

Financial Services: Rapid Adaptation to the Unforeseen Requires Enterprise Architecture



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Introduction The Complete Guide

At this point, it almost goes without saying that the global pandemic completely upended the idea that companies could be prepared for anything. No amount of 5 year plans or cautious growth can help when your whole business is forced to close or all your workers stay at home. Organizations that survived and even thrived were those that were able to adapt their business models along with the supporting technology. The only preparation that proved valuable was being prepared to move quickly.

Adaptability is an easy gospel to preach for nimble startups and agile tech firms, but for banks and financial services companies you might as well start speaking Hungarian. Even if institutions can get a grip on the blockchain or can define DeFi, there are still huge regulatory barriers to everything a company tries to do.

Does this mean that banks should abandon the idea? You can probably guess the answer – of course not. What it means is that these firms need much greater efforts to become adaptable and be better able to deal with the unforeseen. Being ready to react means that financial services organizations will be able to bounce back quickly compared to their competition. As Gartner so adeptly put it:

“We are in a time of indefinite volatility”

This eBook will look at four major challenges facing financial services firms in the near future, and the potential solutions that can be delivered.



“

It's not the strongest of the species that survives, nor the most intelligent; it is the one most adaptable to change.”

- Charles Darwin

The First Challenge: Information

Firms simply don't make decisions based on gut feelings anymore. Everything has become data driven and "scientific", especially in industries where the rewards can be as great as in finance, and the failures can be even greater. Largely, this has resulted in a big improvement to effective decision making, but the great drawback to this change is the time it takes to gather and understand the required information.

For enterprises in particular, thousands of physical, human and technology assets spread across the globe make it very difficult to truly understand an enterprise and have access to everything relevant to a decision.

This is not a problem that is unique to financial services, and fortunately the solution is similarly applicable across different industries and firms. Firms need a method that gathers everything about the enterprise's IT in one place, without hidden data silos or inaccuracies. To accomplish this, you need a central repository that acts as a single source of truth, as well as a team to gather and map the organization within the repository.

Typically, this is a task that will fall to enterprise architecture, with architects building an architecture of the organization that can be rapidly deployed to assist decision making. A number of products are capable of delivering a single source of truth with a centrally governed and managed repository, such as Orbus Software's OrbusInfinity.



Looking to make
better decisions?

The Second Challenge: Compliance

Struggles with enterprise information exist across all industries and businesses, but few industries have to contend with the regulatory burden placed on finance.

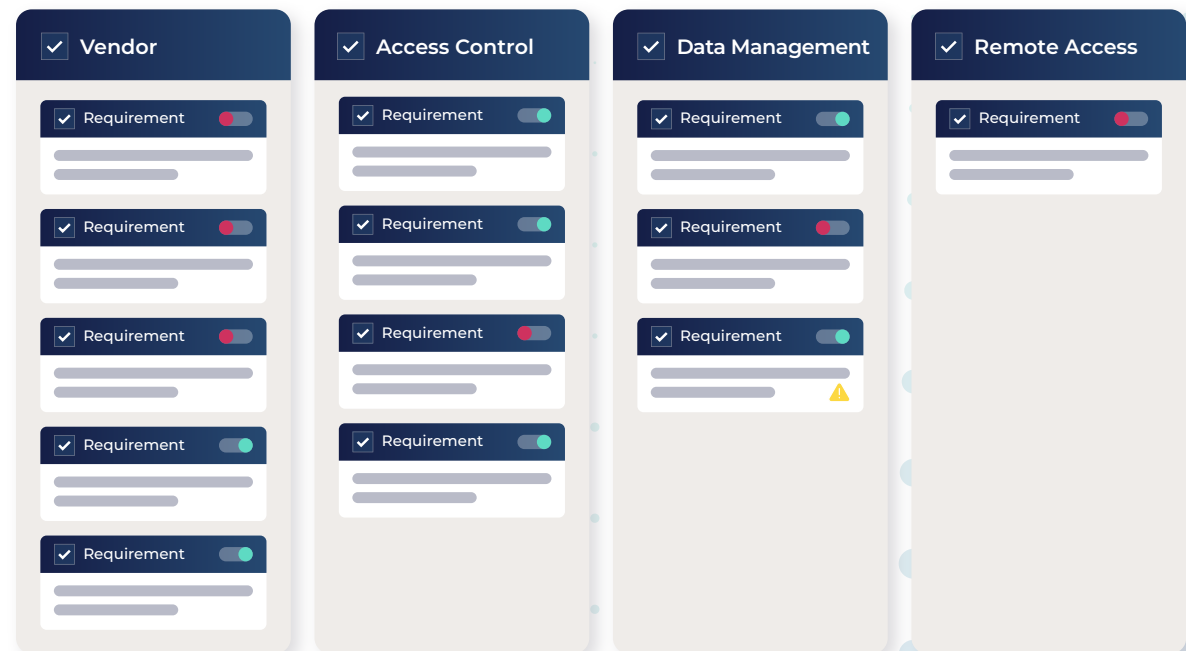
Consider the aforementioned issue with information: customer data has a wide variety of specific restrictions and due diligence requirements which place an extra burden on making use of said data for decision making. And what about keeping up with developments in cryptocurrency or decentralized finance (DeFi)?

