CORE BANKING STARTER GUIDE

STRAIGHT TALK ON WHAT ACTUALLY WORKS

Hey there

Let's cut to the chase about core banking modernization. If you're reading this, you're probably facing the reality that your bank's systems aren't keeping up, and you're wondering how to tackle what might be the biggest transformation project of your career.

I've been in your shoes. This isn't theory for me—I've navigated these waters, made the mistakes, and found the approaches that actually work. So let me share what I've learned, colleague to colleague, no consultant jargon or fluff.

The Legacy Reality Check

Let's start with where most of us are: stuck with systems designed when Reagan was president. About 90% of banking core software in the US is considered legacy, and 80% of financial institutions in Europe and North America run on systems that are at least 30 years old. TechMagic

These old systems are killing your ability to compete. They weren't built for real-time processing, API integration, or the rapid product innovation your customers expect. As David Gledhill, former CIO of DBS Bank put it: "If we just tried to apply technology to the existing banking model, we would just end up being an efficient bank." LinkedIn

You already know the pain points:

- Every new feature is a major project
- Integration with partners is a nightmare
- Maintenance costs keep rising
- Regulatory compliance gets harder every year
- Your competitors are moving faster than you are

And you're not alone. In my experience, most legacy cores are the biggest roadblock to achieving their business goals.

Getting Buy-In: The Numbers That Matter

When you're making the case to leadership, you need hard numbers. Here's what I've seen work:

Banks with modernized core systems have seen cost savings of up to 25%, and a reduction in operational risk by up to 30%. TechMagic For a typical mid-sized bank, the ROI on core system modernization reaches positive territory within 3-4 years. Number Analytics

Break it down further:

- Cost efficiency improves by 1-3% through reduced maintenance and operational expenditure
- Revenue typically sees a 5-10% overall uplift through faster time-to-market for new products
- And if implemented correctly, with a new operating model, you could see potentially automation improvements of 95-99% for routine processes EY

When I'm talking with executives, I always emphasize that this isn't just about technology – it's about business transformation. Take it from Piyush Gupta, CEO of DBS Bank: "At DBS, we act less like a bank and more like a tech company." DBS

The flip side is also compelling. If you do nothing, you're facing:

- Escalating maintenance costs for legacy systems
- Growing inability to launch competitive products quickly
- Increasing vulnerability to more agile competitors
- Mounting difficulty meeting regulatory requirements

As Brian Moynihan, CEO of Bank of America, recently emphasized: "There's always more to go" when it comes to digital transformation. Standing still means falling behind. CIO Dive

Your Options: Pick Your Path

Complete Replacement

The full rip-and-replace. Highest risk, highest reward. Commonwealth Bank of Australia took this approach with their five-year transformation that began as a $580 million investment. When they completed the overhaul, then-CEO Ian Narev highlighted how it transformed the bank's capabilities across all channels. iTnews

Phased Replacement

Module-by-module replacement. More balanced approach to risk and reward. BBVA Compass did this successfully, leading Robert Hunt, Senior Research Director, to note that "BBVA is probably the first US bank in more than 15 years to thoroughly modernize their systems." Forbes

Wrap and Renovate

API layer around existing systems. Lower initial risk, moderate long-term benefits. I've seen this work well for mid-sized institutions that can't afford the risk of a full replacement.

Banking-as-a-Service

Leveraging external core processing. Fastest implementation, limited customization. This can be a good option for digital-only offerings or specific product lines.

Here's something that might surprise you: Mid-cap banks can enable their digital agenda with investments of just 20 to 30 percent of the typical investment for core banking modernization by choosing targeted approaches. McKinsey

You don't always need the "big bang" approach.

CORE SYSTEM PARTNERS

Planning 101: What Actually Works

If there's one thing I've learned, it's that planning makes or breaks these projects. Here's what you need to focus on:

Know what you actually have.

