

# Fast-track your modernization

An executive guide to maximize your banking and financial services modernization investments, reduce risk and accelerate growth



# The need for modernization speed

**Modernizing business operations for the future isn't a new idea. However, the rapid pace of change throughout the banking and financial services industry globally has forced executives to reconfigure their priorities.**

Economic headwinds, coupled with the rapid pace of industry-wide disruption, are changing how financial services institutions (FSIs) steer the market, introduce new products and satisfy customers.

As priorities throughout the industry continue to change, FSI executives know they must not only invest in modernization efforts for agility but also to reduce operating costs—all while maintaining and growing their customer base. Speeding up modernization is necessary to meet customer demands and help realize return on investment (ROI). It will also help FSIs improve customer lifetime value, product and service quality, customer engagement and revenue.

## Top priorities for banking and financial services executives

This year is anticipated to be a crucial turning point in the banking and financial services industry. Several groundbreaking innovations will converge, heralding a new era of immersive, intelligent and decentralized experiences across the world. By analyzing the business and technology landscape, we have identified key technology and business priorities that will profoundly shape the banking and fintech industry:

- 1. AI solutions and GenAI:** FSIs are harnessing the power of artificial intelligence to guide operational efficiencies, delivering an exceptional 10 times the value. Leaders are also questioning the hype surrounding GenAI and whether it delivers tangible ROI.
- 2. Cost pressures:** With mounting cost pressures, banks are actively seeking strategies to streamline operations and outsource non-core functions.
- 3. Risk and regulatory landscape:** FSIs are grappling with the escalating levels of regulatory scrutiny as the AI revolution continues to unfold.
- 4. Customer experience:** Industry leaders continue to face the challenge of enhancing customer experience while navigating constant cost pressures to strike a delicate balance.

## Why maximize modernization investments?



Respond to an even more unpredictable market with agility



Meet the demands of new regulations



Lower operating costs



Attract and retain next-generation customers



Provide exceptional customer experiences



Support upskilling the workforce and attracting new talent

## What does it really mean to fast-track modernization?

**Fast-tracking banking and financial services modernization requires a strategic approach to streamline processes, adopt new technologies, enhance digital capabilities and implement innovative solutions. This enables banks and FIs to transform faster and stay ahead in the rapidly evolving financial landscape.**

One common question we hear from executives is, “Where do I start?” To determine where to begin the journey of fast-tracking your modernization, it is crucial to identify the factors that are slowing down progress. Is it a lack of talent in key technology areas? Is it the burden of outdated legacy systems accumulating tech debt? Or are inefficient processes hindering the launch of new products and the ability to keep pace with fintechs and digital natives?

Finding the right track to modernization is unique for each organization and may involve a different route to the finish line. However, with these priorities in mind, we focus on helping our FSI clients achieve three key outcomes: increasing growth, maximizing ROI and mitigating risk.

**Increase growth.** Bank modernization solutions must be tailored to each client’s specific growth objectives. These may include acquiring new customers, pursuing mergers and acquisitions, retaining and attracting talent, introducing new products or achieving faster speed to market.

**Maximize ROI.** Our strategy to fast-track your modernization is designed to help FSIs maximize their return on investment. This may involve modernizing mainframe systems, migrating to the cloud, leveraging automation through AI, streamlining processes, fostering innovation or exploring new business models. To fully maximize ROI, organizations must also prioritize technology and process adoption. It could include onboarding, cultural shifts, change management and customer adaptation.

**Mitigate risk.** Sustainable modernization efforts must balance achieving growth with mitigating various risk factors. This includes prioritizing fraud management, third-party risk management and AI governance, as well as ensuring compliance with regulatory requirements.

By focusing on these pillars, FSIs can see real results from their accelerated modernization efforts, enabling them to thrive in the dynamic and competitive banking and financial services industry.



# A closer look at enterprise, payments and lending modernization

The modernization of banking and financial services involves a series of initiatives designed to meet executive priorities through the integration of new technologies across both the enterprise and individual business segments.

