

Innovate and grow with business process transformation and SOA



Information Management software



IBM Process and Service Models for the financial services industries

Supporting business transformation in banking,
insurance and financial markets



The pace of change in the banking, insurance and financial markets industries has accelerated significantly in recent years. The concept of a bank as a staid local entity that collects deposits and provides loans within its own “banking hours” is a distant memory. In the insurance industry, complex external forces are pushing companies to develop more customer-centric practices as products, channels, brands and competitors multiply. Financial services organizations have had to adapt their businesses in response to mergers and acquisitions, the introduction of channel architecture and the need for compliance with requirements such as Know Your Customer (KYC) and risk management. Amid rising competition, companies in all three industries need to differentiate themselves in ways that are not easily duplicated by competitors. Industry leaders are turning to business process innovation and Service Oriented Architecture (SOA) to gain a competitive edge and position themselves for future growth.

To address these challenges, banks, insurers and financial markets need responsive, flexible and efficient IT infrastructures that are designed to support business agility. Organizations need to become more efficient by finding ways to standardize and reuse business processes across different divisions. However, a lack of business process standards can create

roadblocks. These complex business models must be simplified—not unit by unit, process by process or product by product, but across the entire organization. Organizations must establish a common framework and language of the business concepts, standards and definitions to help ensure their IT investments contribute to a consistent and flexible architecture. In addition, incorporation of these processes into an SOA can be a critical accelerator for business agility. The goal: achieve synergy among merged entities, deliver genuinely customer-serving processes, contain costs and employ technology in an effective and business-serving manner.

That is where IBM industry process and service models can help. These models help companies to develop corporate standards that business and IT can use to implement key strategic business initiatives—such as core systems renewal, multichannel transformation, process optimization and compliance and governance—faster and more reliably. Developed to support industry best practices and content, the models have been proven through hundreds of customer engagements. With approximately 80 to 90 percent of the content required for process re-engineering, IBM process and service models can help reduce time spent on requirements definition and better align business processes with corporate strategy.



With hundreds of customers worldwide, including three of the top ten banks and seven of the top ten insurers, IBM industry models are proven, comprehensive and business-ready.

Optimize business processes within an industry-specific framework

Many organizations use IBM process models to streamline their core processes—account opening, claims management and customer service, for example—across organizational boundaries. Each industry model includes hundreds of processes, which in turn contain hundreds of specific activities. The models provide a strong basis for defining processes and can be used to choreograph services through their strong connection to the service models.

The IBM service models describe the underlying services that support the business processes at runtime. Business concepts can be traced from analysis level through design level refinements to actual component and message definitions. Companies can use the IBM

service models as part of an SOA strategy to integrate legacy applications and new functionality through a layer of consistent service definitions that can be deployed on standard tooling and platforms, including those in the IBM portfolio. These models can also be used as component blueprints for the development of new core applications such as policy administration systems or payment solutions. Within each industry, the models are interconnected and cross-referenced—allowing them to provide both the structure and content for supporting the business and application layers of an enterprise architecture. This greatly reduces time to value and reduces risk in implementation.

The IBM Process and Service Models portfolio

Companies that successfully optimize their business processes can benefit from significant growth in market share, increased profitability and higher return on investment for shareholders. IBM process and service models help deliver these benefits through broad and comprehensive business content for banking, insurance and financial markets.

