

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.

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

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 operational improvements.



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

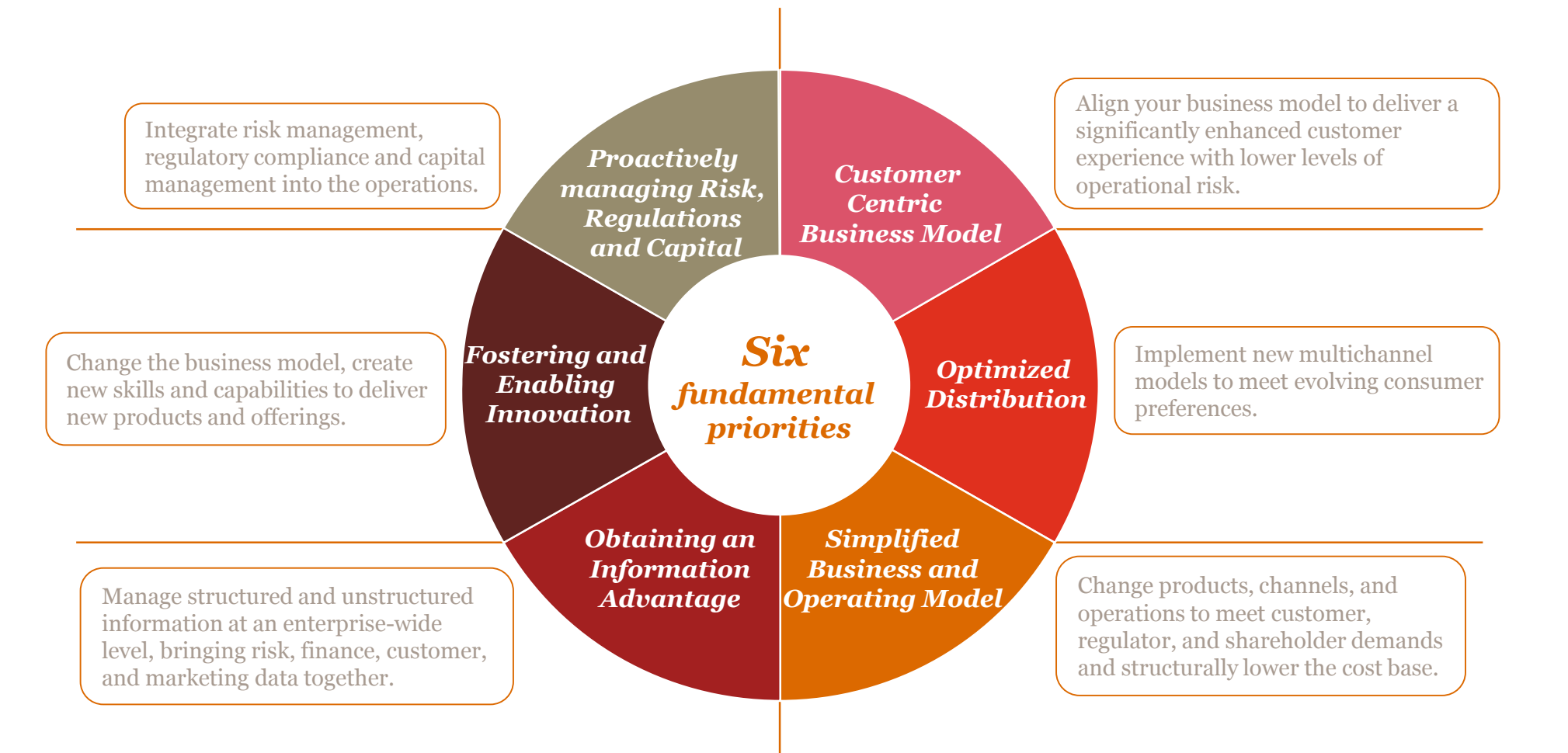


Between 2010 and 2040, one billion more middle-class consumers and new potential customers will emerge globally.



Lost revenue streams, growing compliance costs, and stringent capital requirements impacted ROI decisions around investment opportunities.

Executives must focus on six fundamental priorities to deal with the global trends.



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.

Enterprise applications and core systems are the heartbeat of financial services
Payment applications, branch systems, ATM systems and ERP systems help run business day-to-day and are all vital to the success of the business.

Operating and changing these systems is vital for meeting the accelerating pace of business change
Launching new banking and other applications and services in a short time to market is a key success factor to differentiate from 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 strength.