To achieve this, banks and FIs are adopting a self-funding approach through cost-takeout strategies that provide a balanced agenda for investments. They are also embracing “small-T” initiatives (small transformations with less than \$3M spend and completed in 3-6 months) to bootstrap innovation, allowing for incremental improvements and experimentation. Strategic investments in systems integration and consulting services across core and surrounding systems play a crucial role in modernization efforts. Embedding AI into the banking and financial services taxonomy is essential to fuel the demand for data and engineering services.

By examining banking and FI modernization segment initiatives, for example, payments and lending, we’ll learn how banks and FIs are implementing innovative solutions to meet evolving customer and industry needs. These focused efforts, in conjunction with broader enterprise modernization initiatives, contribute to the overall transformation of the banking and FS sector.

## Modernization solutions

Our modernization solutions span across your business segments, leveraging our expertise to deliver superior financial services, products, and customer experiences.

### Segments:



Retail



Wealth



Capital markets



Lending



Payments



Commercial

### Offerings:



AI



M&A



Data



Cloud



Risk and compliance



Customer experience

# Enterprise modernization challenges and opportunities for FSIs

**In the face of enterprise challenges and opportunities, banks and FIs are focused on increasing the velocity of change within their business to adapt to evolving macroeconomic, consumer, advisor, employee, competitive and regulatory themes.**

This includes reducing friction between technology and operations to streamline processes and enhance efficiency. Embracing payment-as-a-service models, which encompass connected commerce both at rest and in motion, is another avenue for transformation.

Banks and FIs are also exploring a hybrid trust model and alternative asset classes, as well as working toward shrinking settlement cycles. Additionally, using a single lending platform may improve cost efficiency, enable intelligent loan origination and enhance credit decision-making. To accomplish these goals, they are building partnerships with fintech companies. Credit exposure insights help predict market exposures for asset management, counter-party risks, trade surveillance and market abuse prevention. By addressing these challenges and seizing opportunities, banks and FIs can successfully navigate the modernization journey.

## In summary:

### Enterprise modernization

- Self-funding investments from cost-takeout initiatives help create a balanced agenda
- Bootstrap innovation by leveraging small-T initiatives
- Systems integration and consulting services spend across core and surrounding systems
- Embedding AI into FSI taxonomy to fuel data and engineering services demand

### Enterprise challenges and opportunities

- Increase the velocity of change in the business to meet evolving macro, consumer, advisor, employee, competitive and regulatory themes (reducing friction between tech and operations).
- Adopt payment-as-a-service models (connected commerce: at rest and in motion).
- Use a hybrid trust model, alternate asset classes and settlement cycle shrinkage.
- Benefit from one lending platform for cost and efficiency, intelligent loan origination and credit decisions to deliver time-to-market (working with fintechs).
- Gain credit exposure insights to predict market exposures for asset management, counter-party risks, trade surveillance and market abuse.



# Payment modernization challenges and opportunities for FSIs

**Payment modernization presents a range of challenges and opportunities for the banking and FS industry.**

One of the key opportunities is the adoption of a payment-as-a-service approach, which enables connected commerce both at rest and in motion. Additionally, there is a growing demand for real-time payment methods and the integration of emerging technologies to enhance security and improve the customer experience. In terms of challenges and opportunities, digital and contactless payments are gaining prominence, while blockchain and cryptocurrency offer secure cross-border transactions with no settlement requirements.

Real-time payments are also becoming increasingly important, allowing for instant and 24x7 payment processing. Cross-border payments can be enhanced by improving counterparties' acceptance of blockchain technology, such as Ripple. The convenience and flexibility of mobile wallets and peer-to-peer payments are increasing their adoption. As are integration options for loans, savings and investment products that enhance overall value propositions. By addressing these challenges and seizing opportunities, banks and FIs can guide payments modernization and deliver enhanced services to their customers.



## Case study

# Modernizing legacy applications to meet real-time money movement demands

One of the largest payment processors in Europe had legacy payment applications that were unable to handle the increasing transaction volumes required by modern payment systems.

