Transforming Banking

An Introduction to Implementing a New System

Your essential guide to navigating all the phases of implementing a new core banking system.

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About Us

2Oaks is a consulting services company specializing in banking, financial technology, enterprise systems, and management.

Our expertise lies in bridging the gap between technology, business, and management to simplify complexity and drive successful outcomes.

Before You Begin:
An Introduction to
Implementation

Here's How to **Get Started:**

IN TODAY'S RAPIDLY EVOLVING BANKING LANDSCAPE, REPLACING YOUR BANKING SYSTEM CAN BE A COMPLEX AND CHALLENGING ENDEAVOUR.

Transforming Banking will explore some steps to consider when rolling out a new banking system, helping you set the stage for a smooth and successful transition.

Before beginning the implementation process, having the following three criteria in place can significantly decrease risk factors and increase chances of success:

1. MAKE SURE YOU KNOW YOUR WHY AND HAVE ORGANIZATIONAL BUY-IN

Replacing a banking system is a complex and challenging endeavour that requires commitment from various stakeholders. It is crucial to involve key decision-makers and secure their buy-in from the outset. These projects should not be treated as side projects but rather as strategic initiatives that demand resources, time, and attention.

> **"These projects should not be treated as side projects. They are strategic initiatives that demand resources, time, and attention."**

2. SELECT A SYSTEM ALIGNED WITH YOUR REGIONAL BANKING MODEL

Choosing a banking system that aligns with your regional banking model right out of the box can save significant time, effort, and customization costs. Ask the difficult questions upfront, seek references, and evaluate the vendor's capability to cater to local market requirements. Confirm you have a systematic way of evaluating the target banking system.

3. ESTABLISH CLEAR GOVERNANCE FROM THE OUTSET

To avoid project derailment and maintain accountability, it is crucial to establish clear governance structures early on. Ensure the project is not controlled solely by individuals or a select group. Divide the work into streams and assign ownership and accountability for each aspect. This approach fosters a transparent, collaborative environment and ensures all project activities are properly coordinated.

CONCLUDING THOUGHTS

Because embarking on a banking system replacement project requires careful consideration and meticulous planning, there are other important factors to consider. However, by understanding the reasons behind the change, selecting a system that supports your regional banking model, and establishing clear governance, you can set the stage for a successful implementation. With the right approach and strategic decision-making, you can navigate the path toward a more efficient and future-ready banking system.

KEY QUESTIONS:

What challenges do you anticipate in replacing your banking system?

What will you do to ensure organizational buy-in?

What steps do you need to take to confirm alignment with your regional banking model?

Is your project in danger of being controlled by a select group?

Are you considering a new banking system?
2Oaks Consulting can help you prepare for success with your implementation journey.

Governance:
Best Practices to Ensure Success

The Role of **Governance**

WHEN IMPLEMENTING A NEW BANKING SYSTEM, THE PRESENCE OF EFFECTIVE GOVERNANCE IS CRUCIAL FOR ENSURING SUCCESSFUL OUTCOMES.

Both the absence of governance and the presence of ineffective governance that believes it is working can lead to disastrous consequences.

To ensure you have the governance necessary for a successful outcome, consider the following key practices that contribute to its effectiveness:

✓ CLEAR GOVERNANCE STRUCTURE

A robust governance structure is essential to establish a transparent decision-making process and identify the responsible decision makers. By clearly defining roles and responsibilities, organizations can streamline the decision-making hierarchy. This approach coupled with accountable ownership empowers individuals to make decisions within their purview, driving a sense of ownership and accountability.

✓ CROSS-CUTTING DECISION-MAKING GROUPS

To ensure comprehensive decision-making, it is advisable to establish cross-

"Clearly defined roles and responsibilities coupled with accountable ownership empowers individuals to make decisions within their purview."

cutting groups such as the steering committee, change board, and architecture board. These groups bring together diverse perspectives and expertise to evaluate decisions from various angles.

THIRD-PARTY ADVISORS

Incorporating third-party advisors who possess knowledge in technology, business, and regulatory frameworks can help organizations make well-informed decisions. Their involvement will mitigate biases, be it toward service providers, vendors, or internal stakeholders. Keep in mind, however, it is important for advisors to remain in their consultative capacity.

EVOLUTION OF GOVERNANCE FOCUS

As projects progress through different phases, the focus of governance should adapt accordingly. Initially, the emphasis will lie on the technology and system view, while later stages will require a shift toward testing and cutover planning, and then technical and business operations. It is important to recognize these evolving needs and adjust the governance framework accordingly so that governance remains aligned with the project's objectives and addresses emerging challenges.

EMPOWERED DECISION-MAKING

Effective governance empowers decision-makers by granting them budgetary and resourcing authority. This autonomy enables them to make timely decisions and take necessary actions without unnecessary bureaucratic hurdles. By empowering decision makers, organizations foster a culture of innovation, accountability, and agility, resulting in better project outcomes.

CONCLUDING THOUGHTS

Effective governance is the cornerstone of successfully implementing a new banking system. Providing the right support and framework will allow your team to navigate complexity with agility, minimize risks, and achieve desired outcomes.

KEY QUESTIONS:

Where does your governance need help empowering your team to implement a new banking system?

How will you ensure your governance practices lead to the desired agile outcomes?

Is your implementation team fully empowered to take necessary action without bureaucratic hurdles?

Do you have the governance you need?
Our experts at 2Oaks will help you build the right team.

Selecting Your System:
Key Considerations

The Art of **System Selection**

THE BANKING LANDSCAPE IS EVOLVING RAPIDLY. SELECTING THE RIGHT BANKING SYSTEM IS A CRITICAL DECISION THAT WILL SIGNIFICANTLY IMPACT THE SUCCESS AND GROWTH OF YOUR ORGANIZATION.

Whether you are facing challenges with your current system or embarking on an implementation journey, it is essential to approach this process strategically.