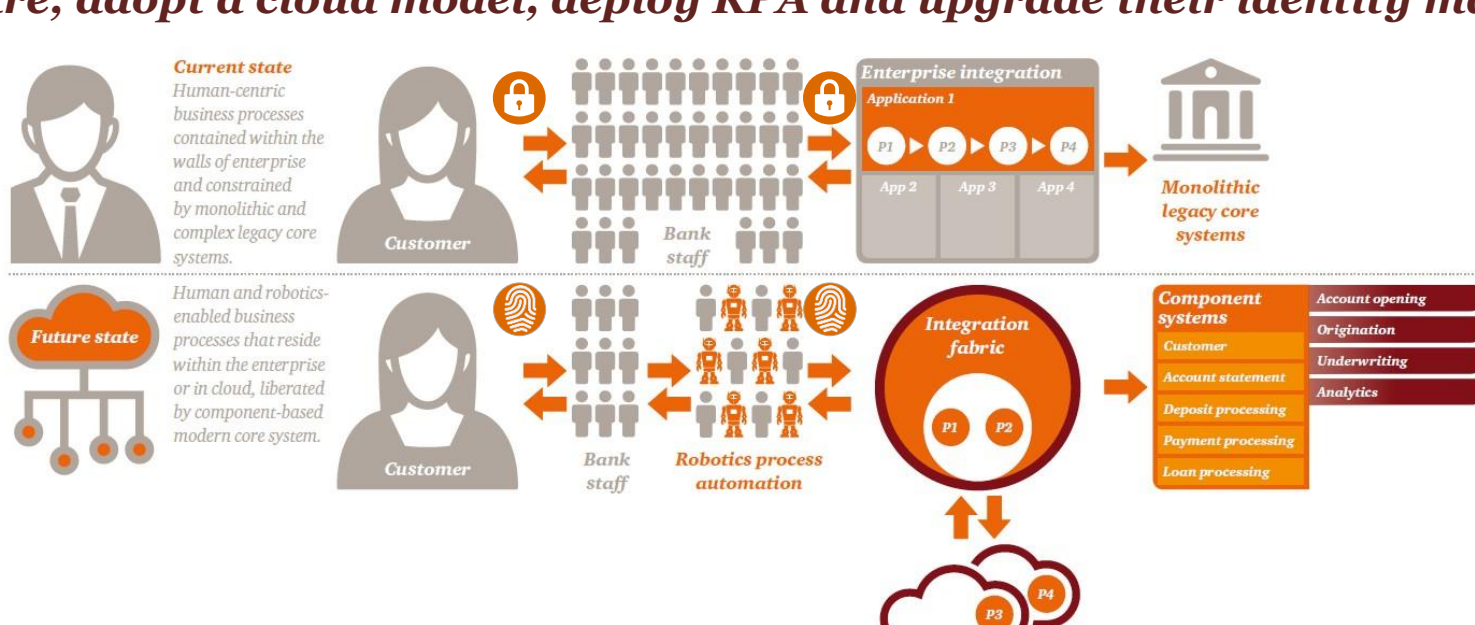
Five constraints that prevent on a focus on the six priorities

- 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 fragmented data
- Front office instead of back office focus underpins the business

By transforming the legacy infrastructure one is able to realize eight significant benefits which are important to financial services firms today.



To stay competitive, firms need to selectively decommission legacy systems, integrate infrastructure, adopt a cloud model, deploy RPA and upgrade their identity management.



Legacy transformation defined

What is it?

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

Migration

- Moving a system from one platform or environment to another, without intentional system design changes.
- Target platform or environment is superior to the current one due to e.g. better costs, performance, security, resilience or supportability.

