

The background is a nighttime cityscape of Hong Kong, featuring the International Finance Centre (IFC) tower and other illuminated skyscrapers. The entire image is overlaid with a blue color filter. There are several decorative circles: a large yellow circle in the middle-left, a large blue circle on the left side, and a smaller blue circle below it. A dark blue rounded rectangle covers the bottom portion of the image, containing the title and date.

eraneos

Whitepaper

Platform for Digital Banking

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Summary

In the financial sector, digital disruption is no longer a buzzword but a paradigm shift. New technologies such as blockchain, robotic process automation and artificial intelligence have impacted core banking operations. Fintechs often have the upper hand in adopting such technologies because of their greenfield

approach, but larger players have advantages in terms of access to resources and branding. Facing a scenario of complex technological solutions, big data, multiple parties and higher compliance pressure, banks of today need to rethink their operating models and sourcing strategies to meet the needs of tomorrow.

Trends

In the coming years financial markets will see a number of trends that increasingly call for the use of Digital Banking Platforms, integrating SaaS/BPaaS solutions in their operating model and opening up banking operations to provide BaaS services.

Banking as a Service (BaaS)

BaaS is a model in which licensed banks integrate their digital banking services directly into the products of other non-bank businesses, which could be a fintech. It is a logical consequence of what started off as Open Banking, which enabled sharing of financial data with 3rd parties. Key to understanding BaaS is that the customer is owned by the entity that integrates the BaaS services in their customer journeys. The need for being able to provide BaaS services is demonstrated by developments such as Apple Pay and Apple Card. Also Google is planning to offer personal checking accounts and Uber has announced the introduction of a debit account and card. Back in 2018, it was announced that Amazon would provide loans to small businesses through a partnership with Bank of America. Chinese counterparts Alibaba and WeChat also have already demonstrated they can add banking on the back of an existing customer base. Studies by both Accenture and PwC have demonstrated a significant change towards trusting technology and communications companies to look after their long-term financial well-being.

Business Process as a Service (BPaaS)

BPaaS is taking Software as a Service (SaaS) to a next level. While traditional BPO (Business Process Outsourcing) is associated with real back-office operations like HR and Finance, BPaaS specifically is using cloud technology and therefore SaaS solutions to provide banking-specific BPO services. An example would be Avaloq, which provides out-of-the-box core banking software modules in a SaaS model, but also can run operations on your behalf using the

same SaaS software. In 2019, Infosys and ABN AMRO announced their strategic partnership which involved Infosys acquiring 75% of the shareholding in the end-to-end mortgage administration service provider Stater N.V.

State of the art user interface and experience

Large e-commerce players such as Amazon and Bol.com leverage big data and the best insights into consumer psychology to offer optimal user experiences. While this trend began within retailers, there certainly are spillover effects on other industries. Consumers, particularly millennials, expect a seamless and intuitive user interface (UI) and experience (UX), which makes them key elements of any successful retention strategy across different channels. To effectively provide such an omnichannel strategy, banks often need to partner up with providers of specialist services.

Open Banking

Consumers that need banking services are expected to increasingly turn towards the so-called sharing economy. What started in the travel industry is expected to expand into the financial services industry sooner rather than later. Increasingly, financial institutions will become part of a larger ecosystem of financial and non-financial institutions. The 2019 World Fintech Report by Capgemini and Emsa summarize four fundamental shifts that exemplify the future of Open Banking: from Product to Experience, Assets to Data, Ownership to Shared Access, and Partnering in lieu of Building or Buying. For today's incumbent banks, it is envisioned that they can profitably succeed not only as a Supplier, but also in new roles such as Aggregator and Orchestrator. Application Programming Interfaces (APIs) are set to play a vital role, and banks that lead API standardization initiatives and look for real monetization value with indirect models (such as referred business and actionable insights) are most likely to succeed.