The rules governing these can change week to week, country to country and it's incredibly difficult to experiment with new products while keeping on the right side of the regulations.



55% of organizations still monitor regulatory changes manually through spreadsheets.”

- Compliance Week



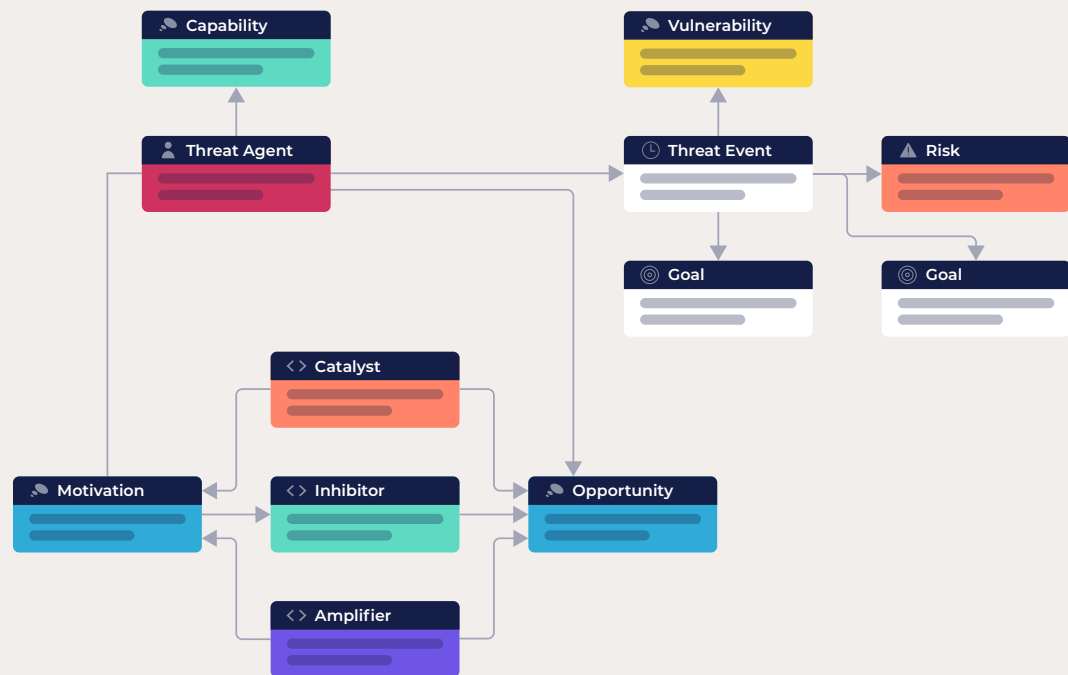
Financial services companies need to keep track of where and how data is stored as well as who has access to it. For example, is there a chance that the data could be transferred to a foreign country? This may break compliance regulations. Are the systems that the data is stored on secured and encrypted sufficiently to meet regulations, again across the countries where it is stored?

And for their data, is the company able to prove quickly to both internal and external auditors that they have sufficient safeguards in place governing the access of data? It is not enough to merely have safeguards in place if they cannot be demonstrated to the satisfaction of an auditor.

SABSA Threat Model

Such problems are the natural domain of data architects, who can provide a set of rules, policies, standards and models that govern and define the type of data collected and how it is used, stored, managed and integrated within an organization and its database systems. A formal data architecture is exactly the solution to some of the above issues, providing easily traceable evidence of compliance with data regulations.

What is more, such a system can quickly determine which systems are affected by new regulation changes based on their technology and physical location, enabling responses that are quick and efficient.



The Third Challenge: Creation

The market for financial services is shifting rapidly, even without the shocks of the pandemic or developments in DeFi. New entrants offering more flexible banking or investment opportunities, with better customer facing technology and applications, threaten the positions of existing institutions.

Meeting customer demand for new and better banking products in a sustainable manner is not easy for big financial services firms with traditional cultures and legacy technologies.

This is exacerbated by the other challenges highlighted so far. We've already discussed how meeting banking regulations can discourage experimentation, but even something as simple as bringing banking services fully online can be stymied by KYC or KYB issues. Meanwhile, how are banks supposed to respond quickly to demand if information is scattered and unreliable?