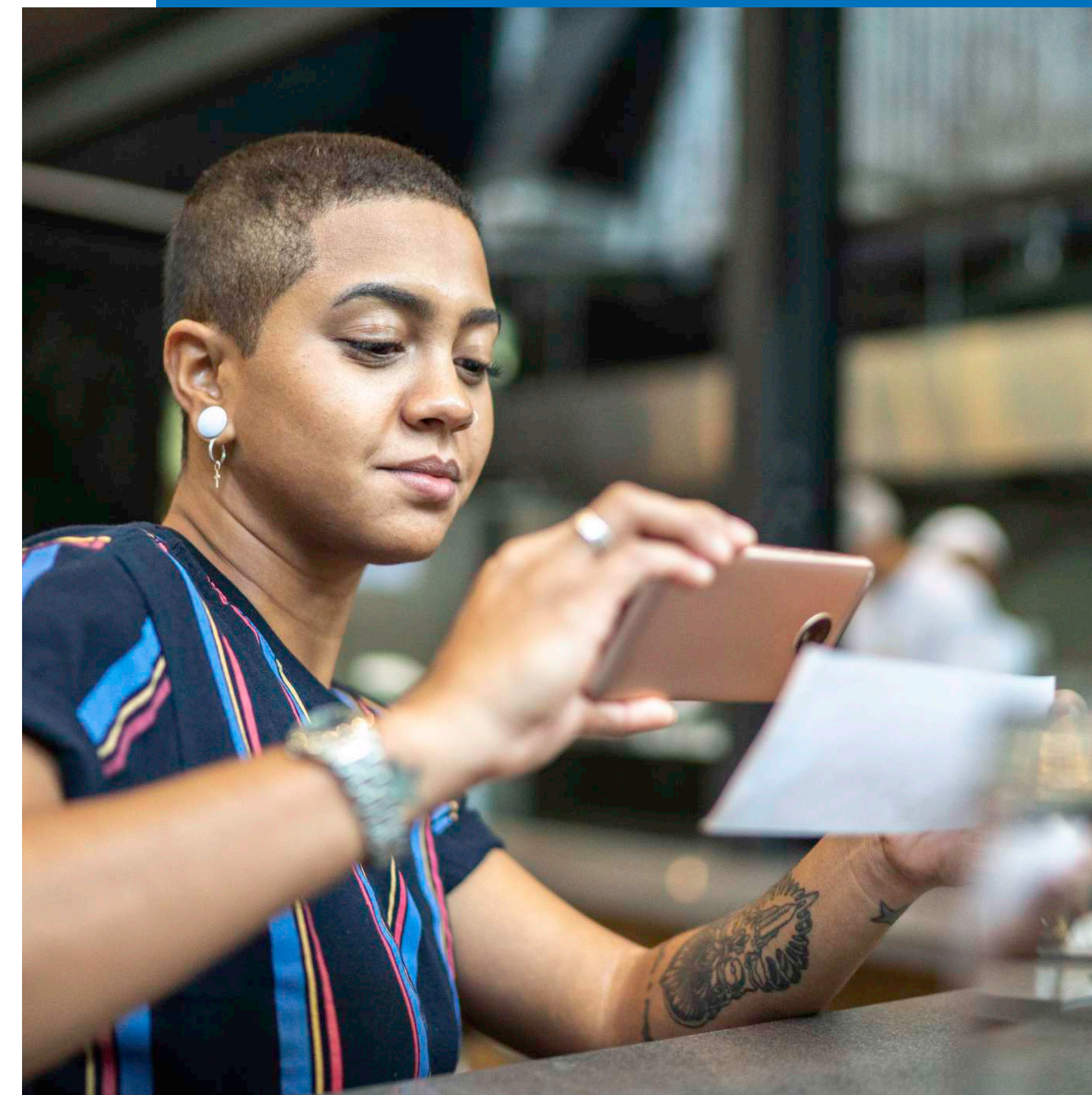
The UK company leveraged its 18-year relationship with NTT DATA to modernize its legacy infrastructure to meet growing demands, reduce costs, and remain compliant with faster payment service in the UK to reduce the float.