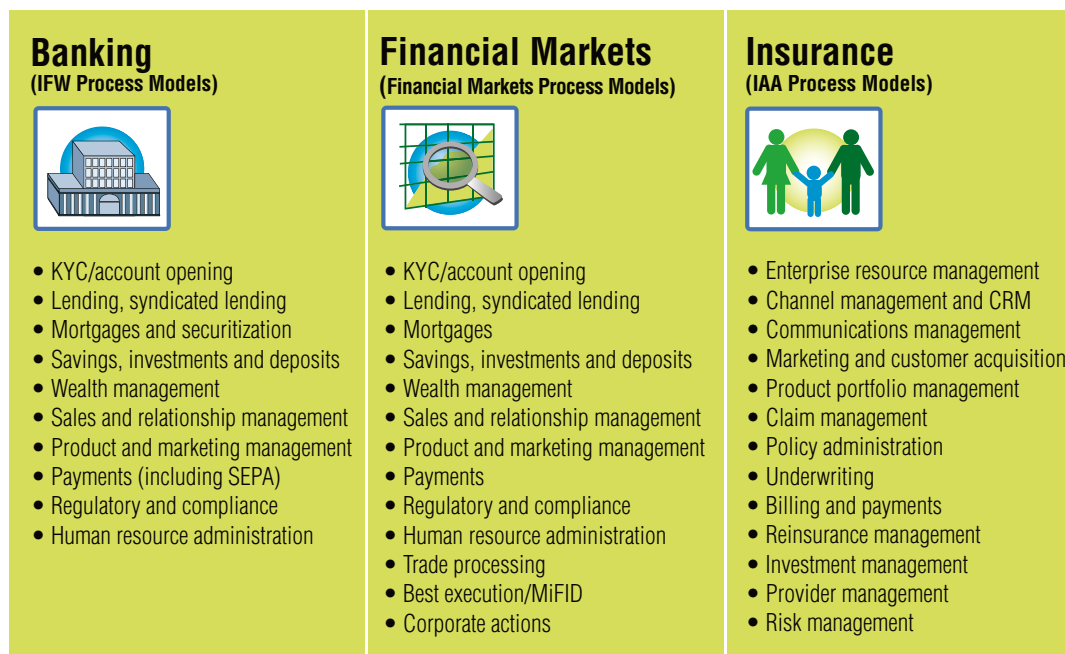
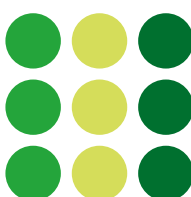


Figure 1. IBM industry process model focus areas for the financial services industry



The IBM process and service models (see Figure 1) are designed to facilitate enterprise business initiatives for core system renewal, multichannel transformation, risk and compliance, governance and process transformation. The models for each industry have four key components:

- **A business function model** includes enterprise-wide definitions, providing organizations with a detailed perspective on discrete business functions
- **A business process model** encompasses enterprise-wide business processes or value chains, workflows and activities including people, system and channel interactions used for modeling and runtime
- **A business object model (service)** captures business requirements for SOA component development, business process and information integration and service enablement
- **An interface design model (service)** provides the tools for companies to turn business object model requirements into deployable service, messaging and component architectures


With IBM Industry Models, companies can easily scope and customize their own requirements. The models can facilitate step-by-step, business-focused development and

rollout of new products and services. Regularly updated business, technical and regulatory content also helps to simplify management of definitions and standards in complex IT environments.

Banking

The IBM Information Framework (IFW) for the banking industry offers a comprehensive suite of process-based and service-based models designed to help banks accelerate the planning and requirements analysis of business process transformation, core system renewal and consolidated reporting solutions. The IFW process models are designed to help banks analyze and compare their own business processes to best practice business processes in a disciplined, objective manner. The models cover several major categories of banking processes including:

- KYC account opening
- Lending and syndicated lending
- Mortgages and wealth management
- Savings, investments and deposits
- Sales and relationship management
- Product and marketing management
- Payments, regulatory and compliance
- Human resource administration



“IBM Insurance Application Architecture seems to be a great fit for us due to the significant amount of engineering placed in the development of truly integrated blueprints.”

—Major U.S. insurance company

Each of the categories contain numerous processes and associated activities (see Figure 2). In all, the banking models contain over 300 separate processes, each including more than 1,600 associated activities.

