



**Corebanking solutions for the  
new economy.**



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**New corebanking challenges**

Deregulation and lower entry barriers due to technological advances are intensifying competition within the banking industry. New financial services providers with Internet-based offerings are emerging from both traditional and nontraditional sectors, while Web-empowered consumers are demanding greater responsiveness and personalized, around-the-clock accessibility. The failure of banks to respond quickly and effectively to these challenges has resulted in the loss of valued clients.

To successfully solve these problems, banks need to be able to develop and bring new products to market with speed and flexibility. Realtime operations are also required to enable banks to attract new customers by delivering multiple products through various channels, including the Internet, personal digital assistants, automated teller machines and mobile devices. Banks need to drive profitability through a more open, proactive and customer-focused approach. Current customers, of course, must not be forgotten during this shift in strategy.

A bank's core system forms the basis of its operations. Existing at the heart of the financial institution, it is the point of record for transactions, accounting and customer ledgers. Over time, banks have made substantial investments in their core systems, so the decision to change or replace a system is not made lightly. However, banks are also realizing that their core systems—often built 20 (or more) years ago—no longer have the capabilities to enable them to be successful contenders in today's highly competitive, continually evolving and globally expanding financial industry.



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Highlights

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***Consolidation, convergence, globalization and competition are driving the need for changes in core banking systems.***

***Core systems must be integrated, flexible, adaptable, customizable and able to operate in realtime.***

Some of the major factors driving the need for changes in corebanking systems are:

- *Consolidation—Mergers and acquisitions are helping banks improve operating efficiencies, decrease branch numbers and operational costs, and establish new revenue streams.*
- *Convergence—Multinational companies are expanding and standardizing their services to meet the needs of an increasingly sophisticated customer base that is demanding “one-stop” shopping for financial services.*
- *Globalization—Partnership arrangements among banks are becoming an important feature of the financial services industry. Once they become global, banks can offer a wide variety of financial services products to customers worldwide.*
- *Competition—New entrants into the financial services industry are using the Internet to cost-effectively and quickly offer new services to traditional banking customers. NovaBank in Greece is a good example of the correlation between the use of traditional channels and new technology in a new bank. Customer demand for services such as mobile banking, as well as the speed with which these services can be taken to market, are fueling the growth of Internet-based service providers, who are taking customers away from traditional banks.*

For a bank to successfully participate in the marketplace, its core system must be integrated, flexible, adaptable, customizable and able to operate in realtime. These architectural capabilities are necessary if a bank is to be truly “customer centric.” Systems must be all of the above in order to successfully deliver what customers want, when and where they want it. And, with increased competition from other financial services providers, such as brokerages and insurance companies, it is imperative that traditional banks be able to offer electronic banking.



**Highlights**

***By migrating to new core systems or updating legacy systems, banks can start making existing assets work more effectively.***

Historically, the risks of upgrading legacy systems have exceeded the benefits, but to remain competitive in today’s environment there is pressure—and more importantly, a necessity—to upgrade. By migrating to new core systems or updating legacy systems, banks can start to make existing assets, such as staff, customer relationships, value-added services and customer and business information, work more effectively—generating additional revenue while reducing operational time and cost. Transitioning to new core systems allows banks to benefit from the speed, availability and integration of e-business models, plus it enables banks to incorporate those existing assets. A bank may decide the time has arrived for it to implement a new core system—or to replace its existing legacy system—to serve as the core engine for a new direct bank. This new system may also serve as an engine for new product lines, in addition to an existing system, providing flexibility in every aspect of the company’s business and supporting present and future distribution channels. Regardless of what function the new core system performs, it is imperative that it have the functionality and degree of integration the given marketplace requires.

**Banking Enterprise Resources**  
How modern core systems meet new demands

BANK NEEDS	CORE SYSTEM RESPONSE	
Customer service	Realtime, 24x7 processing Tailored products	CUSTOMER CENTRIC
Attraction and retention of customers	Single, integrated customer view Data-warehousing tools	TOTAL CUSTOMER VIEW
Product manufacturing	Product factory	SPEED TO MARKET
Product delivery	Multichannel enablement	CUSTOMER FLEXIBILITY
Cost and profit management	More efficient systems management, reuse Risk management via total bank view	SCALABILITY RELIABILITY



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Highlights

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***A better core system will help banks remain competitive, focus on the customer, provide new products quickly and respond to changing market needs.***

**Solutions for a changing industry**

IBM corebanking solutions provide financial institutions with the right combination of offerings to succeed in a constantly changing industry. The potential market for corebanking solutions is very big. As the number of banks looking to grow or replace their systems increases, IBM and its partners must capitalize on the opportunity. The cost of replacing a single core system can often run into tens or even hundreds of millions of dollars, but a better core system can enable banks to remain competitive, focus on the customer, provide new products quickly and be responsive to changing demands in the market.