Platform for Digital Banking



Digital Banking Platforms

To be successful in providing banking services in this context, Digital Banking Platforms already have demonstrated to be key. Such platforms are designed to offer an integral foundation that connects several layers with unique features all relevant to an end-to-end customer experience. More specifically, Digital Banking Platforms consist of:

- a presentation layer that enables customers to conduct their business
- an experience management layer that facilitates designing a coherent experience across all customer touchpoints
- a client and orchestration layer that processes customer data and orchestrates between the presentation layer, legacy back-end software, SaaS solutions and connected fintech ecosystems
- a product layer in which ideally no customer data is stored and processed
- an identity & entitlements layer that supports the management of user rights and provides defense against security breaches
- a cloud deployment layer to scale up (and down) native cloud technology at scale to support business operations.

Various suppliers of Digital Banking Platforms have their own variations of these layers, and they all boil down to the same idea: being able to provide an omnichannel digital experience towards customers and to integrate Core Banking Solutions, legacy systems as well as fintech services to offer end-to-end banking services.

What sets one solution apart from another is in the underlying architecture and technology adopted. Backbase for example is based on open standards and open source technology and provides a modular software development platform. It is designed to expedite building up the standard components of a banking platform and combined with custom developments to create that unique and differentiating user experiences for which it partners with system integrators. Kony's platform, now part of Temenos' Infinity platform, on the other hand, is more positioned as a low-code development platform.

Leaders, strong performers and contenders according to Forrester research are:

Leaders	Strong Performers	Contenders
<ul style="list-style-type: none">• Backbase• EdgeVerve (subsidiary of Infosys)• Temenos• Kony (now part of Temenos)	<ul style="list-style-type: none">• Oracle• Crealogix• i-exceed• intellect Design Arena• Tagit• TCS	<ul style="list-style-type: none">• Sopra• CR2• Finastra

Leading Digital Banking Platforms

Backbase Digital Banking Platform

Backbase Digital Banking Platform offers six different layers: experience management, digital banking, identity and entitlements, onboarding and origination, and cloud deployment. "When all systems talk to each other, tailored advice and real-time support are instantly available to customers. Frontline staff are freed from slow, paper-based processes and empowered to deliver excellent service, with the right information at their fingertips. The user experience works, from onboarding to upselling, and this drives digital sales. Enhanced financial insights help customers to manage their financial lives and banks to strategize. The Digital Banking Platform connects all the dots to deliver for the end customer and ensure the bank can compete into the future"

Finacle Digital Engagement Suite by EdgeVerve

Finacle Digital Engagement Suite has five pillars: customer first, APIs and ecosystem first, insights first, automation first and cloud first. The solution helps address all the business banking application requirements of digital-only propositions – across core banking, customer onboarding, product origination, payments, digital engagement, and omnichannel digital experiences. The solution enables banks

onboard, sell, service and engage – retail, small business and corporate customers on a range of digital channels – mobile, online, or APIs.

Infinity by Temenos

Temenos Infinity unifies customer experience by a single platform from customer acquisition through retention across banking sectors. With open APIs and extensible architecture, Temenos delivers customer experience solutions that let banks expand their products with their vision. Temenos Infinity analytics use customer behavior to improve customer outcomes, drive upsell and improve profitability. In August 2019, Temenos announced its acquisition of Kony. This acquisition adds Kony Quantum, a low-code development platform, and Kony DBX to Temenos' digital front-end product portfolio.

Core banking solutions

A Digital Banking Platform by itself is not by definition sufficient to operate a Digital Bank. Customer data needs to be processed and products and services need to be monetized. The Digital Banking Platform by itself provides a foundation for connecting home-built Core Banking Solutions, SaaS software as well as Fintech infrastructure and services.