NTT DATA took over support of the company's legacy payment platform to modernize the core processing platform with new technology that provides real-time money movement capabilities.

NTT DATA provided component, functional, integration and system testing of the payment applications using automated testing and reconciliation tools. The approach to the overhaul of the company's payment systems included bespoke development, maintenance and testing of core applications.

**Outcomes:**

- Reduced cost of maintaining legacy applications by 25%
- Implemented automated tools to increase productivity by 50%
- Ensured 100% SLA compliance for maintenance of heritage applications





# Lending modernization challenges and opportunities for FSIs

**Lending modernization is an ongoing process that involves integrating different technologies to meet evolving market, regulatory requirements and customer experience expectations in both consumer and commercial lending.**

In terms of challenges and opportunities, digital lending platforms offer faster loan processing and improved customer experiences. Alternative credit scoring models use alternative data sources, such as rent payments, utility bills and social media activity, to increase accuracy in assessing creditworthiness.

Smart contracts, enabled by blockchain technology, provide transparency and efficiency in lending transactions. Peer-to-peer lending platforms facilitate digital-first loan originations. Mobile lending allows customers to apply online and upload documents on the go, similar to the convenience direct banks offer. Additionally, embedded finance enables the integration of non-financial products and services, such as buy-now, pay-later options. By embracing these challenges and opportunities, lenders can fast-track lending process modernization. Doing so delivers enhanced services and experiences to their customers.





# Business and technology solutions to help address banking and financial services priorities

**Trends in the business and technology landscape are highlighting the need for accelerated modernization.**

Among these trends are the prominence of data, the adoption of AI and machine learning (ML), the continued race toward cloud integration and the prioritization of risk management. Next, we will explore how leveraging AI, harnessing the power of cloud technologies and implementing robust risk management strategies can help executives and FSIs achieve sustainable and realistic bank modernization while meeting evolving customer demands and increasing growth.





# Data, AI and ML designed to help delight customers and grow your business

**Not all data is created equal. FSIs must adopt technologies and implement processes that enable a comprehensive 360-degree view of their customers.**

An accelerated modernization strategy keeps business moving at the speed of today's banking customers, who expect personalized interactions from the banking and wealth management firms with which they interact — whether it's a personalized message on their birthday or no communication at all. For example, a customer who has recently signed up for a credit card with ACME Bank after receiving an offer expects to not hear about that offer again.

Maintaining a 360-degree view of customers is crucial to avoid siloed or inaccurate data on the back end, which could result in a fragmented experience on the front end. FSIs that use “good” customer data, AI and automation for personalized customer interactions, can truly deliver on getting the right message to the right person at the right time. Investing in data analytics revamps the customer journey. It enables FSIs to better anticipate and respond to evolving expectations and increase engagement.

FSIs that use AI and ML to automate repetitive tasks will increase efficiency, which reduces operational costs and creates an opportunity to reassign staff to other customer service needs.

A bank's true power to differentiate itself from competitors comes from its wealth of customer data. With it, the bank can target and know its customers better than the competition.

In the world of **payments**, FSIs are using AI and ML to enhance payment security, detect fraud in real time and offer personalized services. It includes analyzing vast amounts of transaction data to elicit patterns, predict trends and automate decision-making.

For example, within the **lending** sector, AI and ML applications play a crucial role in accurate credit risk assessments and models, personalized lending solutions and fraud detection. Automation and process optimization, such as robotic process automation (RPA) and intelligent document processing (IDP), safeguard accuracy in loan origination and servicing.



## Case study

# Harmonized data environment powers decision-making applications

A multinational financial services holding company had data in disparate systems, making analysis difficult. The company partnered with NTT DATA's Data and AI team for an organization-wide overhaul of the applications it uses to access and analyze data. This overhaul also seamlessly combined proprietary data with third-party data sources.

NTT DATA designed and deployed a unified data strategy that made data usable, accessible and sharable across the organization. By rebuilding a portfolio of data-driven applications, the team equipped business leaders and sales professionals with the tools to speed up and improve decision-making. It resulted in a 75% reduction in the legal department's manual workload.