It is essential that IBM focus its resources on sales and marketing, as well as on implementation services, in the markets that will provide the highest return on investment. IBM offerings provide the robust, scalable back-office systems that meet financial institutions' immediate needs; are flexible enough to adapt to a shifting business environment; and help keep risk to a minimum.

Today's financial institutions need systems that encompass their entire business focus but that are flexible and adaptable to ever-changing business requirements. Whether the financial institution wants to launch a new direct customer bank, replace or enhance the kernel of its current corebanking system with a new product engine, reengineer its complete corebanking system on the host, or replace its entire retail-banking application with a packaged solution, IBM can work with the client to help address these issues and deliver superior solutions.



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Highlights

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***IBM corebanking solutions combine best-of-breed application software with comprehensive technology and business services.***

Here's what IBM corebanking solutions can help our clients accomplish:

- *Provide exceptional, realtime, around-the-clock customer service*
- *Provide clients with a single customer view for a better understanding of their customers*
- *Bring new products and services to market quickly*
- *Support multichannel strategies that include Internet and mobile technologies*
- *Establish a firm foundation for comprehensive e-business solutions for financial institutions*
- *Leverage the expertise of a global team to increase efficiency, reduce costs and lower risk.*

IBM corebanking solutions combine best-of-breed application software with comprehensive technology and business services to provide financial institutions with end-to-end solutions. We offer a complete portfolio of industry-leading back-office technologies, integrating front-office, middleware and backend solutions to facilitate faster new product development and to support virtually 24x7 realtime banking.

The comprehensive experience and skill of our teams enables us to address the entire back-office project lifecycle—from opportunity qualification and package evaluation to feasibility, scoping and final implementation. Using our assets and those of our leading industry solution vendors, clients can implement an end-to-end solution that provides a better understanding of customer needs, quicker adaptation to emerging market opportunities, increased revenue growth and lower costs.

***“IBM offers end-to-end solutions which go beyond just realizing core systems benefits.”***

*—Tom Bradley, Datamonitor analyst, IBM back office solutions and e-business white paper.*



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Highlights

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***Around the applications developed by our partners, IBM creates solutions that encompass the applications, integration services hardware and additional software that give our customers what they need to help them stay competitive.***

**Establishing alliances to deliver comprehensive offerings**

To capitalize on the corebanking solutions market, IBM is creating alliances with independent software vendors (ISVs) who deliver best-of-breed applications that, together with our own offerings, address most or all of our clients' needs—regardless of the region or industry segment being served. These alliances allow IBM to deliver solutions that encompass all the components of e-business infrastructure, including applications, hardware, middleware and integration services, and provide our clients with the ammunition they need to gain a competitive advantage.

Around the applications developed by our partners, we create solutions that encompass the applications, integration services hardware and additional software that give our customers what they need to help them stay competitive. While the number of strategic alliances IBM has developed in the corebanking space may seem confusing to some observers, they are necessary for several reasons:

- *We need to have partner applications covering banks of all sizes and shapes in order to give our customers the best-fitting solution.*
- *We must have solutions that cover all of our hardware platforms—including IBM @server zSeries™ (formerly S/390®) for the largest banks to IBM @server iSeries™ (formerly AS/400®) for startups and smaller regional banks.*
- *No single partner can cover the broad spectrum of corebanking solutions.*
- *Different regions and countries have varying requirements where some applications are a better fit than others. We must have products and solutions for these markets.*