Insurance

The use of component-based business modeling, underpinned by the IBM Insurance Application Architecture (IAA), enables insurers to define their target business architecture and transformation goals. This drives application transformation and often the design and implementation of new application solutions.

IAA is designed to facilitate efficient communication between the business and technology sides of an insurance organization. IAA defines best practice business processes for the insurance industry based on a large pool of requirements collected and validated over many projects. The processes link to other business constructs, in particular to the business component services that

describe how IT can support the requirements expressed in those processes. With IAA, an insurer can compare its own business processes to best practice business processes and can understand how to better support them from an IT perspective. The IAA includes more than 200 separate processes containing over 700 associated activities. The focus areas for the IAA processes include:

- Enterprise resource management
- Channel management and customer relationship management (CRM)
- Communications management
- Marketing and customer acquisition
- Product portfolio management
- Claims management
- Policy administration
- Underwriting
- Reinsurance management
- Investment management
- Provider management

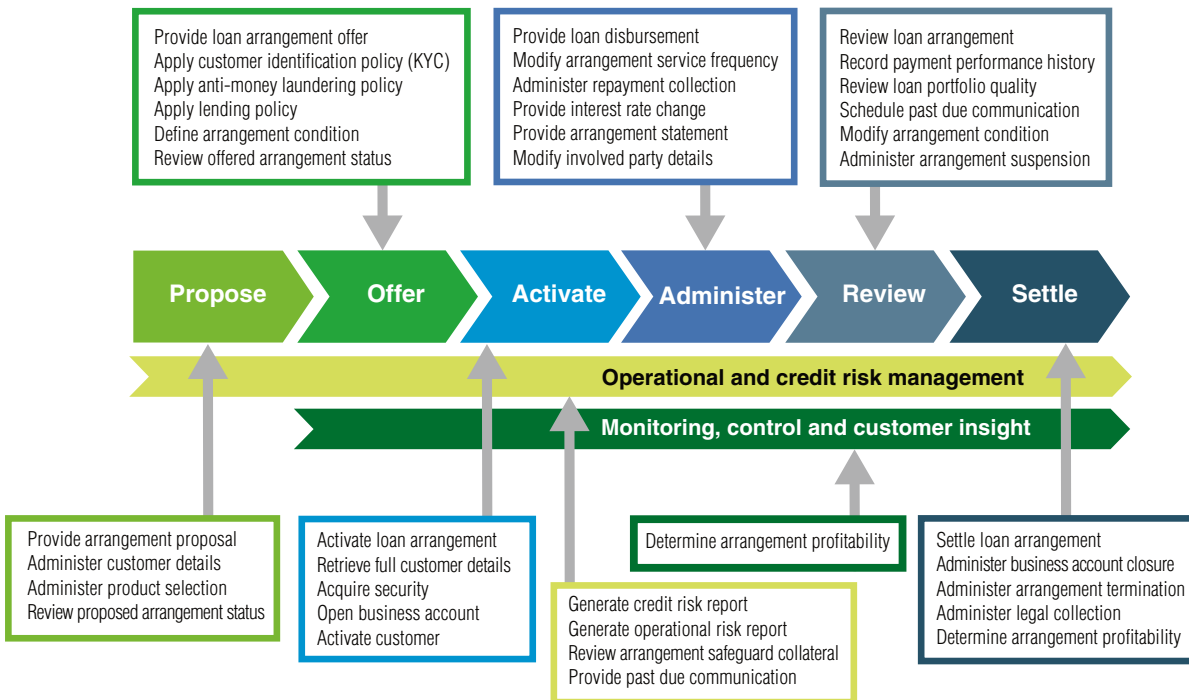


Figure 2. An example process and associated activities for lending within the IBM Banking Process Model



Financial markets

The IBM Financial Markets Process and Service Models focus on solving the key business challenges of streamlining trade processes, transforming business processes and operational customer-centricity. The models deliver process workflows for the following process focus areas:

- KYC/account opening
- Lending, syndicated lending
- Mortgages
- Savings, investments and deposits
- Wealth management
- Sales and relationship management
- Product and marketing management
- Payments
- Regulatory and compliance
- Human resource administration
- Trade processing
- Best execution/Markets in Financial Instruments Directive (MiFID)
- Corporate actions

In addition, the models enable middle-to-back office integration by delivering post-trade execution processes (trade confirmation, client execution notices, allocation of execution across accounts, fee and commission calculation, trade matching, settlement instructions, trade confirmation, affirmation and settlement along with best execution venues and order handling). Finally, the models support order handling and best execution. The financial markets models contain more than 200 processes containing over 300

activities. In addition, the models contain detailed services specifications and formalization of reusable activities and data flows to support SOA deployment.

The models are open and modeling-standards compliant, and are integrated with IBM and third-party platforms to implement and manage the processes and services, along with the data that is fed into them. Key enablers of the models include:

- **IBM® Information Server** for information integration across the extended enterprise, delivered as reusable services to support a single, consistent view of enterprise data
- **IBM WebSphere® Business Modeler** for modeling and optimization of business processes
- **IBM WebSphere Process Server** and **IBM WebSphere Integration Developer** for process orchestration
- **IBM WebSphere Process Server** for consistent, secure execution of processes with transactional integrity
- **IBM Rational® Software Architect** for Unified Modeling Language (UML) based model-driven service and application development
- **IBM WebSphere Business Services Fabric** for modeling, assembly and deployment of business services
- **IBM WebSphere Customer Center** provides an operational data hub to deliver master customer data via services



In addition to the process and service models, IBM offers comprehensive data models for the financial services industries for the design of enterprise data warehouses and datamarts.

Benefit from the collected expertise of thousands of IBM client engagements

Based on the expertise gained through hundreds of IBM consulting engagements, the IBM process and service models are designed to deliver the processes and services that have been proven to be common in each industry while also providing the flexibility to accommodate customizations.

IBM process and service models are also regulation-aware—a significant advantage in industries with such stringent and complex compliance requirements. Subject matter experts have distilled these compliance regulations into business process requirements, which allow companies to align processes with regulatory guidelines without the need for external development.

Eight of the top ten banks and insurance companies worldwide are already using the IBM industry models in various facets of their business-driven IT strategies, such as core system renewal and process transformation. In fact, a financial services customer benefit study¹ has shown that the IBM models were very helpful in:

- Developing a standard vocabulary for use across business units
- Identifying interdependencies among business processes
- Identifying business services that can be reused across business units
- Reducing development costs
- Increasing time to market for new systems, products and services

By using the models to help foster collaboration and approval between business and IT, banks, insurers and financial services organizations can use information to drive critical business processes and turn business requirements into actionable solutions.

“What IBM has in the IFW is the conceptual underpinnings to the financial industry—almost like a financial industry operating system.”

—Asia-Pacific-based international bank





For more information

To learn more about IBM process and service models for banking, insurance and financial markets, please contact your IBM representative or visit ibm.com/software/data/ips/products/industrymodels

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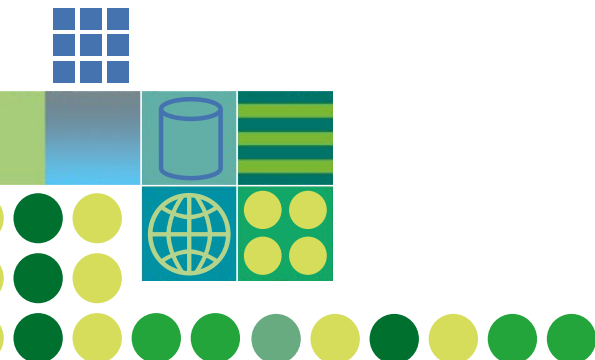
¹Hurwitz & Associates. *Using Process and Service Models to Help Transform Business Processes*. 2007.

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