High-impact applications now sit atop an enriched and harmonized data environment that empowers operational and sales excellence across the organization.

**Outcomes:**

- Reduces the legal team's manual workload by 75%
- Creates more effective sales and marketing operations
- Allows more informed and accelerated executive decision-making







# New solutions to modernize legacy systems, migrate to the cloud and maximize ROI

## **Accelerated modernization includes data-rich systems using cloud integration for improved efficiency.**

Although executives recognize that modernizing legacy systems and processes boosts productivity, reduces operational costs, and enhances performance across all business areas, many banks and financial institutions still hesitate to update their systems. The main obstacles include friction, organizational disruption, and accumulated tech debt. To overcome these challenges, financial services institutions require new solutions that streamline the transition to integrated, automated enterprise systems utilizing cloud connectivity. These solutions must demonstrate clear, rapid benefits to justify the investment and effort involved in modernizing their operations.

Financial institutions that update mainframe legacy systems to cloud-based systems typically reduce operating costs. They can diversify product selection and gain real-time data analytics. FSIs that migrate from in-house mainframes to cloud-based operations gain a processing power advantage that leaves hardware limitations in the past:

- **Payment cloud modernization:** Open banking frameworks, supported by cloud-native APIs, allow third parties to create apps and services for financial institutions. Regulators are moving toward data exchange for account, payment and personalized services within payment infrastructure.
- **Lending cloud modernization:** Cloud technology provides scalability, flexibility and cost-efficiency. It helps support remote workforces and rapidly deploy new applications and services.



## Case study

# Transforming commercial lending for a U.S. Top 4 Bank through change management

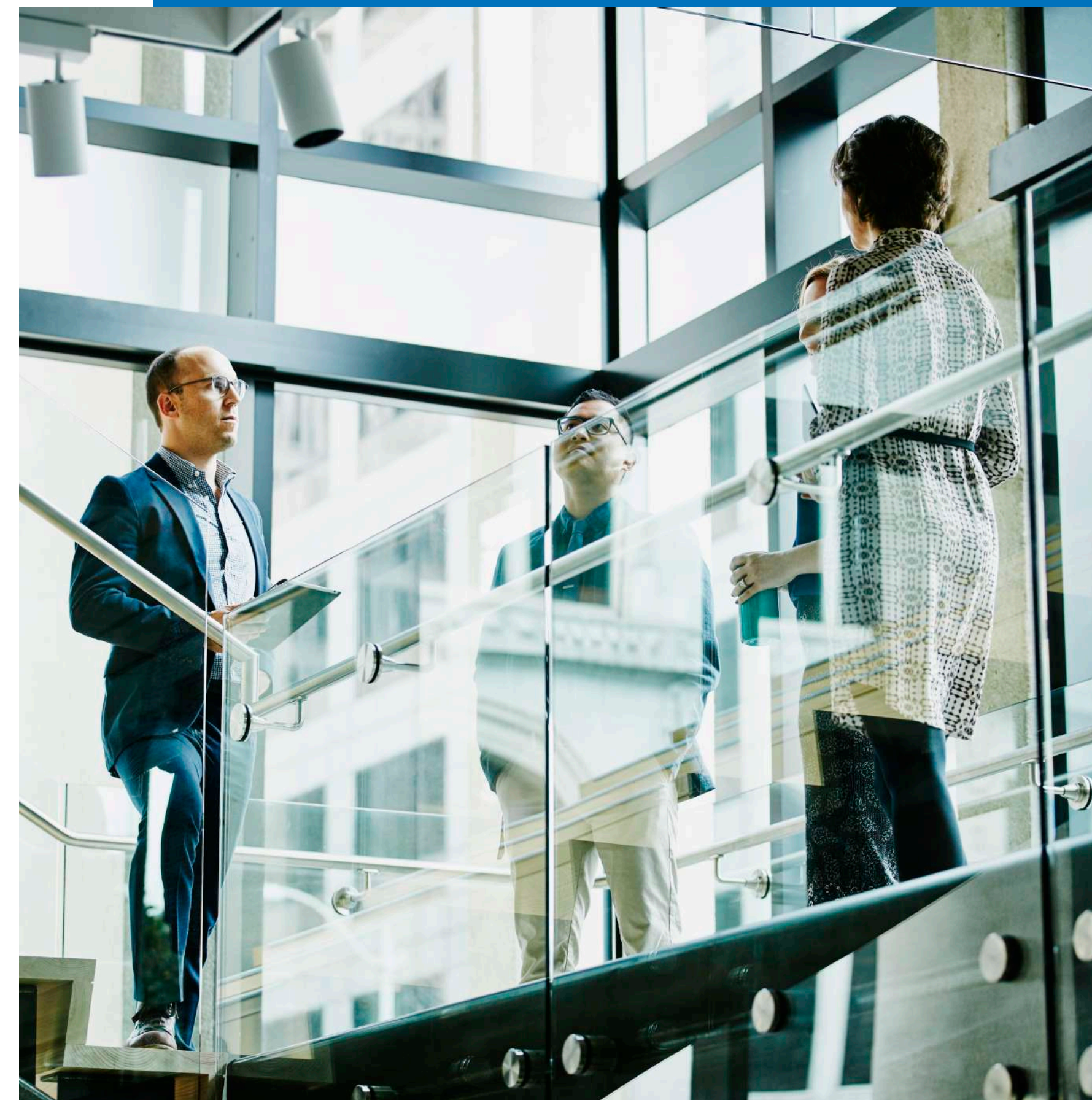
One of the United States' Top 4 Banks needed to replace its 30-year-old commercial lending accounting mainframe platform to address regulatory, operational and data challenges. The bank partnered with NTT DATA to assess and select a strategic commercial lending accounting platform and translate assessment outcomes into implementation requirements and structures to achieve multi-generational conversion goals.

