## IT legacy transformation

How can legacy transformation help financial services firms to offer the best services at the lowest costs and stay ahead of changing market needs?

Legacy systems are expensive to maintain and complex to modify. They make it hard to stay ahead of changing market needs, given how long it takes to develop and release new functionality. At financial services firms, this is made worse because of the need to maintain extensive branches and sales forces. So, legacy systems may be limiting your ability to roll out new competitive features or service offerings, and they are also limiting the ability to compete on cost.

competitive, this will invariably mean that they will selectively decommission legacy systems and integration infrastructure. They will also need to develop new capabilities that run in parallel.

The key question for executives: how to offer the best services to the business and customers at the lowest cost? To stay

This is not a trivial problem; at many larger financial institutions, this could involve a three-to-five year timetable. These initiatives are capital intensive and they force a firm to decide if they will be buyers or providers of core services. But this is all the more reason to act now, because waiting to start a multi-year transition could be disastrous.

# **Drivers for legacy transformation**

What is driving financial services firms?

Global trends impact the financial services industry and should be taken into account by executives in their business strategy.



New regulations challenges the structure and economics of financial services firms and impacts business models.



Consumers increasingly expect the level of service and quality interaction they receive in other industries. Trust is a key.

Major technological changes in the last years enabled enhanced customer experience and



New players are entering the banking space and offering innovative services. Business models need to change to to keep pace.

operational improvements. Between 2010 and 2040, one billion more



Lost revenue streams, growing compliance costs,

middle-class consumers and new potential customers will emerge globally.



and stringent capital requirements impacted ROI decisions around investment opportunities.

Executives must focus on six fundamental priorities to deal with the global trends. Align your business model to deliver a Integrate risk management, significantly enhanced customer regulatory compliance and capital experience with lower levels of Proactively Customer management into the operations. operational risk. managing Risk, Centric Regulations Business Model and Capital Implement new multichannel Fostering and Change the business model, create **Optimized** models to meet evolving consumer Enabling new skills and capabilities to deliver fundamental Distribution preferences. **Innovation** new products and offerings. priorities Obtaining an Simplified Business and Information Change products, channels, and Manage structured and unstructured Advantage Operating Model operations to meet customer, information at an enterprise-wide regulator, and shareholder demands level, bringing risk, finance, customer, and structurally lower the cost base. and marketing data together.

To focus on the six fundamental priorities for financial services executives today legacy should be transformed in such a way that key IT infrastructure constraints are addressed. Five constraints that prevent on a focus on the six priorities

### Payment applications, branch systems, ATM systems and ERP

heartbeat of financial services

of the business.

meeting the accelerating pace of business change

Enterprise applications and core systems are the

systems help run business day-to-day and are all vital to the success Operating and changing these systems is vital for

competition. Legacy transformation helps to address aging IT infrastructures and achieve the required business agility This is needed to deliver the type of fundamental change that drives business growth, competitive advantage and new positions of

Launching new banking and other applications and services in a

short time to market is a key success factor to differentiate from

strength. By transforming the legacy infrastructure one is able to realize eight significant benefits

Core systems are costly and difficult to maintain Aging IT infrastructures inhibit business agility IT infra has become complex through M&A Business silos result in





Front office instead of back

which are important to financial services firms today.



contained within the walls of enterprise

infrastructure, adopt a cloud model, deploy RPA and upgrade their identity management.

To stay competitive, firms need to selectively decommission legacy systems, integrate



### Legacy transformation entails the large scale migration and modernization of legacy applications to target platforms, environments and applications.

Current state

Moving a system from one platform or

intentional system design changes. Current system does not need to be moved, but The core of the original system Target platform or environment is may be redesigned or upgraded in its current may be preserved, but it is moved superior to the current one due to e.g. to a preferable platform and is also better costs, performance, security, Migration only needed if relocation of the system improved by design to increase the

current capabilities of the system.

Intentional improvement or enhancement of the

is necessary to achieve the desired functionality.

Rebuild

(custom development). The app

MW: new

The app source is rebuild

App

is moved to the target stack.

resilience or supportability.

application estate to a desired end state.

Replatform

The app is migrated to a new

platform with minimum

changes in the source code.

environment to another, without

Rehost

*The app is redeployed to a new* 

MW: changed

platform, and the app's infra

configuration is changed.

App

program elements in place to drive the transformation.

Initiate

Business

**Modernization** 

functionality and capability.

solution to deploy it on the

target platform.

App

**Transformation** 

and Modernization.

There are different migration and modernization options available for transforming the Replace The app is replaced by a new

A combination of both Migration

**O/S & HW:** new O/S & HW: new 0/S & HW: new O/S & HW: new Tooling: new **Tooling:** adapted Tooling: adapted (small) Tooling: new MW App config.: adapted App config.: adapted App config.: new App config.: new O/S & HW O/S & HW

**PwC** approach How can PwC help? A successful approach for legacy transformation is highly depending on having the right



Plan

Overall roadmap

Critical Path

**Driving the Change** 



Assess

Application inventory

Define offload

Review

**Driving the Change** 

Market drivers

**Business drivers** 

IT Strategy

Case for change Develop business case and business transformation strategy for IT legacy

Strategy through execution

Implement program management organization

We can help you from IT legacy transformation strategy through execution.

**Realize** 

Target programs

Legacy programs

execution the overall business case for the full legacy program should be monitored

needed.

During program

and adjusted if

Accelerated Decommissioning • High level review of current usage patterns

#### transformation Empower involved teams to promote effective Delivery Roadmap & Management and sustainable rationalisation initiatives requirements without impacting the business Translating business transformation strategy,

**Programme Execution** 

# application de-commissioning

**Technology Consulting FS** 

Mobile: +31 (0)6 13 80 10 59

E-Mail: ad.van.der.graaff@nl.pwc.com

**Contacts** 

requirements and solution architecture into a

practical solution delivery roadmap, including

- Migrate business functionality to strategic applications
  - Decommission or outsource non-strategic applications

• Standardise delivery processes

- Analysis of under utilised infrastructure • Identify opportunities to reduce license & SME
  - Application Simplification Engage business leads to make critical decisions

fewer, more strategic applications

Concentrate critical business functionality into

Foster better working relationships with the

business which instil confidence and show clear

- benefits to application simplifications

### If you have any questions, please contact us **Dave Daas**

Mobile: +31 (0)6 53 90 82 13 E-Mail: dave.daas@nl.pwc.com Ad van der Graaff **Technology Consulting FS** 

Mobile: +31 (0)6 53 36 17 87 E-Mail: otto.vermeulen@nl.pwc.com

Pieter Koene

Partner – Technology Consulting FS

Partner – Operations Consulting FS

Mobile: +31 (0)6 22 90 97 72

Otto Vermeulen

Assessing current IT landscape to determine

application inventory & to be architecture

E-Mail: pieter.koene@nl.pwc.com 'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance



Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368). PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At www.pwc.nl more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.