Here are the key considerations and available options when choosing a new banking system.

✓ THE "WHY FACTOR"

Your "Why Factor" is an important motivation that drives the selection and implementation process forward. Therefore, before diving into the selection journey, define the primary reasons for considering a new banking system.

- Have the risks surrounding your current system become uncontrollable?
- Is your system's outdated and inflexible technology struggling to meet organizational needs?
- Has a merger or acquisition necessitated system consolidation?

These are some of the reasons a banking system may need replacing.

✓ EXPLORING THE OPTIONS

Once you understand the reasons driving the need for a new banking system, it's time to assess the available choices, taking into account several key factors:

- Decide whether you prefer an on-premises system that offers greater control or a hosted solution that reduces infrastructure management.
- Additionally, evaluate the benefits and drawbacks of outsourcing your banking system versus managing it internally.
- Explore the spectrum of banking systems available, including traditional core, next-generation, or hybrid models, and analyzing their appropriateness for your organizational requirements.

Of course, through all this, it is crucial not to overlook the impact of these

options on your ancillary systems and the need to support those systems connected to the core banking ecosystem.

✓ CUSTOMIZATIONS, LOCALIZATIONS, AND RISK-BENEFIT ANALYSIS

Consider your organization's unique requirements and ensure potential vendors can support them. This requires identifying any critical customizations, local regulatory and compliance requirements, and marketplace concerns that are essential for your operations. Conduct a thorough risk and benefit analysis to understand the potential advantages and challenges associated with each system.

CONCLUDING THOUGHTS

Selecting a banking system requires a strategic approach that considers your organization's unique needs, future goals, and the available options in the market. With proper planning and thorough evaluation, you will be well-equipped to choose a banking system that propels your organization's growth and innovation in the dynamic financial landscape.

With a clear understanding of your organization's needs and the available options, it's time to develop a comprehensive plan, which will be the topic of the next chapter.

"Selecting a banking system requires a strategic approach that considers your organization's unique needs, future goals, and the available options in the market."

KEY QUESTIONS:

Why are you considering a new banking system? Is it a valid reason to undertake such a project?

Out of the available options, what system is it best for your organization? Have you considered how it will affect your ancillary systems?

How do you plan to balance the need for customization with the risks and costs associated with it?

How can 2Oaks help you with your selection?

Do you have the necessary experience to select the best system? 2Oaks can guide you through the process.

CHAPTER 04

Planning & Preparation:
The Right Steps

The Essential Strategies for
Planning and Preparation

IMPLEMENTING A NEW BANKING SYSTEM IS A SIGNIFICANT UNDERTAKING THAT REQUIRES CAREFUL PLANNING AND PREPARATION TO ENSURE SUCCESS.

When upgrading an existing system or implementing a new one from scratch, every step plays a crucial role in the outcome.

Let's explore the nine essential considerations and strategies to streamline the process and mitigate potential challenges.

✓ 1. ASSEMBLE THE RIGHT TEAM

One of the most critical factors in a successful banking system implementation is having the right people involved from the start. While internal expertise is valuable, the internal team should never assume they "know better."

PLANNING AND PREPARATION AT A GLANCE

To best prepare your organization for the implementation procedure, consider the following steps:

Assemble the right team.	Define the accountability structure	Consider project size and methodology
Allocate resources and people	Align business and technical strategies	Prepare ancillary systems support
Map the current state	Prime change management and communications plans	Assess readiness

External consultants can provide valuable insights and fresh perspective from their extensive experience in similar implementations. These advisors can provide guidance, best practices, and industry insights to enhance the project's outcomes.

"While internal expertise is valuable, the internal team should never assume they know better."

This collaborative approach will complement your team's knowledge, help avoid potential pitfalls, and ensure a well-rounded, efficient system implementation.

2. DEFINE THE ACCOUNTABILITY STRUCTURE

Once your team is in place, enact a program structure that fosters workstream accountability and ownership while enabling decision-making and risk management. This important consideration allows for autonomy and flexibility in problem-solving while still maintaining overall program governance.

3. CONSIDER PROJECT SIZE AND METHODOLOGY

Appraise the size, cost, and duration of your banking system project from the outset. Understanding these factors allows you to allocate appropriate resources, set realistic timelines, and determine the appropriate project management methodology, depending on the complexity and requirements of your specific project.

4. ALLOCATE RESOURCES AND PEOPLE

Recognize that the success of your banking system implementation relies heavily on the resources allocated and the people involved. Ensure you have the necessary expertise and skills within your team or consider hiring external specialists. For internal team members, plan for their return to their original jobs.

5. ALIGN BUSINESS AND TECHNICAL STRATEGIES

While acquiring a technical system is crucial, it is equally important to bring the business along during the implementation. Engage key business stakeholders early in the process to secure their support and involvement. Further, orient your business processes, strategies, and goals with the new system to maximize its effectiveness.

6. PREPARE ANCILLARY SYSTEMS SUPPORT

Thoroughly assess the impact on ancillary systems and the supporting banking ecosystem. Consider what you will need from ancillary partners to address potential dependencies and integration requirements. A comprehensive understanding of the overall technology landscape will help identify potential challenges and mitigate risks.

7. MAP THE CURRENT STATE

Before embarking on your banking system project, map the current state of your business and technology capabilities. This process enables you to identify gaps, pain points, and areas for improvement. It's critical to thoroughly understand your current state so you can effectively prepare strategies and blueprints for the future.

8. PRIME CHANGE MANAGEMENT AND COMMUNICATIONS PLAN

Implementing a new banking system requires effective change management and clear communication. Develop a comprehensive change management plan that addresses stakeholder engagement, training, and support to ensure a smooth transition. Verify that your communication strategy will keep all parties informed and engaged throughout the project lifecycle.

