



## **Legacy Banking Systems, and One Bank's Journey to Cloud Computing**

### **Could Legacy Thinking Be the Death of Banks as We Know Them?**

It depends. Is the bank strapped to their legacy systems? If yes, then surviving the age of digital disruption will be hard. Most legacy systems rely on decades-old software to power their business. Until neo and challenger banks hit the scene, traditional banks were okay because they were all on a level playing field; all the banks relied on similar core systems. Few modern companies, however, can remain competitive when relying on antiquated infrastructures. No one knows what life after COVID will look like for sure, but what is easy to surmise is that banks must digitalize or risk becoming obsolete.

### **How Did We Get Here?**

According to Accenture Research, 46% of banks see their legacy systems as the most significant barriers to moving to the cloud. According to another Financial Conduct Authority (FCA) report, 43% of US banks still use COBOL, a programming language dating from 1959. Furthermore, core banking systems often do not run in real-time. This is limiting as customers demand applications and services built around real-time offerings and capabilities. Challenger banks started in the cloud, so they had cost, performance, and efficiency gains over traditional banks from the beginning. Cloud computing also allowed challenger banks to be agile, offering a more personalized customer experience at a lower cost. As a result, banks have reached a tipping point and realize their future may depend on their capacity to replace legacy systems.

### **What's the Way Forward?**

The decision to move all or part of your technology to the cloud shouldn't rest solely with the IT team; this is as much a business decision as an IT one and needs to involve executive management. Together, the team needs to develop a roadmap that outlines the features and functionality they want to provide, the technology that needs upgrading, and where the technology will reside to remain agile and competitive.

The problem is that banking systems have typically been built over many years resulting in antiquated, disparate technology. This creates a significant hurdle to adopting new technology, and it's what drives tension between the advocates for innovation and the people responsible for the bank's stability.

### **The Best Place to Start.**

For most banks moving toward the cloud is a massive undertaking. As a result, the best way forward is likely a hybrid approach, allowing banks to maintain their legacy systems while transferring front-office systems, applications, and data better suited for the cloud. This will also enable banks to shift processes and data strategically and incrementally from their core system to the cloud, ensuring everything is secure, nothing is lost in the process, and there aren't significant periods of downtime.

This approach also allows banks to quickly enjoy the advantages of cloud technology, enabling them to develop new services, mine and monetize data, and drive profitability. For example, cloud computing provides data analytics and modeling capabilities across all customer touchpoints, revealing customer behaviors and transaction patterns. This provides a significant edge when developing new products and services. Additionally, migrating to the cloud allows banks to consolidate their data, saving money while increasing scalability.

## **Over Coming Concerns About Moving to the Cloud**

The biggest concerns are around data security. Bank's data is susceptible by nature. The data mostly pertains to a customer's financial information or traders' operations. The fallout from a data breach would present a massive threat to the bank and may even lead to a collapse. With that in mind, it's no wonder financial institutions have hesitated to migrate to cloud computing. In fact, IT decision-makers are applauded for being cautious with the company's sensitive data; however, with customers demanding more apps, features, and visibility that can only be accommodated by a cloud model's flexibility, banks are forced to reconsider their strategy.

Cloud computing is also held to the same standard as on-premises solutions, creating an important mindset shift. Whether in the cloud or on-premises, the path is the same - assess the gaps, identify the risks, and mitigate or accept them.

## **One Bank's Journey – Case Study**

### **The Bank's Challenge**

As one of the world's largest banks, they were looking to cloud computing to protect current revenue streams, increase their agility to capitalize on market opportunities, and help them adapt and scale to the organization's changing business needs.

As part of their cloud strategy, they had to address their data requirements. The bank provides services for 3,000 businesses processing up to 7.5 Million transactions per day, which created vast amounts of data. In a climate where banks face challenger banks and new third-party providers offering financial services and products, their data becomes their most significant competitive advantage. This data will drive insights supporting new products, services, and processes that best suit their customers' needs and expectations. To take advantage of this opportunity, the bank needed an easy and secure way to harness, interpret, and extract value from real-time data.

### **The Solution**

The bank's cloud strategy was to develop a hybrid environment with their data being stored and managed in the cloud. To make this transition, they needed a portal to access and manage their data securely. They turned to their trusted and longtime technology provider, who provided them their current data query tools – FileQP. A cloud version of FileQP (now called V2cloudportal) was the perfect solution for all data management requirements.

### **The Results**

Upgrading to V2cloudportal provided a robust portal to the bank's data providing the following benefits:

- Using voice biometrics for user authentication providing tighter security and a better user experience
- Ability to easily control different levels of access by user
- Views of live data and historical data - Bank's legacy systems may prevent them from quickly gathering insight from their vast amounts of customer information
- The ability to move from “big” data to “fast” data. Fully realizing the value of data and leveraging its insights requires the collection and analysis of data in real-time – “fast data.” Unlike “big data,” which is more about data storage, fast data provides more context around analysis and decision making. This is the lever needed to offer a more enhanced and personalized customer experience
- Robust query functions
- Data mining capabilities including data segregation and the ability to update tables
- Support of hybrid environments

- Multitenancy
- A better audit trail for regulation requirements

### **Additional Benefits Achieved**

- Secure access to data using voice biometrics
- Real-time views to access/analyze LIVE data
- Different permission levels for data access
- Segregate data by customer (not end-user)

### **Why Now is the Time for a Change**

With newfound confidence in cloud technology's ability to address banks' security and compliance needs, banks can extend their reach without losing focus on serving customers' core mission.

A hybrid approach enables banks to innovate quickly and remain competitive by addressing the needs of today's demanding digital customers while supporting data and workloads across different network environments.

In a [separate IBV study](#), more than 60 percent of global banking executives surveyed see competition coming from new and unexpected places, and nearly 60 percent of them said the boundaries between traditional banks and new financial service providers are blurring.

**Cloud technology is the path for banks to remain relevant and become the digitized leaders of tomorrow's economy.**