NTT DATA presented and implemented a proven transformation execution framework, including project structures, tools, templates and governance routines. To ensure proper engagement and decision-making routines were maintained post-implementation, NTT DATA instituted a program governance structure.

Throughout the project, the client faced resourcing constraints, so NTT DATA identified an exhaustive list of requirements and created and executed a plan to deliver them to complete the project on time. Additionally, NTT DATA helped manage a challenging client-vendor relationship with a holistic scorecard and communication mechanism that measures improvement over time.

**Outcomes:**

- Accelerated ramp-up of project structures
- Established lasting governance structures and routines for streamlined stakeholder communications
- Reduced employee impacts due to change
- Provided comprehensive, actionable requirements for future conversions
- Replicated vendor scorecard approach with other critical vendors





# Assess risk management strategies and regulatory hygiene to support compliance

**Risk management has become a top priority for FSI executives throughout the industry. More than 40% of FSI executives say that creating or adjusting a risk management approach will be a priority over the next two years.\***

As unpredictability becomes a constant across markets, executives are shoring up their defenses to prepare for turbulence to come. This includes evolving cybersecurity defenses against sophisticated financial crime and fraud, enhancing detection and response capabilities to protect critical operations, and adopting regtech (for example, autonomous agents).

Successful financial executives establish due-diligence best practices to be sure financial risk tolerance is aligned with business goals and priorities. Continuous monitoring is essential for FSIs to remain secure; risk management is an ongoing process that requires a keen eye on several moving targets to protect both businesses and customers.

It is no secret that as the industry continues to grow, heightened regulations and restrictions will follow. Keeping ahead of regulations is not only business-savvy but also a selling point for customers who want to bank with reliable and safe organizations that pride themselves on leading in security and regulatory compliance.

Lastly, FSIs must prepare their incidence response strategies. No one wants to experience security breaches or other incidents that negatively impact the business and its customers. But knowing how to respond effectively is what matters most in those critical moments.