9. ASSESS READINESS

Finally, you may need to perform a readiness assessment in collaboration with your chosen vendor(s) to ensure they are adequately prepared to meet project requirements. This evaluation will help identify any gaps in readiness, including technical capabilities, organizational readiness, and resource availability. Addressing these gaps before the project kicks off will set the stage for smoother execution.

CONCLUDING THOUGHTS

Implementing a new banking system is a complex and resource-intensive endeavor. The above steps are by no means a comprehensive list, but they are some of the most essential considerations.

By diligently planning and preparing for the project, engaging the right team, and addressing key focus areas, organizations can lay the groundwork for a successful transition that propels it into the future.

KEY QUESTIONS:

Which of these nine steps currently is the weakest link in your preparation for banking system implementation?

Do you have the right team in place for project success? Where might outside supplementation help you?

What will be your key focus area to streamline the process and mitigate risk?

Are you ready to begin your implementation journey?
2Oaks can help you plan and prepare for success.

Requirements:
Gathering and Documentation

Navigating the **Requirements** Maze

IMPLEMENTING A NEW BANKING SYSTEM REQUIRES A THOROUGH UNDERSTANDING OF ORGANIZATIONAL REQUIREMENTS.

This "thorough understanding" must include key considerations, methodologies, and best practices for gathering and documenting requirements, as well as the importance of tracing them throughout the implementation process and beyond.

✓ THE ROLE OF SUBJECT MATTER EXPERTS

One of the critical factors for gathering accurate and comprehensive requirements is leveraging the expertise of subject matter experts (SMEs). These individuals possess in-depth knowledge of the existing banking system, operational workflows, and the unique needs of the organization. By involving SMEs early in the process, organizations can tap into their valuable insights, ensuring that the new system aligns with the specific requirements of the business.

"Subject Matter Experts possess in-depth knowledge of the existing banking system, operational workflows, and the unique needs of the organization. They are a critical part of gathering accurate and comprehensive requirememts."

✓ APPROACHES TO IDENTIFY REQUIREMENTS

Requirement gathering should commence before the selection of a new banking system. It is crucial to make informed decisions about the capabilities of the prospective system and compare them to the existing one.

Several approaches can aid in this process. The four most important are:

1. Gaps and User Stories:

Identify the gaps between the current and desired system functionalities and document them as user stories. This approach provides a clear understanding of the necessary enhancements and helps prioritize development efforts.

2. Out-of-the-Box (OOB) and Documenting the Discovery:

Evaluate the OOB features of the new system against the organization's requirements. Document any deviations or additional features required to meet specific business needs.

3. User Interface Requirements:

Assess both customer and employee experience through journey maps and persona modelling. Make sure to include reporting requirements such as customer statements, letters, and regulatory reports.

4. Non-Functional Requirements:

Beyond the functional aspects, non-functional requirements such as cutover plans, operational requirements, and performance benchmarks should be documented to ensure the system's smooth operation.

✓ WORKSHOPS OR NOT: WHICH WAY TO GO?

Workshops provide an excellent platform for collaboration, knowledge sharing, and requirement gathering. However, the decision to conduct workshops or adopt alternative approaches should be based on the organization's unique context and the availability of stakeholders.

In some cases, workshops may prove highly effective in eliciting requirements, while in others, one-on-one interviews or surveys might be more suitable. Flexibility in the approach ensures that requirements are collected efficiently and with maximum stakeholder participation.

> **"In some cases, workshops may prove highly effective in eliciting requirements, while in others, one-on-one interviews or surveys might be more suitable."**

✓ DOCUMENTING AND TRACING REQUIREMENTS TO GO-LIVE AND BEYOND

Effective documentation and requirement tracing are crucial for successful implementation and post-go-live support. Use appropriate tools to record and track requirements from their initial discovery

through testing to the go-live stage and beyond. Tracing requirements ensures that they are appropriately addressing testing of the system, training, and standard operating procedures. Further they enhance project transparency and simplify maintenance and future enhancements.

identification, organizations can achieve a smoother transition, optimize operational efficiencies, and meet the evolving needs of their customers and the financial industry at large.

CONCLUDING THOUGHTS

Gathering and documenting requirements for a new banking system implementation is a complex yet vital process. Involving subject matter experts, employing the right approaches, and ensuring continuous traceability are key elements for success.

By dedicating time and resources to comprehensive requirements

KEY QUESTIONS:

How can you leverage the expertise of your organization's subject matter experts in your current or upcoming banking system implementation?

How do you plan to compare the out-of-the-box features of a new system with your organization's specific requirements?

What are your strategies for ensuring that requirements are effectively translated into actionable tasks and tested thoroughly before go-live?
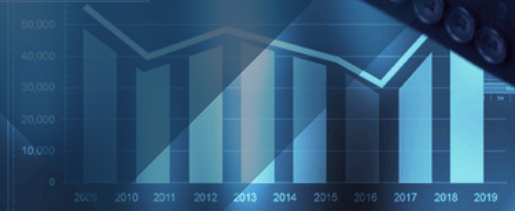
Do you need help navigating the requirements maze?
2Oaks can guide you to the best path for your organization.

Migration Strategies:
Strategic Approaches

Migration Strategies for a Seamless Transition

IN TODAY'S RAPIDLY EVOLVING BANKING LANDSCAPE, STAYING COMPETITIVE AND ENSURING SEAMLESS CUSTOMER EXPERIENCES REQUIRES MODERNIZING CORE BANKING SYSTEMS.

However, embarking on the journey of core banking system replacement is no small feat, and selecting the right migration strategy is pivotal to minimize disruptions during this transition.

What are the various migration strategies and considerations to help banks make informed decisions when upgrading their core banking systems.

✓ BIG BANG OF PHASED MIGRATION?

The first decision to make is whether to migrate all at once (Big Bang) or in stages. Each approach comes with its unique set of risks, costs, and benefits. A Big Bang migration offers a clean break from the old system, reducing complexities but posing higher operational risks. On the other hand, a phased migration minimizes disruptions but may complicate operations during the transition.

