



Knowledge Area Review (KAR)

Virtualization in Financial Services – Product Brochure

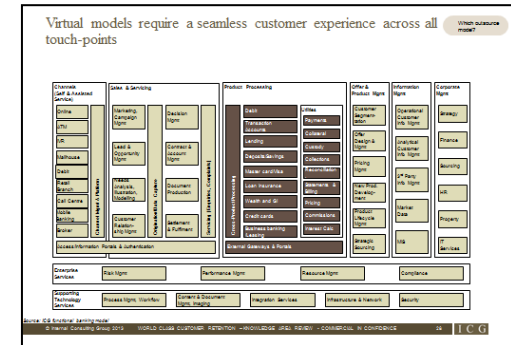
October 2014

KAR015: Virtualization in Financial Services



Business Banking Product/Service Hierarchy
Product Class / Type / Component

	Traditional Core Banking Products & Services				Extended Staff Financial Products				ICI Interplay (if enabled Additional Services)
Central Access	Transaction Banking	Payment	Trade	Service	Risk	Markets	Wells		
Bill Loans	Account Services	Card	Trading	Security & ID	Derivatives	Foreign Exchange	Fixed Inc.	Investment	
Business Finance	Banking	Local Over	FX	Securities	Commodity	Banking	Structured	Asset	
Asset Finance	Physical Cash	Domestic Debt	Commodities	Signature & Adherence	Commodities	Money Market	Structured	Asset	
Home & Retail	Consumer Banking	Card (Int)	Open Account	Yield	General Insurance	Exchange (Real)	Structured	Asset	
Investment	Banking	Card (Ext)	Open Account	Yield	General Insurance	Exchange (Real)	Structured	Asset	
Structured & Alternative	Capital & Finance	Card (Ext)	Open Account	Yield	General Insurance	Exchange (Real)	Structured	Asset	
Global	Banking	Card (Ext)	Open Account	Yield	General Insurance	Exchange (Real)	Structured	Asset	
	Banking	Card (Ext)	Open Account	Yield	General Insurance	Exchange (Real)	Structured	Asset	



KAR 015 is a companion resource to our monthly global periodical *The Insights Review (TIR)*, deeper full dives on a specific topic – our *Certified Case Study (CCS)* and *DKS* - unique highly distilled synthesis of the newest thinking in an industry, sub sector or function

The KAR015 (Knowledge Area Review) on Virtualization in Financial Services is a document containing information rich slides which comprehensively describe the major trends around Virtualization and is certified by ICG to be based on publically and externally sourced information only, together with the authors industry insights. It comprises 75 pages of power point slides that contain:

- A peerless synthesis of available information (public sources, applied science journals, research databases, public company records)
- Uniquely blends knowledge and insights from across the consulting industry, large and specialist, avoiding bias and NIH (not invented here) issues on your projects
- Several relevant case study descriptions, including background information and key insights
- Several frameworks describing the trends in Virtualization in Financial Services

Main themes highlighted in this paper are:

- Incumbent FI's are finding it increasingly difficult to deliver a universal set of needs
- Technology standardisation and commoditisation is increasing ability of suppliers to deliver focused scale offerings at lower cost
- Customers are becoming more demanding – they don't care how the outcome is assembled only that they get the outcome

Virtualization in Financial Services - Content

Section	Component	Description
1	Critical Frameworks	<ul style="list-style-type: none">• What do we mean by Virtualization?• Drivers of virtualization• The decision to virtualise
2	Key Case Studies	<ul style="list-style-type: none">• Selection of Best Practices cases around the globe
3	Key Articles	<ul style="list-style-type: none">• Key published articles

Sample 1:

What is driving virtualization?

GLOBAL DELIVERY

Incumbent FI's are finding it increasingly difficult to deliver a universal set of needs

- Regulation increasing in breadth & specificity
- Historical systems landscapes are challenged by faster pace of technology change
- Complex organisations
- Increasing capital requirements
- Increasing product and services breadth

TECHNOLOGY STANDARDISATION

Technology standardisation and commoditisation is increasing ability of suppliers to deliver focused scale offerings at lower cost

- Increasing standardisation: technology, communication, device
- Building blocks for deconstruction of FS value chains largely in place, banks and attackers enabling free exchange of information & value
- Scale-free competition of smaller businesses with large incumbents;
- Emergence of major platform houses and interoperability standards