Leaders, challengers and visionary according to Gartner's 2019 Global Retail Core Banking analysis are:

Leaders	Challengers	Visionary
<ul style="list-style-type: none">• EdgeVerve (subsidiary of Infosys)• Oracle• Temenos• TCS	<ul style="list-style-type: none">• Intellect Design Arena• Mambu	<ul style="list-style-type: none">• Finastra

Depending on the exact scope and maturity of solutions, suppliers can provide a significant portion of what is needed to operate banking operations. EdgeVerve's Finacle Core Banking Solution for example would need to be complemented by externally sourced credit rating, scoring and review functionality to enable operating in the lending domain. Standard interfaces are part of their platform solution and include country- specific ones for a vast number of countries that have been onboarded in the global solution. Backbase on the other hand does not have their own Core Banking Solution, and partners with Mambu who provides a cloud-native composable banking solution. TCS's BaNCS solution on the other hand, historically designed for on-premise installation, evolved into cloud agnostic and runs on TCS' Enterprise Cloud Platform or any public cloud solution of choice. It provides a universal financial platform not only for banking but also for capital markets and insurance.

Leading core banking solutions

Finacle Core Banking Solution (by EdgeVerve)

EdgeVerve Finacle offers a comprehensive suite of capabilities to power a banks' digital transformation. It gains a comprehensive set of capabilities, including flexible product factories, extensive parameterization, product bundling and reusable business components, to help accelerate innovation led growth. With its real- time processing engine, open APIs and embedded customer insights, Finacle says to deliver one of the most advanced digital banking foundations to engage demanding consumers.

FLEXCUBE (by Oracle)

With technology at the core of banking, modernization of core systems is the cornerstone of digital transformation in a bank. Oracle FLEXCUBE Universal Banking can help banks jumpstart digital transformation and

leapfrog their capabilities to stay relevant, competitive and compliant in a fast-evolving industry. With its modern, digital, shrink-wrapped, pre-configured, interoperable, scalable and connected capabilities, Oracle FLEXCUBE Universal Banking can help catapult banks to the forefront of digital innovation and leadership. Although Gartner's focus has been on retail banking, Oracle also provides specific SaaS solutions for B2B lending and leasing.

Transact by Temenos

Temenos Transact (formerly T24) is a cloud-native, cloud agnostic, API-first and AI-enabled, integrated Core Banking Solution. Its functionality is delivered using a number of independent Microservices, allowing the customer to change the order of solution roll out as business priorities evolve. Embedded analytics help product managers plan and deploy new products which are attractive to customers and profitable for the bank. They provide customer insight and predictive sales and service assistance.

BaNCS Digital (by TCS)

The TCS BaNCS Global Banking Platform embodies TCS' Digital First, Cloud First strategy on which all component are designed. The platform comprises of adaptive digital apps for the consumers and enterprise, powered by an integrated analytics engine for insights and actions to support a wide range of products and services covering assets and liabilities, cash and securities. With functionally granular and extendable APIs, the architecture supports containerization and the domain microservices provide autoscaling on cloud environments thereby empowering the bank to leverage larger ecosystems and create new revenue models.



Conclusions

To keep up with changing customer behaviour it is essential for banks to leverage new technologies. Clients are advised to update their operating models and sourcing strategies to ensure the optimal use of new possibilities such as platforms, SaaS, BPaaS, and Cloud. At Eraneos we independently and strategically support our clients in defining, sourcing and implementing a future proof digital strategy through our expertise within technology, cloud, outsourcing and enterprise architecture.

Interested in finding out more about how we can help your business digitally transform? Please contact us: info.nl@eraneos.com

Experienced in a wide range of industries

ABOUT ERANEOS

As a global Management & Technology Consultancy Group, Eraneos supports organisations in not only designing but successfully implementing a future-proof digital transformation strategy that can make an everlasting impact.

By listening to what businesses want and understanding their needs, we can fast-track and embed transformation with ease by aligning people with technology, processes and leadership, effortlessly.

Knowing your industry, technology and local context alongside a global perspective, gives us the advantage you need to succeed.

It's this deep understanding that enables us to shape and implement strategic transformation within your organisation while providing the best service. That's why our customers trust us with even the most complex of challenges, from strategic digital transformation in finance to the ethical application of A.I. in healthcare.

We don't just listen to your needs, we understand them. We're more than ready to help you realise your potential in the digital age.

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