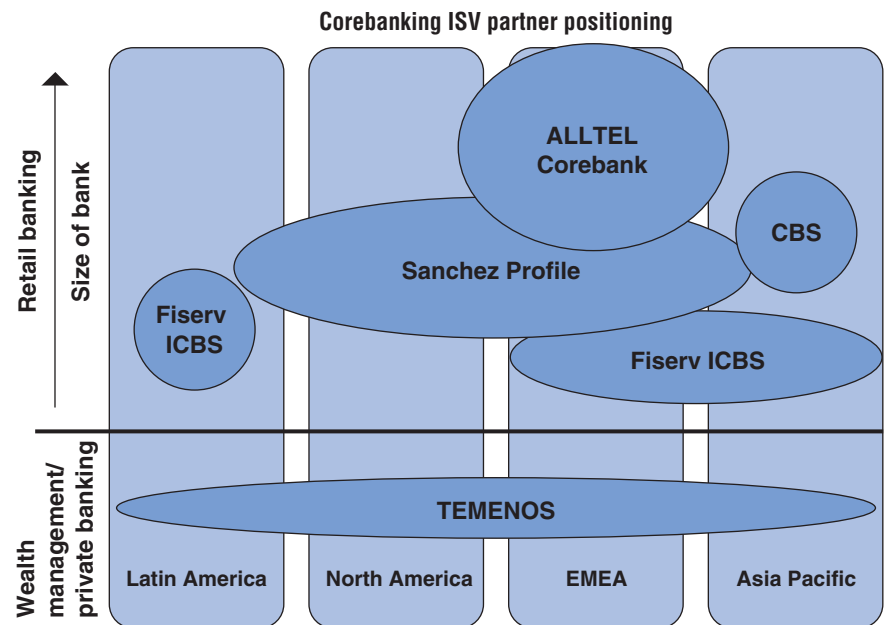
**Highlights**

*With a wide range of alliance offerings, IBM can provide solutions that best meet each individual client's needs.*

With our wide range of alliance offerings, we can serve banks of all sizes and in all regions and countries, providing solutions that best meet each individual client's needs. The diagram included in the "Global and regional partnering" section below is a quick guide to the size of the banks and geographies mentioned in this paper. IBM has numerous additional regional partnerships, information on which can be obtained from the relevant solutions sales.

**Global and regional partnering**

IBM has formed both global and regional business partner alliances in the corebanking space. Global partnerships help IBM make the best use of our resources over time because the skills and experience we build internally—in both sales and services—can be leveraged in new engagements. Business that can be replicated will almost always provide the best return. Global partnerships give IBM a wide list of reference sites and provide extra value to the customer by demonstrating proven systems in a variety of banking situations worldwide.







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Highlights

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***A global strategic alliance entails more than joint solution marketing—it involves two-way commitments.***

Regional partnering can be advantageous because a local partner can often provide the best solutions for a particular marketplace. For example, locally developed and delivered solutions may best address country-specific regulations or the local customers' preferences. When there is a clear ISV market leader in any given region for corebanking applications, it is in our best interest to partner with that ISV so as to take advantage of economies of scale and experience, resulting in additional benefits for the customer.

A global strategic alliance entails more than just the marketing of a joint solution. It involves two-way commitments that focus on a number of areas, including IBM Global Services and hardware platforms and middleware, such as IBM WebSphere® and IBM WebSphere MQ. Under our alliance agreements, IBM agrees to support the partner in implementing the technology and commits to building skills around the partner's application. IBM also agrees to provide marketing dollars to help provide the alliance solution a high profile in the marketplace. In reciprocation, the strategic alliance partner commits to lead with IBM technology, products and services.

**Key IBM corebanking alliances**

To deliver the right solutions to our customers, IBM has established strategic alliance agreements with the following companies:

*ALLTEL Information Services*

By joining forces with ALLTEL, IBM can offer newly developed corebanking applications that are based on the IBM Financial Services Data Model (FSDM) enterprisewide data model. IBM is able to bring next-generation corebanking solutions to the global marketplace.



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Highlights

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***ALLTEL Corebanking Solutions develops, enhances, maintains and offers customer support for the Corebank System while IBM provides sales channel and implementation services.***

ALLTEL Corebanking Solutions has been created by ALLTEL Information Services, in partnership with IBM, as a world-class corebanking solutions organization. Under the partnership, ALLTEL Corebanking Solutions develops, enhances, maintains and offers customer support for the Corebank System while IBM provides sales channel and implementation services. Corebank enables business and processing activities to meet the increasing demands placed on core systems by:

- *Monitoring changes in customers' relationships with the organization as they progress and develop*
- *Enabling product profitability to be more effectively measured*
- *Determining the overall effectiveness of each organizational unit in contributing to the organization's overall objectives*
- *Improving the contribution of an organization's information technology resources in achieving those objectives*
- *Providing rapid introduction of both new and modified banking products.*

As a high-end, highly scalable, realtime system for retail banking that runs in the IBM DB2® relational database environment on the zSeries platform, Corebank can satisfy the high-volume requirements of the largest banks. Functional areas of the multicurrency and multilanguage software include online product build and core accounting.