CUSTOMER BEHAVIOR

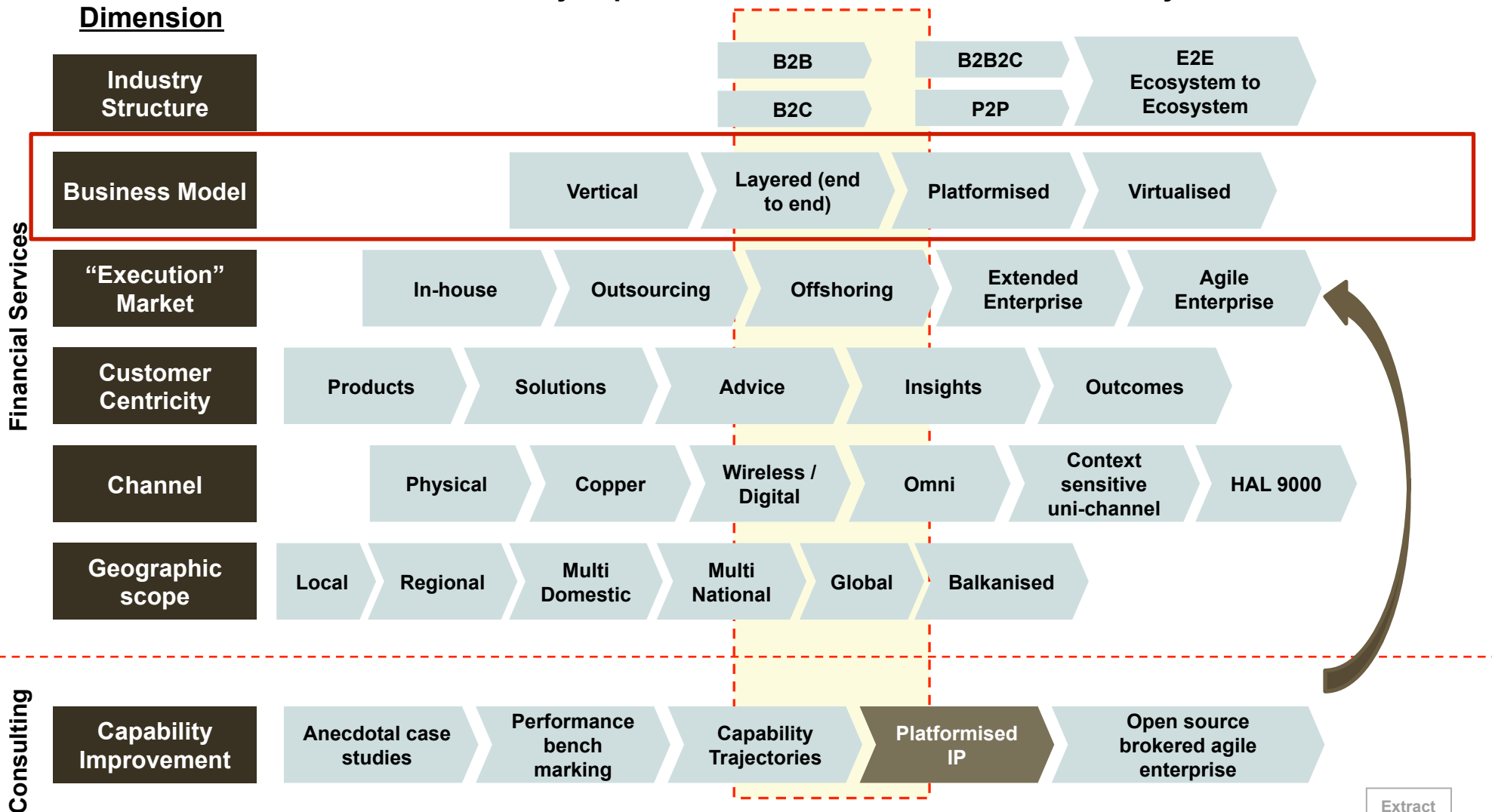
Customers are becoming more demanding – they don't care how the outcome is assembled only that they get the outcome

- Customer expectations rise, decreasing loyalty and increasing shopping behaviour (trading up/down)
- Customers better informed
- Value of incumbent brands diminishes
- Consumers and businesses gradually shift FS buying behaviour from consolidation towards open markets
- Customers looking for wrappers and packaging of solution components

Sample 2:

Business models in Financial Services are evolving from vertical to layered, to platformised to virtual

