

SBI Sumishin Net Bank: A full-banking service, Internet-only bank

Overview

■ Business Challenge

In Japan, competition in the Internet banking business has been intensifying. In this environment, SBI Sumishin Net Bank, Ltd. aimed to bring to market a broad product lineup in a shorter period than other financial institutions. To achieve this goal, the bank needed to meet strict technical standards imposed on Japanese financial institutions, while seeking a competitive advantage.

■ Solution

SBI Sumishin Net Bank asked IBM Japan to develop a totally new Internet banking platform—not to construct one based on existing assets. Development was characterized by the use of an accounting system application package and a service-oriented architecture (SOA) framework.

■ Key Benefits

- A total of approximately 600 billion yen in funds was deposited and 400,000 new accounts were opened after only 18 months since the start of operations.
- By adopting the framework approach, implementation risks were substantially reduced, as of March 14, 2009



Headquartered in Tokyo, SBI Sumishin Net Bank is an "Internet-only" bank established as a joint venture between SBI Holdings and Sumitomo Trust & Banking.

The banking business in Japan has been transformed by various changes in the business environment. One of the factors is the increase in personal assets in Japan. The total amount of personal assets has now exceeded 1,400 trillion yen (approximately US\$14 trillion), and this has boosted demand for customer asset management and investment services. Thanks to deregulation, banks have gained more freedom and flexibility in meeting customer demands. Due to these factors, the market is growing to an immense size and competition among banks in order to gain market share has become fierce. As a result, banks have been required to push forward with restructuring and consolidation, as well

“The biggest factors in the success of the project were the following: the teamwork as well as management-level information sharing between IBM and our company; the SOA-based package solutions and the excellent technical staff who supported them; and the reliable maintenance and operation system constructed by AMS (Application Management Service).”

— Yoshikazu Tanaka, CEO, SBI Sumishin Net Bank

An Internet bank is launched quickly through the use of the flexibility offered by SOA

Business Benefits

- A total of approximately 600 billion yen (approximately US\$6 billion) in funds was deposited and 400,000 new accounts were opened after only 18 months since the start of operations.
- The time required to launch the service was shorter than that required for the development of conventional financial products.
- By constructing a platform using SOA (service-oriented architecture), dramatic flexibility was achieved in adding new services.
- By using an SOA approach, the integration of applications and processes was simplified and development costs were substantially reduced.
- By adopting the framework approach, implementation risks were substantially reduced.

“Through 24-hour/365-day non-stop services, completely web-based transactions, and real-time services with flexible and advanced service-oriented systems, we have achieved great success after only about 18 months since starting operation, attracting funds totaling 600 billion yen and 400,000 accounts.”

– Yoshikazu Tanaka

as increase business efficiency. In addition, to maintain competitive advantage, they need to provide a more diverse product lineup for customers who are becoming more selective when choosing financial institutions.

The new dynamism of the Japanese financial sector has been demonstrated by the adoption of a new business model, the Internet bank—a concept new to Japan—which provides full banking services on the Internet in an attempt to capture market opportunities in the growing retail banking market.

The term “Internet bank” sounds similar to the Internet banking services offered by conventional banks; however, the operational style of an Internet bank is totally different in that it has no physical offices. With no physical offices, an Internet bank can offer attractive financial products while reducing costs and respond to new market opportunities more flexibly and effectively than other institutions using conventional banking models.

New business model, new challenges

Banks that employ an Internet-only business model face challenges in order to succeed in the Japanese banking market in spite of the prospects of high growth. The first challenge is to maintain low system costs—the bedrock of the Internet banking business model. This has proven to be a major issue for the relatively small number of Internet banks that have come into existence in Japan so far. They have had no other choice but to individually build high-level, proprietary—and expensive—systems. The second challenge is that because Internet banks have no physical offices, they have developed products and services centering on areas in which conventional banks that offer Internet banking have a competitive advantage—due to their ability to serve customers via both the Web and physical branches.

SBI Sumishin Net Bank (www.netbank.co.jp), a new entrant in the Internet banking industry in Japan, got the chance to differentiate itself in that market by choosing to provide full banking services on the Internet that differ from its competitors. The bank selected IBM Japan to design and build a new Internet banking platform. The solutions employed for the construction of SBI Sumishin Net Bank’s accounting system have enabled the opening of the first-ever Internet bank in Japan that provides full banking services, thanks to functionality that makes possible a wide range of products, services and packaged applications. The bank made the decision to take the SOA approach in its solution design, an approach which was essential to the project’s great success.