## Risk and compliance for payments

- Regtech solutions to streamline compliance processes
- Regulatory reporting and monitoring transactions for suspicious activities
- Complying with anti-money laundering (AML) and know your customer (KYC) regulations
- Biometric security measures (multifactor authentication) to increase transaction security

## Risk and compliance for lending

- Regtech solutions to streamline and simplify lending compliance processes
- Automated reporting, real-time transaction monitoring for suspicious activities
- Biometric security measures (multifactor authentication), including cryptosecurity enhancements, to increase transaction security

## The role of BPO in banking and financial services

BPO (Business Process Outsourcing) services are pivotal in the banking and financial services sector by offering technology-agnostic solutions that facilitate bank modernization. These services enhance program administration, automate processes, and modernize payment systems, ensuring that financial institutions stay ahead of compliance requirements and reduce costs without compromising on strategic business goals. Additionally, BPO services support process optimization and compliance adherence, helping banks and FIs navigate regulatory changes and improve their overall compliance posture.

\* NTT DATA Innovation Index (2023)



## Case study

# Enhancing third-party risk management for a Top 4 U.S. financial institution

A major U.S. financial institution inefficiently stored and managed third-party data in offline spreadsheets. It had only limited capabilities to integrate this data with outside systems, manage it and automate workflows.

NTT DATA designed and implemented a comprehensive third-party risk management (TPRM) platform following new regulations. The platform consolidates the bank's alternatively managed third-party data onto a single system of record. Partnering with multiple expert teams across NTT DATA helped the FSI plan and manage risk associated with alternatively managed third parties more efficiently and effectively.

**Outcomes:**

- Implements a single source of truth for lines of business, auditors and regulators
- Enhances due diligence and oversight controls through robust reporting for alternatively managed third parties
- Improves alignment for risk management activities to enterprise third-party standards
- Increases visibility to the full population of alternatively managed third parties

## Risk and compliance to-dos:



Involve risk and compliance teams from the outset



Prioritize automated KYC and AML functions



Evaluate and adjust risk and compliance operating models



Conduct regular risk assessments



Implement robust data protection measures



Monitor and adapt your programs





# Ignite tomorrow, today.

**Modernization, like digital transformation, isn't a one-time solution. FSIs need to set a strategic course to continually implement and expand technology. Doing so will provide superior financial services, products, and customer experiences and help FSIs remain competitive and relevant. Financial institutions that maximize their modernization investments gain highly agile systems. They are well-equipped to respond to rapid changes in the market, reduce operational costs by using data and AI, and enhance customer experiences to attract and retain customers.**

This journey of continual improvement is underpinned by our core values of trust, people, and innovation. Trust is the foundation of our partnerships, ensuring that we work alongside our clients with integrity and reliability, tackling complex challenges and delivering future-ready solutions. Our focus on people empowers our team to drive change and innovate, fostering an environment where unique skills lead to exceptional customer-centric business models and robust technology architectures. Through innovation, we transform today's challenges into tomorrow's breakthroughs, ensuring our strategies are effective today and sustainable for the future. Together, these values not only propel FSIs forward but also ensure that the banking and financial services industry remains at the forefront of modernization, ready to meet the evolving demands of tomorrow, today.



# Let's talk

## Fast-track your modernization.

To truly maximize your modernization investment with speed, you must first know where you're going. FSIs need to evaluate current plans, initiatives and investments and then compare them to the value each delivers for the business and its customers. Only when a thorough review of the current state is complete can FSIs effectively fast-track modernization efforts for maximum ROI.

NTT DATA is uniquely equipped to be your end-to-end partner in financial services modernization. With cross-segment expertise spanning the financial services industry, NTT DATA is a true partner to plan, implement and advise on the best path forward for resilient, differentiated operations. Hit customer and revenue growth goals faster with a global partner dedicated to your success.

Bring us your modernization question or challenge and we will schedule a complimentary workshop.

[Schedule a workshop](#)





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NTT DATA is a trusted global innovator of business and technology services, helping clients innovate, optimize and transform for success. As a Global Top Employer, we have diverse experts in more than 50 countries and a robust partner ecosystem. NTT DATA is part of NTT Group.

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