✓ LINE OF BUSINESS (LOB) MIGRATION

Consider if migrating by LOB aligns with your organizational structure and operational requirements. This approach can help banks streamline migration by focusing on specific business units, enhancing adaptability and coordination.

> **"Selecting the right migration strategy is pivotal to minimize disruptions during this transition."**

✓ CUSTOMER COHORTS

Another strategy to consider is segmenting your customer base and migrating specific cohorts based on their unique needs or characteristics. This approach can lead to a more personalized customer experience during and after the migration.

✓ MULTIPLE BANKING SYSTEMS

If your organization manages multiple banking systems, evaluate the feasibility of migrating them simultaneously or in a coordinated manner. This approach can simplify operations in the long run, but careful planning is essential.

✓ OTHER BUSINESS CAPABILITIES

Assess whether it makes sense to migrate based on specific business capabilities, such as product lines or service offerings. This approach allows you to align migration with your business goals and customer demands.

✓ GEOGRAPHICAL OR REGULATORY CONSIDERATIONS

Determine if migration should be prioritized based on specific geographic regions or regulatory requirements. Compliance is key, and migration strategies should align with the regulatory landscape.

✓ CHANNEL, PAYMENT, OR OPEN BANKING DRIVEN:

Align migration strategies with your organization's focus on specific channels, payment innovations, or open banking initiatives. This approach ensures that your new core banking system is tailored to meet the demands of the future.

OTHER FACTORS AFFECTING MIGRATION

Regardless of the migration path you follow, several important considerations must be kept at the forefront of decision-making as you guide your organization through the process:

Impact on Operations and Organizational Capacity	Target System Profile	Dependent Ancillary Systems	Clearing and Settlement Phased Implementations
Migration strategies should consider their impact on daily operations and the organization's capacity to manage the transition.	Managed Cloud offerings introduce complexities different from on-premises migrations. Assess the compatibility of your migration strategy with the chosen target system.	Don't overlook the dependent ancillary systems that will need to be migrated or synced during the process. Their compatibility and alignment with the core banking system are crucial.	Be aware that phased implementations can create complex payment, clearing, and settlement scenarios when moving from one hosting provider to another. Plan carefully to mitigate potential disruptions.

CONCLUDING THOUGHTS

In the fast-paced world of banking, core system replacement is inevitable for those seeking to remain competitive and agile. Choosing the right migration strategy is a complex decision that requires a careful evaluation of risks, costs, and benefits. It should align with your organizational structure, operational requirements, and overarching business goals.

By considering all the strategies and factors discussed in this article, you can chart a course to a successful core banking system replacement, ensuring a smooth transition for your institution and its customers.

KEY QUESTIONS:

Which migration strategy—Big Bang or phased—aligns best with your organization's risk tolerance and operational capacity?

How do your channel, payment, or open banking initiatives impact your core banking system migration strategy?

What steps can you take to minimize the impact of migration on daily operations and organizational capacity?

Is your chosen migration strategy compatible with your target system profile, whether it be managed cloud or on-premises?

Which migration strategy is the best for your organization?
The experts at 2Oaks will help you make the right decision.

Infrastructure & Environments:
The Essentials

Managing **Infrastructure and Environments**

WHEN IT COMES TO BANKING SYSTEM IMPLEMENTATIONS, ONE CRITICAL ASPECT OFTEN UNDERESTIMATED IS THE COMPLEXITY OF MANAGING ENVIRONMENTS.

Time and time again, projects have faced early failures due to oversight in crucial areas.

Here's how we can better navigate the intricate landscape of infrastructure and environments, particularly during the transition from on-premises to cloud.

✓ CONTRACTUAL CLARITY

One of the first points of potential failure in a project is the lack of well-defined contracts and Service Level Agreements (SLAs) with cloud service providers. Without this solid foundation in project and production environments, organizations may find themselves burdened with high operating costs for many years. It's imperative to remember that vendors are primarily interested in securing the best deal for themselves. Mitigate risk by ensuring contractual clarity and negotiating contracts and SLAs that protect your organization's interests.

> **"One of the first points of potential failure in a project is the lack of well-defined contracts and Service Level Agreements (SLAs) with cloud service providers."**

✓ ENVIRONMENT MANAGEMENT AT EVERY STAGE

The number of environments required and the frequency of their refreshes or reprovisioning are often underestimated. Projects evolve through several environment stages, including development (or gap analysis), functional testing, data migration, system integration testing, user acceptance testing, performance testing, and production environments. Each stage requires careful planning and management to ensure smooth transitions and minimize disruptions.

✓ RELEASE PROCESS SYNCHRONIZATION

The synchronization of new functionality and defect fixes is another critical aspect of environment management, especially as projects progress through higher-order environments. It's important to have a clear delivery dashboard that tracks the delivery of deltas and the remediation of defects. This dashboard should also include configurations, parameters, synthetic and migrated data releases, and keep track of the release state of all environments, including the target production environment.

✓ CLOUD SERVICE PROVIDER SELECTION

When selecting a "cloud native" provider, ensure that they offer Software as a Service (SaaS) and that you have a clear

understanding of their operating model and delineation of accountabilities. It's also important to remember that new cloud hosting arrangements could involve vendor IT and Ops teams that may not have experience managing business technology operations like yours. Don't assume they have an operating model and knowledgeable staff. Do your due diligence!

> **"New cloud hosting arrangements could involve vendor IT and Ops teams that may not have experience managing business technology operations like yours. Don't assume they have an operating model and knowledgeable staff.**
>
> **Do your due diligence!**

✓ TABLE STAKES IT SERVICES

Confirm that basic IT services are part of the deal, encompassing lower-order environments. Lack of these services may indicate an automation problem, raising concerns about failover and recovery abilities. Understanding their operating model is crucial, and if in doubt, consider a "ring fenced" dedicated team approach, as managing cloud infrastructure seldom works as a sideline activity.

