Perspective

The tentacles of legacy reach far beyond technology. They encompass process management, risk management, release management and more. When a bank is run with a legacy perspective, it leads people to take decisions in a state of inertia. Therefore, the way of operating is also legacy!

**Therefore, legacy perspective  
is a bigger threat than legacy infrastructure!**

Banks should refrain from thinking because “it’s not broken, it shouldn’t be fixed”. In this evolutionary era of digital technologies, only the fittest bank can survive. And, the key to ensuring survival of your bank lies in overcoming the legacy perspective!



## About Newgen

Newgen Software is a vendor/provider of Business Process Management (BPM), Enterprise Content Management (ECM), Customer Communication Management (CCM), Document Management System (DMS), Workflow and Process Automation software. The company has a global footprint in over 60 countries with large, mission-critical solutions that have been deployed in Banks, Insurance firms, BPO's, Healthcare Organizations, Government and Telecom Companies.

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