This sounds basic, but you'd be shocked how many banks can't accurately document their current state. I can't tell you how many times a bank has assured me, "Yes, we have all that documented," and then handed over a hastily created spreadsheet that was clearly put together the night before our meeting. Before you do anything else:

- Map your current state architecture in detail, not just high-level boxes and lines
- Document every single interface—what systems connect to what, whether they're batch or real-time, and their data formats
- Create a comprehensive product catalog that defines the specifications of each product down to the field level
- Identify all downstream applications connected to your products
- Document all procedures and process flows, especially the exceptions and workarounds your staff use daily

Like it or not, you'll need this information for any transformation. Better to do the work now, methodically and thoroughly, than scramble to compile it when you're already in the midst of a hectic project with tight deadlines and mounting pressure. Besides, this isn't just project preparation—it's good operational hygiene that will benefit your bank regardless of when you modernize.

Make it business-led, not IT-led. When core modernization is treated as a tech project, it fails. Period. Your business leaders need to own this transformation.

Get your data house in order. Data migration is where most projects go sideways. Start cleaning and standardizing your data now, not when you're halfway through implementation.

Choose partners carefully. We recently surveyed the leadership of many banks that either recently completed their transformations or were in the middle of them and the central thread was that their success depended on choosing the right core banking solution and equally important, choosing the right vendor. Don't rush this decision.

Be realistic about timelines. Approximately 65% of core banking transformation projects exceed their original timelines, often due to integration challenges (I would argue the numbers are higher). Number Analytics Build in buffers and be honest with leadership about how long this will take.

Invest in change management. The technology might be perfect, but if your people don't adopt it, you've failed. I've seen multi-million dollar projects derailed because change management was an afterthought.

IMPLEMENTATION:
THE RUBBER MEETS THE ROAD

Here's what success looks like when you're in the thick of implementation:

1

Strong governance. You need an executive steering committee with both business and IT leadership, clear decision-making frameworks, and transparent reporting. When issues arise (and they will), you need the right people in the room making decisions quickly.

2

Smart technology choices. Beyond the core itself, you need clear strategies for cloud vs. on-premises deployment, API and integration approach, data migration methodology, and security architecture. These decisions should align with your business goals, not just IT preferences.

3

Customer focus. Remember why you're doing this. Today, 77% of checking account customers are active digital banking users. Alkami They expect seamless, real-time experiences. Your transformation should enhance, not disrupt, their banking relationship.

Look at DBS Bank—they focused on becoming "digital to the core" and made a cultural shift to operate "less like a bank and more like a tech company." The result? They're now recognized as a global leader in digital transformation. Their approach wasn't just about technology; it was about reimagining the entire banking experience.

THE RISKS YOU'LL FACE
(AND HOW TO HANDLE THEM)

Let me be straight with you about the risks:

1

Budget overruns. Combat these with detailed planning, contingency budgeting, and a phased approach with clear stage gates where you can reassess.

2

Timeline delays. Create realistic schedules with buffer periods. Consider using agile methodologies where it makes sense to show progress sooner.

3

Data migration issues. Develop a comprehensive data cleansing strategy before you start, and conduct parallel testing and validation throughout.

4

Business disruption. Implement detailed cutover planning and thoroughly test your business continuity procedures. Have rollback options for every critical change.

5

Staff resistance. Invest in comprehensive change management and involve frontline staff early in the process. They need to see what's in it for them and their customers.

AFTER GO-LIVE:
IT'S NOT "SET AND FORGET"

The work doesn't end when you flip the switch. You need to:

Measure success clearly. Define metrics for system performance, cost reduction, customer experience, employee adoption, and business agility.

Keep evolving. As Brian Moynihan of Bank of America noted, "Our digital capabilities continue to grow." CIO Dive Set up processes for regular assessment, ongoing enhancement, and continuous adaptation.

Bottom Line

Core banking modernization is a beast, but it's a beast you can tame. With banks citing legacy systems as their biggest barrier to transformation, you're facing a challenge that's also an opportunity to pull ahead of competitors who are stuck in the status quo.

The potential upside is substantial—cost savings of up to 25%, reduced operational risk by up to 30% TechMagic, and the ability to compete effectively in an increasingly digital marketplace.

As Piyush Gupta, CEO of DBS Bank puts it, successful core transformation enables banks to "act less like a bank and more like a tech company." DBS That's the future of banking, and modernizing your core is how you get there.

I've been where you are. The journey isn't easy, but it's necessary—and with the right approach, it's absolutely doable.

CORE SYSTEM PARTNERS

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- Which banks are moving forward—and how
- What strategies are working (and which ones aren't)
- How to stay ahead without blowing up your operations

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