CONCLUDING THOUGHTS

Implementing banking systems, particularly those transitioning to the cloud, is a complex process. Success hinges on meticulous planning and execution of infrastructure and environments. By considering the points highlighted in this article, organizations can better prepare for this transition and avoid common pitfalls. Remember, the goal is not just to implement a new system, but to do so in a way that enhances operational efficiency, improves service delivery, and ultimately contributes to the organization's success.

KEY QUESTIONS:

How have you ensured that your contracts and SLAs with cloud service providers align with your organization's interests and mitigate potential risks?

What strategies have you implemented to manage your environments at each stage of your project and ensure smooth transitions?

How will you synchronize new functionality and defect fixes across your environments, including the target production environment?

Will your infrastructure and environments successfully transition to the cloud? 2Oaks can ensure they safely arrive.

Design, Build, & SaaS:
Effective Strategies

Best Practices for
Design, Build, and Saas

IN THE MODERN BANKING LANDSCAPE, THE FOCUS HAS SHIFTED TO CONFIGURING AND PARAMETRIZING YOUR NEW SYSTEM RATHER THAN BUILDING NEW CORE FEATURES.

Customizations that require design and development are typically found in integrations.

If you find yourself dealing with numerous core developments, it's time to reassess whether the selected system is fit for purpose or if the requirements process is being manipulated to reverse engineer the new system back into the old one.

✓ FIT FOR PURPOSE

If the new system is not fit for purpose, it may not be ready for the local market or support the local model bank. This could lead to significant development, testing, and certification efforts. If you decide to proceed with a system that is not fit for purpose, consider negotiating for royalties from the final localized product and for maintenance relief, as the journey ahead could be costly and challenging.

✓ AVOID RECREATING THE PAST

Recreating the old system with a new one is a common mistake and risks entrenching outdated methodologies into the future framework. This becomes especially problematic when the new system diverges from local banking standards, hindering seamless integration. However, replicating outdated structures inhibits progress and undermines the potential advantages of adopting a new system. To truly harness the power of technological evolution, embrace change rather than recreating the past.

✓ THE ROLE OF THE VENDOR AND YOUR ORGANIZATION

The vendor should handle the core overnight and intraday processing, but your organization will also need to integrate, schedule, and instrument parts

of the operating environment. You will need to develop data migration routines and reconciliation reports. While vendors typically provide data upload tools, they usually do not offer extraction, transformation, or reconciliation routines.

✓ INTEGRATION AND ANCILLARY MODIFICATIONS: THE KEY BUILD AREAS

While the focus primarily revolves around configuration rather than customization, certain areas demand dedicated design and development attention. The primary area that requires a "hands on" approach to build is integrations and ancillary modifications.

You also need to integrate operations, which likely involves some development or scripting.

"If you find yourself dealing with numerous core developments, it's time to reassess."

✓ CRITICAL DESIGN AND DEVELOPMENT AREAS

Several areas often require significant design and development, often termed as "the long poles of the tent." These include data extraction, business intelligence, and reporting, which feed numerous tertiary consumers within the banking ecosystem.

INTEGRATION AND ANCILLARY MODIFICATIONS

Areas where significant design and development efforts are necessary.

Data Extraction

Business Intelligence

Payments Integration

CORE SYSTEM

Reporting

FinCrime Integration

Regulatory Compliance

NAVIGATING COMPLEXITIES

Finance GL and reconciliation (match and kill) also require attention, especially if the chart of accounts is changing. Business intelligence, bridging transactions, and data become focal points in ensuring a seamless transition without compromising operational efficiency. Customer correspondence, statements, and terms and conditions also sometimes take longer than expected, depending on the specifics of the situation.

"The culmination of this transformative journey leads to running a business system that requires technology operations with instrumentation and monitoring."

CHALLENGES IN INTEGRATION: PAYMENTS, FINCRIME, & REGULATORY COMPLIANCE

Navigating the labyrinth of payments and FinCrime integration unveils a complex web involving multiple service providers and the need to consider clearing and settlement. Stringent regulatory frameworks add layers of complexity, necessitating meticulous adherence and consideration throughout the integration process.

PHASED IMPLEMENTATIONS: A DELICATE BALANCING ACT

Phased implementations present a multifaceted challenge, entailing complex designs and rollout considerations. The confluence of technological intricacies, regulatory compliance, resource allocation, and operational complexities underscores the need for a comprehensive approach.

THE FINAL STAGES

The culmination of this transformative journey leads to running a business system that requires technology operations with instrumentation and monitoring. Automation of intraday and overnight operations, alongside the development of transitional systems like change portals, serves as the bridge between legacy and innovative systems.

CONCLUDING THOUGHTS

In the banking sphere, transforming systems requires a careful balance between design, build, and the use of SaaS solutions. Navigating this landscape

demands a strategic approach, prioritizing integration, meticulous development, and a relentless focus on aligning with local banking standards.

> **"Banks _can_ successfully navigate the complex process of implementing a new system."**

By focusing on configuring and parametrizing the new system, avoiding the pitfalls of system transformation, and leveraging the benefits of SaaS, banks can successfully navigate the complex process of implementing a new system.

KEY QUESTIONS:

Is your current system meeting the needs of your local market, or are you facing significant customization and integration challenges?

Are there areas in your current implementation where you might be replicating outdated processes rather than leveraging new capabilities?

Which areas of your implementation require the most attention in terms of integration and customization?

What are the most significant regulatory and compliance challenges you anticipate during your system implementation?

Do you need expertise in configuring your new system and leveraging the power of Saas? 2Oaks can help.