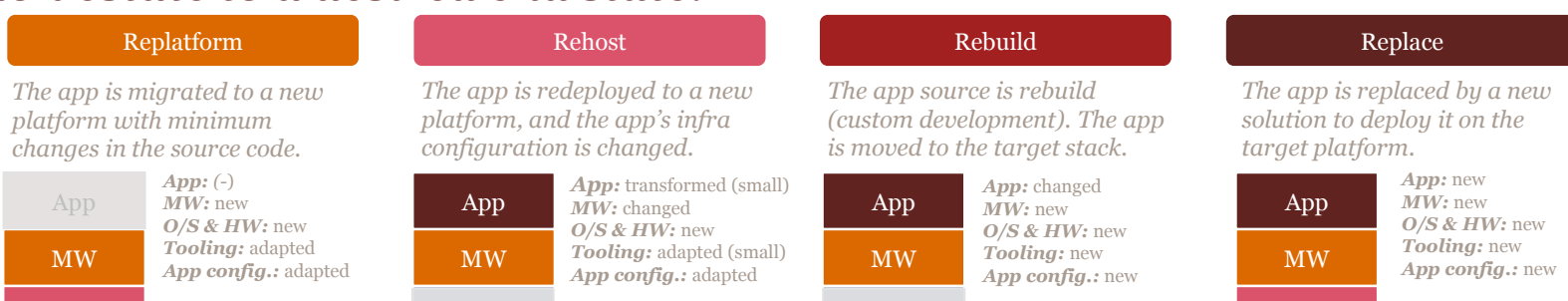
Modernization

- Intentional improvement or enhancement of the current capabilities of the system.
- Current system does not need to be moved, but may be redesigned or upgraded in its current environment.
- Migration only needed if relocation of the system is necessary to achieve the desired functionality.

Transformation

- A combination of both Migration and Modernization.
- The core of the original system may be preserved, but it is moved to a preferable platform and is also improved by design to increase the functionality and capability.

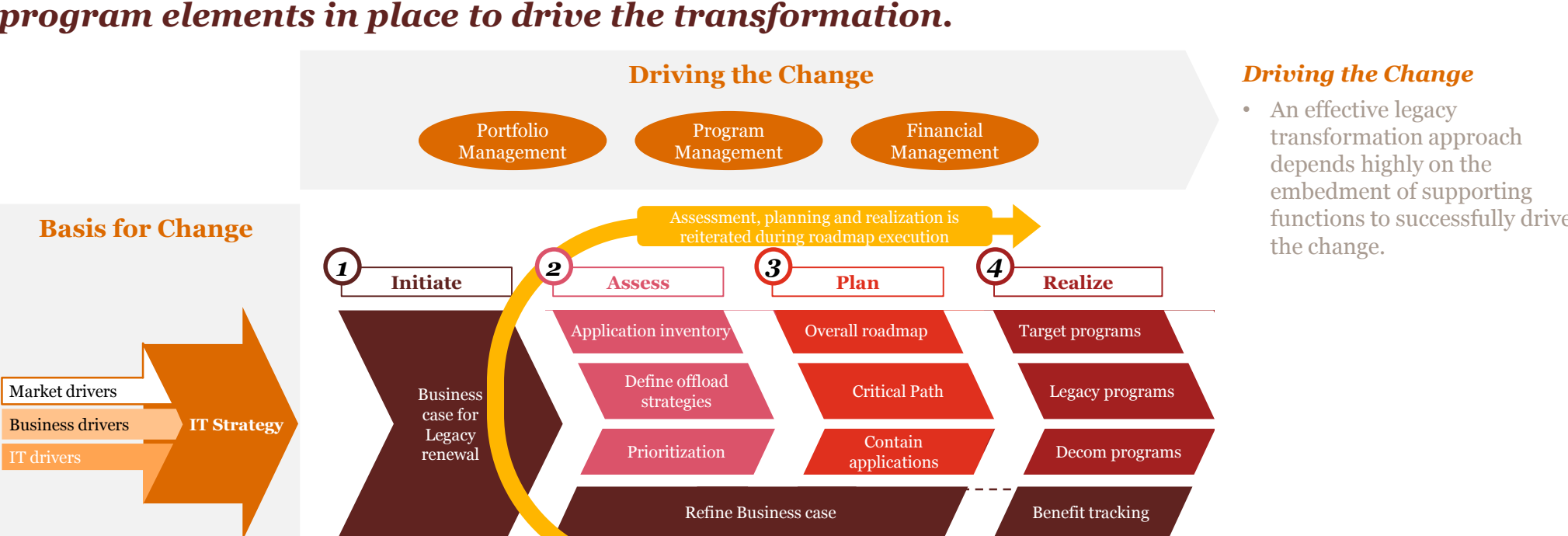
There are different migration and modernization options available for transforming the application estate to a desired end state.



PwC approach

How can PwC help?

A successful approach for legacy transformation is highly depending on having the right program elements in place to drive the transformation.



- Basis for Change**
 - A technology challenge and a business imperative.
 - Supports business growth and builds in IT flexibility to deal with market challenges.
- Initiate**
 - Cost savings and reducing infrastructure complexity are the most common justifications for legacy transformation.
- Assess**
 - An application inventory allows for comparison, prioritization and definition of offload strategies.
- Plan**
 - Functional dependencies should be analyzed before and during roadmap execution to manage complexity.
 - Decoupling and containment to decrease complexity and dependencies.
- Realize**
 - Realization takes place by using dedicated target realization and decommissioning programs to prevent a bias towards building the replacement system.
- Review**
 - During program execution the overall business case for the full legacy program should be monitored and adjusted if needed.

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



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