But just as each challenge can feed into the other, so the solutions can all come from the same place. In this case, enterprise architecture is an ideal method to give financial firms the adaptability and agility required in modern banking. A central repository for enterprise data both enables a single source of truth, and a powerful understanding of existing architecture which is necessary to enable new products.



In particular, infrastructure architecture is likely to be key for delivering applications that are cloud native and deliver necessary capabilities while still aligning with the firm's application portfolio and strategic requirements. A development culture built on agile teams that can deliver a microservices architecture and containerization should be the goal for any financial service.

One large US bank found success in transitioning to a microservices approach and making use of containers for efficiency in large part due to their enterprise architecture efforts and use of OrbusInfinity.

The Fourth Challenge: Cloud

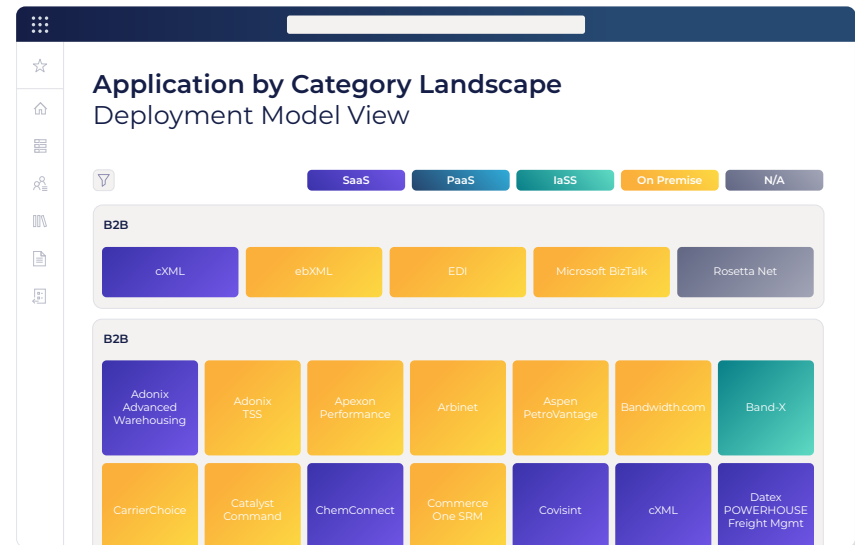
It is not just future products that need to be delivered from the cloud, however. Many large organizations, in finance and elsewhere, are now pursuing a cloud first strategy that requires their application portfolio to be migrated to the cloud as much as possible.

There is an overwhelming imperative to migrate that will place further pressure on IT teams and CIOs. Gartner's Financial Services Technology Survey shows application modernization is a key priority for banks over the next two years, shifting workloads to the cloud, and replacing legacy infrastructure and applications are a key part of that strategy.

But as with new products, cloud migration can be held back by legacy infrastructure and connections that inhibit moving key software.

It's not just the technology that challenges banking either. Research from Gartner has identified talent as another bottleneck on support for cloud capabilities, with a majority of banks reporting significant or lacking human resources for their cloud requirements. Of course, talent shortages cannot be tackled without actually hiring or training new talent, but it is possible to reduce their scope with greater efficiency.

Addressing the problems that plague cloud migrations becomes easy with a well supported enterprise architecture. The understanding of the technology landscape that comes with EA is perfect for handling integration problems and identifying legacy technology that needs to be replaced or upgraded to enable cloud migrations.



Performing a cloud migration?

Conclusion

We've looked at 4 great challenges facing financial institutions: Information, Compliance, Creation and Cloud. Individually each one would be a major barrier to success, but the problem becomes particularly acute to the manner in which they feed into one another.

Migrating data to the cloud will inevitably push against data compliance issues. Even if these are solved, firms may fail to migrate key data due to enterprise silos. And without a modern infrastructure for building cloud native applications and making use of valuable customer data, how can financial institutions hope to innovate in the product sphere, even as demand for seamless omnichannel customer experiences grows?

But the interlinking of the 4 challenges also offers opportunity. The right approach to digital transformation can smash through every barrier at once. Enterprise Architecture provides a joined-up approach to the application and technology landscape, enabling data management, cloud migrations and rapid deployment of technology solutions.

“

It's the flexibility to be able to design whatever we want. There are no limitations in iServer. We can express whatever we want, and even do it quickly. We decide we want to make a change, then we can just throw it in the tool. iServer is really fast”

- Senior Architect at a Major US Bank

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Book a tailored demo today to find out how OrbusInfinity empowers financial firms to meet their challenges head on and come out stronger.



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