Quality Assurance & Quality Control:
Ensuring Excellence

Safeguarding **Quality Assurance & Quality Control**

IN THE REALM OF TECHNOLOGY OPERATIONS AND PROJECT MANAGEMENT, TWO MAJOR AREAS ADDRESS QUALITY: QUALITY ASSURANCE (QA) AND QUALITY CONTROL (QC).

These two pillars serve distinct yet interconnected purposes, safeguarding projects from inception to fruition, and are integral to the successful implementation of new banking systems.

✓ QUALITY ASSURANCE: THE PROACTIVE APPROACH

Quality Assurance is a proactive approach that seeks to ensure the scope of work has a quality framework to operate within. It ensures the work is held and measured to compliance standards before it is undertaken, thereby preventing quality issues.

A significant practice within QA is the Enterprise Architecture practice, which includes landscape surveys, frameworks, standards, and engineering reviews. Enterprise Architecture is not merely a technical infrastructure practice; it's a strategic alignment of technology to bolster business capabilities. As such, it

> **"Quality assurance is the proactive approach. Quality control is the reactive approach. Both are essential to successful banking system implementations."**

should be business-focused and articulate how business capabilities are realized in various technologies.

In the banking sector, QA plays a crucial role in ensuring that financial processes, systems, and products are compliant and working correctly. With the rise in digitization and the increasing competition from virtual or online banks, QA processes have become more significant than ever.

✓ TWO EXAMPLES OF THE IMPORTANCE OF QUALITY ASSURANCE

For instance, 2Oaks was recently engaged in a project that had a quality assurance component led by the enterprise architecture team and a governing body referred to as the design authority. This project involved setting up an entire new banking system and all the supporting financial services systems, infrastructure, security, compliance, and operations. Quality assurance quickly highlighted dozens of systems that had not been included in the scope, found reuse in many areas, and ensured a consistent and efficient realization of the design.
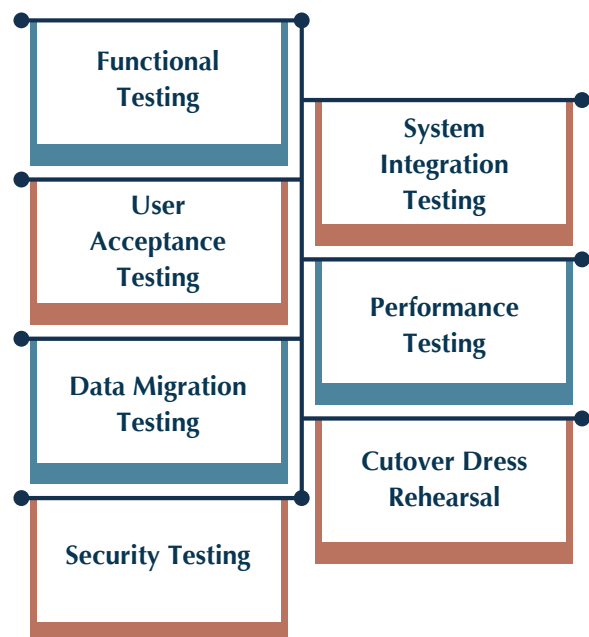
Contrasting this example, 2Oaks was asked to intervene in another project that had begun without a Quality Assurance practice. The goal of the project was the migration from one core to another with a very small product set and customer base. However, due to the lack of QA the project had an ambiguous scope that was only discovered as the project went along. This resulted in a project reset, indicating that the project was done wrong.

✓ QUALITY CONTROL: THE REACTIVE APPROACH

Whereas Quality Assurance is a proactive approach that provides a robust framework before the work begins, Quality Control (QC) is a reactive approach that evaluates the success of outputs or deliverables after work completion. It involves a detailed examination of the product against predefined requirements, focusing on identifying and rectifying defects. It's important to note that the effectiveness of the QC process is reliant on the upstream work done in the requirements (see Part 5 of this series) and the Quality Assurance mentioned above.

In banking, QC is a multi-layered approach that ensures all the components work in unison to create a production ready banking eco-system. We briefly touch on each phase below:

SEVEN QC PHASES

- Functional Testing
- System Integration Testing
- User Acceptance Testing
- Performance Testing
- Data Migration Testing
- Cutover Dress Rehearsal
- Security Testing

1. The first phase in the QC process is **Functional Testing** to ensure code or configuration aligns with business functionalities, which involves much collaboration with your banking system vendor to reach the point where the components are ready for Integration Testing.

2. Given the interconnected nature of banking systems, **System Integration Testing (SIT)** is necessary to test functional units holistically. This phase brings all the working components together as an ecosystem and requires alignment of code, data, and environments from your banking vendors and third-party ancillaries, such as online banking. It is critical SIT be done thoroughly to ensure readiness for the next phases of testing.

3. **User Acceptance Testing (UAT)** fine tunes the system and ensures business stakeholders are ready to accept it into production. This phase is where roles and access permissions come together and become real for the end users. A smooth UAT process is crucial to avoid change management issues.

4. **Performance Testing** ensures the banking system operates efficiently and reliably on the new platform. It tests against non-functional requirements, such as Recovery Time Objective (RTO) and Recovery Point Objective (RPO) and is executed in iterations to improve performance.

5. **Data Migration Testing** ensures data matches and balances to the source system. It is typically executed by the data migration team and is prime for automation.

6. The **Cutover Dress Rehearsal** is the practice of the entire go-live process from a technical and people / behaviours perspective. It simulates the go-live process as closely as possible. For example, if your team will be onsite for go-live weekend, the Cutover Dress Rehearsal should be practiced as such.

7. **Security Testing** in a banking migration project involves systematically assessing the resilience of the migrated systems and data against potential threats, ensuring the confidentiality, integrity, and availability of sensitive financial information and transactions.

" This kind of testing requires clear entry and exit criteria be achieved as the project moves from one test phase to the next."

The significance of Quality Control resonates throughout the phases of the project in pivotal tests like these. This kind of testing requires clear entry and exit criteria be achieved as the project moves from one test phase to the next.

