

# The challenges of a transactional banking project – akin to replacing an aircraft engine in mid-flight

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Nationwide’s Business Transformation Programme ‘Voyager’ is a major strategic investment for the Society and its members. The size and complexity may appear akin to replacing the engines on a Boeing 747 whilst in flight but we recognise this as an exercise in effective risk management. We understand this as clearly as we do the upside benefits, which for us, are very significant.

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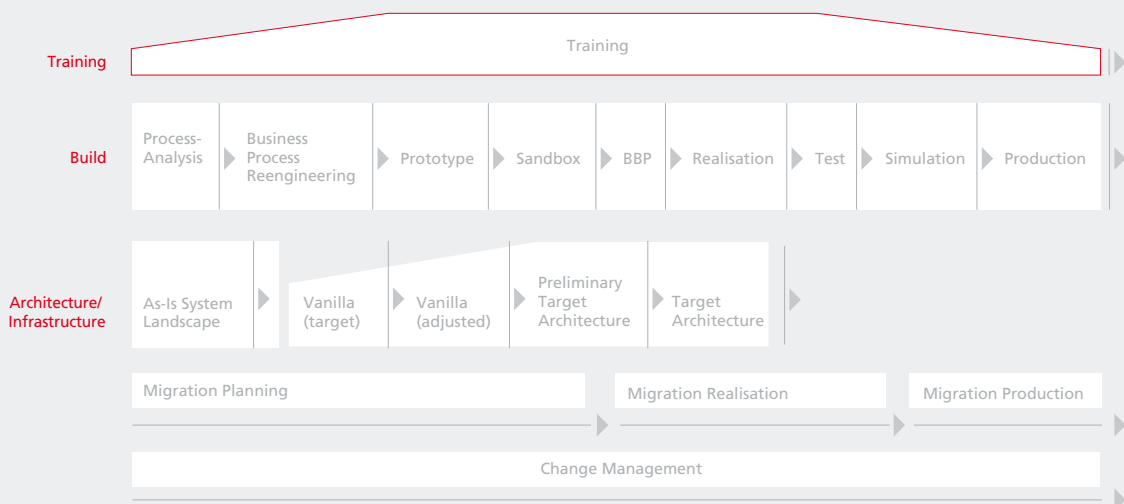
## Successful ifb projects with international banks illustrate how sensitive changes in transactional banking can be implemented with calculable risk

Currently, one of the most important tasks facing banks is the optimisation of transactional banking – also referred to as ‘core banking’ – which involves consolidating the administration of current accounts, savings accounts, time deposits and loans. A perfect data flow within this bulk banking business reduces costs and complexity, thereby increasing margins and efficiency.


Transactional banking projects place high demands on the implementation partners: even the slightest processing or adjustment error can cause grave damage, including erroneous account balances and transfers or incorrect data for risk assessment. In addition, these projects do not merely involve a single reporting unit or sub-system, but rather concern the bank’s ‘engine’, in other words its entire IT infrastructure and production, all the accounts, deposits, transfers, loans, client data etc. Given that downtime of just one single working day would have catastrophic consequences and that a three-day disruption could even mean the end of the bank, this engine must continue to function throughout the entire implementation project. Consequently, as is the case in aircraft construction, a transactional banking project requires comprehensive planning and numerous highly specialized partners.

### □ Affording business requirements priority

In cooperation with SAP AG and banks from various countries, ifb group has successfully implemented numerous transactional banking projects. Such projects initially always encompass both operational and technical requirements, whereby the IT architecture is fundamentally aligned to the business requirements. The overall project is therefore essentially driven by the business aspect as apposed to being an IT project. As such, the following procedure is recommended:



A transactional banking project requires specific comprehensive planning, given that all the operational systems in the bank are changed, adapted and/or replaced without interrupting 'production' at the bank.

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1. Prior to starting the actual project, stock is taken of all the processes, their consolidation and thematic allocation.
  2. During subsequent Business Process Reengineering (BPR), it is important that these processes are either optimized or, where necessary, redesigned. SAP process and systems experts should already be participating at the BPR stage in preparation for the future employment of standard software. Any questions, requirements and reservations should be clarified with the specialist departments beforehand.
  3. These steps form the basis of the business blueprint, which maps the business requirements within the IT structure. Next, the first client employees attend SAP seminars to develop their expertise. A technical platform is installed as a prototype in advance to replicate the requirements established during BPR. Functional gaps in the standard software can now be jointly identified. Planning of the implementation phase then commences and the initial overall assessment of deposit management costs confirmed.
  4. Ideally, the comprehensive implementation phase is divided into individual steps, or releases. This division is dependent on a number of factors and is only definable following BPR. The first release should be as modest as possible and only encompass, for example, newly opened accounts, and not the complete transfer of more established account-related data and data stocks. Risk at the productive start of such a mini-release can be further reduced if, to begin with, accounts are opened and transactions are carried out solely by bank employees as opposed to customers. Above all, this high security approach must always be adapted to real conditions.

In the following steps, data files are migrated according to specific products and the old system is successively shut down; for example, first current accounts, then savings accounts, time deposits and loans.

#### Redesigning IT architecture

The task of IT is to structure its architecture in consideration of all applicable business requirements and SAP standards; whereby optimisation and categorisation of processes is also a prerequisite. An example of such is the optimisation and categorisation of payment transaction processes. Ideally, these will be consolidated into a payment layer (payment transaction system, dispatcher, transaction broker), which does not only implement technical payment transaction process allocation, but also guarantees its completeness, unambiguity and auditability. This would not be possible without consolidated processes and the corresponding target architecture. An essential prerequisite to achieving this is that the entire architecture is service-oriented.

#### Overview of further important implementation steps

In addition, numerous other tasks need to be considered: for example the establishment of a programme management office that can manage between 50 and 250 people. A central element also involves data acquisition from the legacy systems, mapping or accumulation, time-critical upload at the productive start and coordination of the migrated data. Owing to the size and complexity of these projects, change management as well as tests and resource planning are also of major importance for successful implementation.

Marek Ristock

Enterprise SOA is nothing more than services packed in standardised interfaces that all speak the same language (semantics). The significance of this approach becomes clear using an analogy from air traffic management: instead of having interpreters at every airport translating between the languages of the air traffic controllers and the individual pilots, the agreed worldwide standard is for all pilots and air traffic controllers to use English as the single authorised language. This standardisation guarantees flexible air traffic management and a reduced level of risk.

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