The ALLTEL partnership also includes ALLTEL's existing Systematics Software Suite and Advanced Lending Solution, which will initially be marketed by IBM in Europe. Under this arrangement, ALLTEL provides the sales channel and IBM provides the implementation services. For more information on ALLTEL, visit [www.alltelfinancial.com./afs/emea/products/corebank.asp](http://www.alltelfinancial.com./afs/emea/products/corebank.asp).



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Highlights

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***The IBM and Sanchez alliance was formed to provide comprehensive global planning, technology and implementation services.***

*Sanchez Computer Associates, Inc.*

The goal of the IBM and Sanchez alliance is to enable financial services companies around the globe to reap the rewards of the new economy. The partnership was formed to provide comprehensive global planning, technology and implementation services. By teaming up, IBM and Sanchez hope to lead the transformation of the financial services operational and technical infrastructure from a high-cost, product-based legacy to an operationally efficient, customer-centric transactional future.

The Sanchez suite of software solutions provides realtime operational and management information, and helps eradicate the boundaries that hamper success in the financial services industry. Sanchez offers channel-independent, realtime solutions that can provide business continuity virtually 24x7. Open and scalable, Sanchez solutions provide institutions with an integrated, multi-currency banking application, an enterprisewide customer management and integration system, and a financial product distribution engine.

Sanchez Profile, the company's flagship product, is optimized for the IBM @server pSeries™ platform, and is in the final stages of being ported to the zSeries. Profile is a large-volume account processor built specifically for the financial services industry, with sophisticated technology that supports virtually continuous operation. It enables banking and brokerage customers to use almost any channel to make deposits, apply for loans and transfer money between funds. With Profile's product database, financial services organizations can quickly and easily create financial products to meet customers' needs—without adding new software. Profile is targeted at medium- to large-sized banking institutions, and insurers and other financial services providers who offer wealth management and banking products.



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**Highlights**

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***By aligning with TEMENOS, IBM is well-positioned to provide and implement wealth management solutions.***

The IBM and Sanchez alliance was created after years of collaboration and can help build solutions that integrate legacy and new economy channels. This enables our customers to quickly develop new products and services to reduce operating costs, transaction and credit risks and increase customer service levels. For more information about Sanchez Computer Associates, please visit [www.sanchez.com](http://www.sanchez.com).

***TEMENOS***

By aligning with TEMENOS, a company with global expertise in universal and private banking software for back-office solutions, IBM is well-positioned to provide and implement wealth management solutions. Wealth management demands an integrated, structured approach to caring for and managing a client's financial affairs. This requires a high-touch, multiproduct relationship that is very dependent on a collaborative advisory capability and that links the customer to the institution.

IBM works with financial institutions through all phases of building a wealth management solution and is uniquely qualified to help institutions deliver wealth management solutions to their customers. The combined knowledge resulting from the TEMENOS and IBM alliance provides IBM professionals with the skills to help determine the most effective business strategy, select an optimal business and operational design, build the required infrastructure and implement the best applications to create an efficient system.



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Highlights

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***With Globus software, clients can automate banking activities and back-office functions.***

Globus software from TEMENOS, an open and integrated application for the banking marketplace, is used by hundreds of customers in more than 95 countries and is capable of supporting an exceptionally broad range of banking products, including:

- *Private banking—order management and portfolio management*
- *Corporate banking—trade finance and corporate lending*
- *Capital markets—foreign exchange currency trading, as well as a wide range of retail capabilities.*

This flexibility gives customers the functionality to succeed in today's financial services environment across the broad spectrum of private banking, retail banking and wealth management. Globus is a fully integrated international banking system that can enable banks and other financial institutions to automate their banking activities and back-office functions. Targeted toward medium-sized financial institutions, Globus runs on either the pSeries or the zSeries platform and supports IBM strategic software such as DB2, WebSphere and MQSeries. Functional areas include core accounting, portfolio management and links to brokerage and risk management systems. To learn more about TEMENOS, visit [www.temenos.com](http://www.temenos.com).

In addition to the strategic partners mentioned in this white paper, IBM also has a number of regional partners, two of which are Fiserv and CBS. IBM has a global ex-U.S. partnership with Fiserv that has proven successful in a number of installations. Cahoot is a prime example of this.