CONCLUDING THOUGHTS

✓ STRIKING A BALANCE

In any banking system implementation, it is critical to have a good balance between Quality Assurance and Quality Control. The cardinal sin lies in neglecting Quality Assurance in favor of an exclusive focus on Quality Control. Projects devoid of a robust QA framework risk stumbling into ambiguity, leading to unforeseen scope expansions, noncompliant systems, and potentially catastrophic project resets, significantly increasing the amount of effort and resources required.

In the symphony of implementing new banking systems, Quality Assurance and Quality Control harmonize to orchestrate success. While Quality Assurance sets the stage, fortifying projects with a solid foundation, Quality Control ensures the precision and functionality of every moving part. Their collaboration isn't just complementary; it's indispensable for the seamless, efficient, and compliant realization of innovative banking systems.

KEY QUESTIONS:

How do your projects currently incorporate proactive quality assurance practices to prevent issues before they arise?

How does your organization balance Quality Assurance and Quality Control in project implementations? Are there areas where you need to strengthen one to support the other better?

Which phases of Quality Control (e.g., System Integration Testing, User Acceptance Testing) do you find most challenging, and how can you address these challenges?

What strategies do you use to ensure that neglecting Quality Assurance doesn't lead to project resets or unforeseen scope expansions? How can you improve these strategies to mitigate risks effectively?

Is your QA and QC up to par? 2Oaks will help you safeguard your project from inception to completion.

Security & Compliance:
Two Cornerstones

Ahead of the Curve with
Security and Compliance

IN THE ADVANCING WORLD OF BANKING SYSTEM TRANSFORMATIONS, THE CRITICAL INTERSECTION OF SECURITY AND COMPLIANCE OFTEN BECOMES APPARENT ONLY AFTER MONTHS OF PROGRESS.

However, the "we need to secure this project" moment should ideally occur before the project even takes off.

To fortify this imperative, we advocate for the early involvement of Cyber Security and Financial Crime (FinCrime) experts, ensuring they are at the table from the project's inception.

✓ SECURING THE PROJECT: EARLY INCLUSION FOR LASTING PROTECTION

The cornerstone of any successful banking system implementation lies in proactive security measures. By involving Cyber Security and FinCrime experts at the outset, organizations can address potential vulnerabilities before they become critical issues. This proactive approach sets the tone for a robust security posture throughout the project lifecycle.

"Proactively involving Cyber Security and FinCrime experts from the outset of banking system transformations ensures robust security, compliance, and a resilient financial ecosystem."

SECURING THE DATA: A STRATEGIC APPROACH TO PRIVACY COMPLIANCE

Understanding the location of the data and how it's used is crucial for compliance with the organization's privacy policies. It's often best to use synthetic and obfuscated data in lower-order environments.

Production data should only be introduced to higher-order environments in the project's end phases, and only once production controls can be placed on all environments containing product data. This ensures a seamless transition while adhering to compliance standards. Further, weekly reports submitted to the steering committee provide transparency, with any variances reported through standardized production processes.

SYSTEM SECURITY SETUP: NAVIGATING REGULATORY WATERS

Banking is a regulated industry, and many compensating controls must be implemented. Configuring the banking system should account for system access, role-based authorization, transactional limits appropriate to the roles, role-based overrides, and system activity audits. Care must be taken to ensure that individuals with multiple roles do not inadvertently acquire "super user" access, maintaining the integrity of the system.

TECHNICAL SECURITY TESTING CONSIDERATIONS: A HOLISTIC APPROACH TO ROBUSTNESS

Nonfunctional testing, including security testing, is integral to system reliability. Key considerations include access controls, intrusion detection, and penetration testing. Addressing these aspects comprehensively ensures that the banking system is fortified against potential security breaches.

> **"Security and compliance are not just add-ons; they are fundamental to the successful implementation of a new core banking system."**

ANCILLARY SECURITY AND CERTIFICATION: PROACTIVE COMPLIANCE INTEGRATION

Certain components of the banking system, particularly in payments and FinCrime, require certification. Integrating these as early program requirements streamlines the certification process, minimizing delays and ensuring seamless compliance.

FINCRIME COMPLIANCE: SAFEGUARDING THE FINANCIAL ECOSYSTEM

FinCrime considerations are multifaceted, encompassing fraud prevention, detection, case management, reporting, anti-money laundering, sanctions, and politically exposed persons. These need to be part of the underlying compliance framework to align the system with broader financial system requirements, particularly in payments, card management, clearing, and settlements.

CONCLUDING THOUGHTS

Security and compliance are not just add-ons; they are fundamental to the successful implementation of a new core banking system. By embedding these principles at the project's inception, organizations not only safeguard their operations but also lay the foundation for a resilient and compliant financial ecosystem.

KEY QUESTIONS:

How early in your projects do you typically involve Cyber Security and FinCrime experts, and how could earlier involvement benefit your outcomes?

How do you ensure that data privacy and compliance standards are maintained throughout your project lifecycle, especially in lower-order environments?

In what ways can you enhance your nonfunctional testing processes, including security testing, to improve the overall robustness of your banking systems?

How can your organization better integrate FinCrime compliance into your project planning to align with broader financial system requirements?

Are you 100% confident in your security and compliance?
2Oaks will give you assurance and peace of mind.

Organizational Change Management: The Right Way

Finding Success in **Organizational Change Management**

ORGANIZATIONAL CHANGE WITHIN BANKING INSTITUTIONS IS NO SMALL FEAT.

There is a complex and interconnected relationship between the human factor, technology-business dynamics, and customer satisfaction, and all three aspects must be considered in any Organizational Change Management (OCM) strategy.

✓ A CRUCIAL OVERSTEP

One of the most common mistakes we have seen in system implementation is treating the project as an IT "off the side of the desk" activity, with little or no thought given to the people or customer impact until it's too late. To ensure projects have the highest chance of success, change management must begin with a purposeful awareness of how implementation plans affect both the organization and the individuals within it. This helps the organization navigate intricate change without any sudden shocks or surprises.

