OPERATING MODEL FOR CORE BANKING CENTRE OF EXCELLENCE

BY SUDEEP NAIR
IBS RESEARCH THOUGHT LEADER
The life cycle of the CBS platform consists of two distinct phases - implementation and post implementation. The operating model of Core Banking CoE needs to adapt to the unique challenges at each stage of the life cycle of the platform.

IMPLEMENTATION

Implementation of a core banking solution is undoubtedly a transformational programme for any bank. No off-the-shelf core banking solution can perfectly meet the requirements of any bank without the need for customisation. Hence the CBS implementation necessitates a reconsideration of the operating model and processes of the bank to seamlessly leverage the benefits of automation and best practices from each CBS module. During the implementation stage, banks are faced with challenges such as:

- How can the bank prioritise various requirements from multiple business units?
- How does the bank ensure that customer service, product innovation and market competitiveness are not adversely affected during the transition to a core banking system?
- How can the bank ensure that the core banking platform is sized appropriately for the present requirements, while being scalable for the future?
- What is the mid-term and long-term strategy for specialist skills in core banking (outsourcing / insourcing)?

Best practices in operating model design for Core Banking system implementation

The Operating Model of a Core Banking CoE should adhere to the following best practices:

1. **CXO level sponsorship**: CBS Implementation is a strategic IT transformation programme undertaken by the bank. Hence the Governance Forums should have adequate representation at the CEO/CXO level.

2. **Roles and responsibilities**: Roles and responsibilities of each stakeholder should be clearly defined by the programme team and signed off by the governance forums. Typically a project charter is circulated among team members to ensure alignment of roles.

3. **Ring-fencing of implementation team**: Part-time allocation of resources into the programme could result in lack of commitment and ownership. Hence a substantial number of resources should be dedicated exclusively to the implementation programme, and success of the core banking implementation should be included as a key performance indicator for them.

4. **Target business model design**: Before documentation of detailed requirements, the functional team should prepare the baseline and target operating models of the bank. This will help align the requirements to business strategy and help in understanding the level of change in each component of the operating model.

5. **Prioritisation of functionalities**: The programme team should get agreement from business sponsors on a prioritisation framework across various types of requirements (regulatory, operational, business intelligence, etc.) to avoid conflicting priorities during the implementation.
6. **Coverage across IT landscape**: The implementation team should have adequate representation to subject matter experts from surrounding systems of CBS (EAI, web channels, mobile channels, and data warehouse). This will ensure seamless integration of functionalities across the system landscape.

7. **Data and insights**: The real value of CBS implementation is in the quality of data and information managed on the platform. The functional team should do a detailed data modeling across the business value chain and identify opportunities for improvement of business insights resulting from the CBS implementation.

8. **Product roadmap**: The implementation team should assess the product roadmap prepared by the CBS product vendor and ensure that bank's requirements are considered in future releases.

**POST-IMPLEMENTATION**

Even after the implementation of the core banking system, the Centre of Excellence receives frequent requests for additional functionalities and support services. The agility of a bank can be severely constrained if the CBS team is not equipped with the right operating model, skill sets and associated processes to meet challenges in question such as:

- How can the support services be managed effectively with respect to controls, processes, escalation, etc.?
- How can the bank reduce operational costs (e.g. through economies of scale, increased stability, reduced maintenance, standardised solutions)?
- What architectural controls need to be defined for driving convergence and coherence of functionalities?
- How can the bank influence the core banking product vendor to ensure that the product roadmap continues to meet the strategic requirements of the bank?

**Best practices in operating model design for post implementation**

In the post-implementation stage of Core Banking System, the operating model of the CBS CoE should consider the following best practices:

1. **Lessons learned**: CBS implementation leaves behind a rich trail of lessons learned and improvement opportunities. These should be recorded meticulously by the implementation team and handed over to the support.

2. **Team retention**: To ensure that tacit learnings from the implementation phase are effectively utilised in the support phase, the bank should ensure that a significant proportion (20 per cent - 40 per cent) of the team involved in implementation are retained during the support phase.

3. **Transition management**: For various technical and commercial reasons, the vendors involved for support services may be different from the vendors involved in implementation. It is crucial to design a seamless transition between vendors across the two stages.

4. **Release planning**: Future releases should be discussed with business upfront to ensure alignment with the business plans for go-to-market and innovation.

5. **Global service delivery**: Support services during the post implementation stage are typically delivered through the global delivery model to improve effectiveness and
optimise costs. Hence the sourcing and vendor management team should have expertise in procuring global services.

6. **Cost Allocation:** While the initial implementation is usually funded by a bank-wide budget, future customisations may serve only specific business units. An account management team should monitor and track these requirements and effectively partner with each business unit.

**CONCLUSION**

The design considerations outlined above will vary depending on various factors such as size, complexity, geographical spread and level of technology adoption. A systematic assessment of the IT organisation, application portfolio and transformation objectives will help in designing an effective CoE.

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