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Highlights

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***Fiserv ICBS offers a fully integrated, multicurrency and customer-centric solution.***

*Fiserv CBS International*

By teaming with Fiserv CBS International and its International Comprehensive Banking System (ICBS), we can offer corebanking, general ledger and high-performance transaction processing, as well as card management, commercial and mortgage lending and consumer finance. This fully integrated, multicurrency and customer-centric solution forms the foundation for multichannel product delivery and service strategy, including new e-business initiatives. Functions include online product build, core accounting, multicurrency and multilanguage areas. Fiserv can also supply its Alliance front-end systems—designed for use with ICBS—for branch and call center operations. Fiserv ICBS runs on the IBM iSeries platform using the DB2 relational database for AS/400.

ICBS is installed in a large number of financial institutions worldwide, including retail banks, mortgage institutions and consumer finance operations. The continued development of ICBS consistently benefits banking developments around the world. The solution is targeted at small- and medium-sized financial institutions in Europe, Asia and Latin America where customers have a preference for the iSeries platform. ICBS benefits customers looking for quick start-up solutions—either for undeveloped operations, separate brands or new direct banks—or customers looking for a proven corebanking solution. For more information on Fiserv CBS International, visit [www.cbs.fiserv.com](http://www.cbs.fiserv.com).

*“With prior experience and proven thought leadership in business and systems redesign, companies such as IBM (with its business-focused approach and well-developed consultancy expertise and methodologies) will be well positioned to offer assistance to banks where focus on customer-centricity demands sensitive, manageable and frequently incremental approaches.”*

—Tom Bradley, Datamonitor analyst, IBM back office solutions and e-business white paper.



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Highlights

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***Developed by bankers for banks, CBS is a complete retail banking solution that can support most retail and corporate requirements for small- to medium-sized universal banks.***

***IBM corebanking solutions provide something for everyone, including a choice of solutions for any bank with virtually any operating system and budget.***

*CBS Integrated Solutions*

By teaming with CBS Integrated Solutions, IBM can offer newly developed corebanking applications that are designed and based on the IBM Financial Services Data Model (FSDM) enterprisewide data model. Developed by bankers for banks, CBS is a complete retail banking solution that can support most retail and corporate requirements for small- to medium-sized universal banks. CBS is a virtually realtime, 24x7 customer-centric core processing system with a channel-independent architecture. Functional areas include realtime total customer overview, online product build with highly reusable objects, loan and limit management (including syndication), core accounting and partnership banking capabilities. The CBS solution runs on the zSeries platform in an MVS™/CICS®/DB2 environment. CBS is targeted toward medium-sized financial institutions, primarily in Asia Pacific where the zSeries platform is preferred. To learn more about CBS Integrated Solutions, visit [www.cbs-solutions.com.au](http://www.cbs-solutions.com.au).

**Dynamic, end-to-end solutions from IBM**

Core systems that respond to today's fast-growing requirements are vital for all financial institutions, and if our customers lack the capability to satisfy their customers' demands, they'll get left behind. IBM corebanking solutions provide something for everyone, including a choice of solutions for any bank with virtually any operating system and budget. IBM offers critical advantages, including:

- *IBM hardware, middleware and services (for example, systems integration and professional services methodologies)*
- *High-end, in-house solutions developed with banks for banks*
- *Application software developed by leading ISVs for low-risk, proven solutions*
- *IBM service professionals, products and thought leadership in areas including business process redesign and customer relationship management*
- *Time devoted to the development of "business-friendly" financial sector architectures*
- *e-business enablement capabilities, applied through the IBM Software Strategy for e-business to integrate corebanking environments with other areas quickly and securely.*



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**Highlights**

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***IBM and our strategic partners deliver robust, scalable, flexible and modular solutions.***

Our experience uniquely positions us to offer end-to-end corebanking solutions that address business issues beyond core systems. With IBM strategic partners, we deliver the robust, scalable, flexible, modular solutions that today's sophisticated customers demand. By leveraging our leading products, extensive experience and proven thought leadership, IBM helps banks become customer-focused e-business performers.

**For more information**

SectorNet is an excellent sales resource to learn more about IBM corebanking solutions and to obtain useful collateral and deliverables. Visit SectorNet at:

**[ibm.com/industries/financialservices](http://ibm.com/industries/financialservices)**

You may also contact one of our regional IBM corebanking solutions specialists.

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01-02  
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