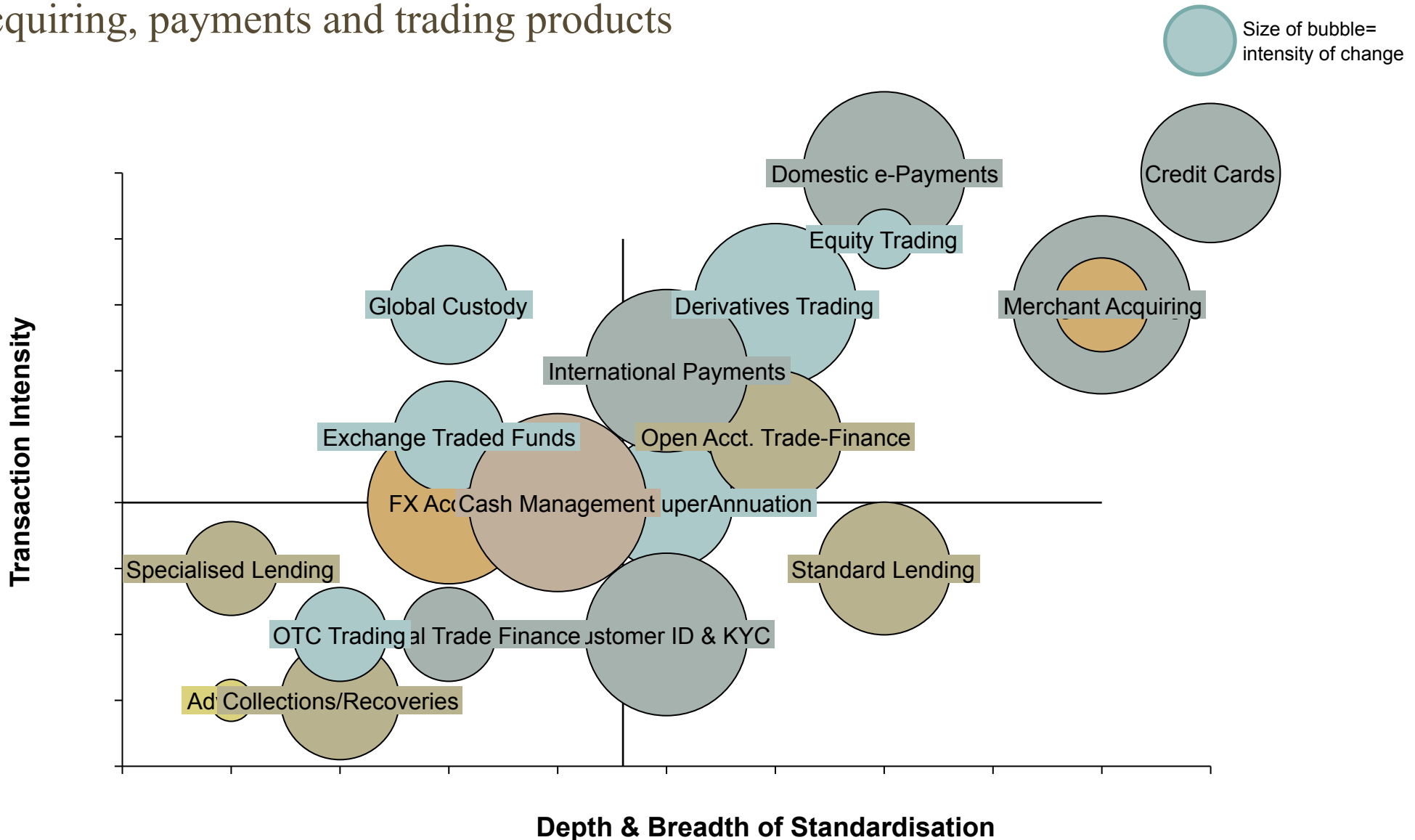
Era Encyclopaedia for The Financial Services Industry



Extract

Sample 3:

Within business banking products high potential for virtualization across merchant acquiring, payments and trading products



Sample 4: Screen to identify best improvement lever and estimate value potential for internal improvement

Whether to outsource?

1

Quality (Input/output error rate)

If process quality is low improve through redesign

2 models for redesign

- IF productivity variance is high, and source of quality issue is internal → identify & leverage best practice
- IF productivity variance is low → Conduct e2e lean redesign across boundaries to simplify and improve input quality including

Plus change in ownership to consolidate under common governance

Improve performance transparency through targets and metrics

Simplify, Standardize, Consolidate

2

Process complexity (Task or skill ambiguity)

Assess inherent complexity of process and tasks for STP and automation potential

- Clear, defined expected outcome
- Judgment or unique business/reg. knowledge required
- Documentation, training manuals exist?
- Inputs and interfaces between counterparties automated?
- Metrics to measure success?

If complexity is low →

- Assess opportunity for STP automation (e2e), if not feasible move to next lever

STP Automation

3

Labor Productivity (Range & σ^2)

Pool labour to address supply/ demand capacity mismatch

- If labor productivity var. is low → create center of competency, use workflow and BPR engine to automate simple tasks
- If labor productivity var. is high → pool labor, multi-skill to address supply demand mismatch; segment process flow and apply skills based routing to optimize highest skilled labor

Workflow and BPR

Pool & work based routing

High Quality Processes

Complex Tasks

Sample 5: Providers: The Bancorp

Provides private label banking and technology solutions for non-bank companies



THE BANCORP

- Creates customized banks for hundreds of affinity partners, setting a new standard in financial services innovation.
- Provides private-label banking and technology solutions for non-bank companies ranging from entrepreneurial start-ups to those on the Fortune 500
- The Bancorp's private-label programs focus on **four main business segments**:
 - **Healthcare Solutions**
 - **Payment Solutions**
 - **Payment Acceptance**
 - **Institutional Banking**
- These "branchless banking" programs enable members, employees and customers of affinity partners to access online banking services, customized for them, under the affinity partner's brand
- In addition to these programs, The Bancorp offers a full array of lending services
 - Commercial Lending
 - Fleet Management
 - Leasing and Government Guaranteed Lending

CLIENTS

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New answers.®

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Moven
spend, save & live smarter



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MySmartSaver
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