SBI Sumishin Net Bank’s original business plan demanded a wider range of services than Internet banks had previously provided to their customers, including asset management. SBI Sumishin Net Bank made use of its advantage as a newcomer, and employed a highly flexible system that was not limited by conventional

system design. This was obviously an advantage for SBI Sumishin Net Bank; however, from the viewpoint of constructing new solutions, from accounting functions such as loans, deposits and foreign exchange to the back-end systems on which they depend, there still remained issues concerning scope, complexity and other factors.

Entry into a highly competitive market and flexible systems construction

It was the demand for speed that further increased the difficulty of the project. With competitors preparing for entry into the market and fierce competition expected, SBI Sumishin Net Bank recognized that launching its service as quickly as possible was vital. Any delay in the development of this new net banking platform could result in the loss of SBI Sumishin Net Bank's ability to reach critical mass in the market and would have a direct influence on the rate of return of its business. Therefore, the top priority was the question of how to utilize and implement solutions throughout the process, from architectural design, to project management, to testing. This was a major reason why IBM Japan was selected by SBI Sumishin Net Bank. IBM Japan has a long track record in the banking industry. SBI Sumishin Net Bank judged the framework approach to banking solution development offered by IBM to be not only a method of lowering project risk but also a method of keeping costs low in the future by ensuring greater flexibility.

Completed on schedule by IBM Japan, the implementation of SBI Sumishin Net Bank's new Internet bank platform made full use of the IBM SOA-driven Rapid Enterprise Renovation for Financial Services Systems (RER for FSS) framework—a series of interlocked products and technologies targeted to all aspects of the bank's operations. The result is a robust mission-critical banking system running on J2EE™.

The main components of this packaged product include IBM DB2® and WebSphere® Application Server. In addition, Fidelity Information Services, an IBM Business Partner, was employed for the implementation of the accounting system functionality—which has allowed SBI Sumishin Net Bank to become the first-ever Internet bank in Japan with full banking services, successfully incorporating packaged applications into its accounting system.

A defining quality of the RER for FSS framework is the use of SOA to create flexible linkages across the bank's systems. With IBM WebSphere Enterprise Service Bus, the bank's front-end and back-end systems are connected by a service-oriented interface, while a safe and highly reliable electronic connection is provided between the banking business application and the system via IBM WebSphere MQ. IBM WebSphere Message Broker is also used for data transfer between banks, various path settings and data conversion.

Solution Components

Software

- IBM WebSphere® Application Server
- IBM WebSphere Enterprise Service Bus
- IBM WebSphere MQ
- IBM WebSphere Message Broker
- IBM DB2®
- IBM Tivoli® Monitoring
- IBM Tivoli Storage Manager
- Corebank (Fidelity Information Services)
- SAP R/3 FI/CO

Servers

- IBM Power® 570
- IBM Power 595

IBM Business Partner

- Fidelity Information Services
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Smarter banking

During the construction of its business platform from scratch, SBI Sumishin Net Bank was the first Japanese bank to successfully introduce packaged products for its accounting applications. By combining a framework approach and industry-standard technology, SBI Sumishin Net Bank was able to start operating its system infrastructure in the Japanese banking market quickly in spite of the high level of difficulty of the project.



System management and storage management are performed by IBM Tivoli® Monitoring, IBM Tivoli Storage Manager and other IBM Tivoli products. The cluster architecture based on IBM Power Systems™, serving as the server platform, has achieved high levels of reliability and scalability.

Commencement of the Net Bank's operations

The building of the infrastructure for SBI Sumishin Net Bank progressed successfully at each stage. The fact that the bank's services were launched so quickly in spite of the project's high level of difficulty is testament to the strength of component-style development and the strength of the test methodology employed by IBM Japan. This also reflects the essential advantage of building a banking platform using an RER for FSS framework based on the SOA approach. The adoption of the SOA approach has simplified the integration of various business components and ensured high operational flexibility, which enabled the bank to add cost-effective new services more quickly to its lineup. These features are vital to an Internet banking strategy.

The short product development cycle has given SBI Sumishin Net Bank a real competitive advantage. The bank set a goal of opening 400 thousand accounts in its first three years; however, it accomplished this goal in just eighteen months. IBM Japan has provided operational support for this new banking business, and the stability and scalability of the IBM solutions has been demonstrated by the rapid expansion of the bank. "It is undoubtedly thanks to IBM Japan that we were able to start this business with a development period of only about 18 months," said Yoshikazu Tanaka, SBI Sumishin Net Bank's CEO. "It is important for us to continue to provide customer-oriented banking services to secure our position as the number-one Internet bank. We have great expectations for IBM as a partner with whom we pioneer new frontiers as well as being our navigator in the field of IT."

For more information

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