Let's unpack good change management in each of these three key areas.

THREE KEY FACETS OF OCM IN SYSTEM IMPLEMENTATION

The Human Factor

Tech & Business Dynamics

OCM

Customer Satisfaction
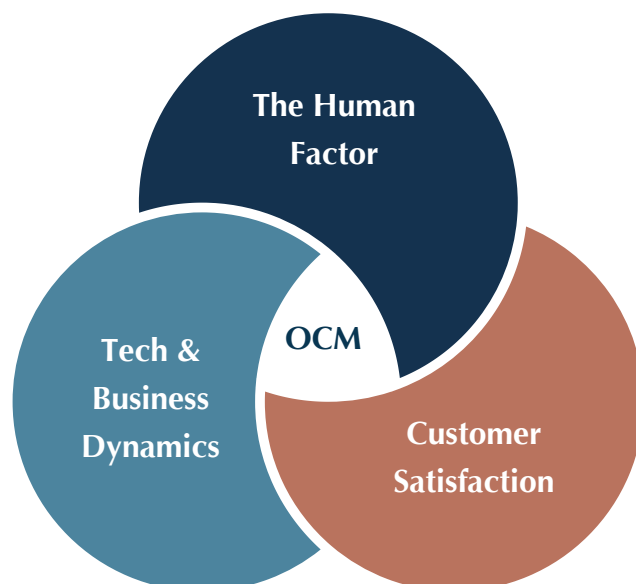
1. THE HUMAM FACTOR: UNDERSTANDING ORGANIZATIONAL DYNAMICS

Not everyone in an organization shares the same interests. In fact, every organization harbors its unique set of interests and resistances. Some individuals, regardless of the change at hand, instinctively resist. Recognizing these dynamics is an essential part of OCM. Identify the champions, neutrals, and detractors. Isolate or neutralize the detractors and empower the positive neutrals by pairing them with champions. This strategic alignment can mitigate resistance and allow for a smoother transition.

2. TECHNOLOGY AND BUSINESS: ADDRESSING THE DUAL DYNAMICS OF CHANGE

Change impacts two vital components of any bank: the technological infrastructure and the business operations, and it affects each realm differently, depending on the nature of banking system implementation. For example, transitioning from on-premises solutions to Software as a Service (SaaS) models necessitates significant operational and skill changes for the technology department, whereas altering outsourcing arrangements to an in house managed solution has a substantial impact on the business as well.

Planning for these changes must be as meticulous as the technical implementation itself. Operational procedures and controls should not be a random set of afterthoughts. Rather, they need to be purposefully designed to integrate both the business and technological realms seamlessly.

3. CUSTOMER SATISFACTION: PRIORITIZING CUSTOMER EXPERIENCE

One of the most critical aspects of change management in banking is its impact on customers, as how the customer experiences the change affects both the reputation of the organization and the retention of the customer. Unfortunately, with technology-focused projects, customer considerations are often an afterthought, addressed only when the project is near completion.

Neglecting any of these details can have dire consequences. Imagine the chaos if customer service lines redirect to the wrong institution post-implementation, or if the public announcement of system upgrades inadvertently exposes vulnerabilities to cyber threats or fraudsters. These scenarios are not hypothetical; they are real risks that demand proactive planning. Regulatory compliance, too, must be a primary focus, ensuring adherence to standards in areas such as clearing, settlements, and product notifications.

✓ MEASURING FOR SUCCESS

Beyond these three key areas, it's also important to ensure the effectiveness of the system being deployed by measuring the operations and change aspects. This includes assessing the team's understanding of the system, the effectiveness of communication, and establishing a baseline for key operational processes. These metrics should be carefully considered and reported on to gauge the overall success of the implementation.

CONCLUDING THOUGHTS

In short, a banking system implementation is not merely a technical endeavor. There is a dynamic relationship between the human factor, technology-business dynamics, and customer satisfaction that must be managed through proactive planning and meticulous execution. However, with effective change management, banks can navigate this change with confidence, safeguarding both their reputation and their bottom line.

KEY QUESTIONS:

How does your organization currently address the human factor in system implementations? Do you have strategies to manage resistance and champion support?

What are you doing to ensure that both technological infrastructure and business operations are seamlessly integrated during a system change in your bank?

How do you prioritize customer satisfaction in your technology projects, and what steps can you take to proactively plan for customer impacts during a transition?

What metrics and measurement strategies can you implement to assess the effectiveness of your change management approach and ensure the success of your system deployment?

Are you ready to tackle the intricacies of OCM?
2Oaks is. Our experts will help you deliver a smooth transition.

Operational Readiness:
Preparing to Launch

Achieving **Operational Readiness**

IMPLEMENTING A NEW BANKING SYSTEM IS A COMPLEX PROCESS THAT REQUIRES METICULOUS PLANNING AND PREPARATION.

Upgrading systems isn't just about installing new software. You need to ensure every piece of the puzzle fits perfectly, and everyone knows how to make the most of it.

Think of operational readiness as the ultimate preparation for your banking system's big day. It's not just one task, but a collection of tasks, each tailored to make sure that when the switch is flipped, everything runs like a well-oiled machine. For this to happen, you need two types of readiness: business and technology.

✓ EARLY PREPARATION IS VITAL

Begin the readiness process early, even as the system is being learned and requirements are being defined. Assigning the best-suited individuals to the project, especially champions from the business and technology organizations, is vital. These champions should undergo early training to assist in

"Operational readiness is not just one task. It's a collection of tasks tailored to make sure that when the switch is flipped, everything runs like a well-oiled machine."

defining requirements, operating procedures, testing, and training others.

For banking system transformation projects, we recommend champions be assigned to requirement gathering, organizational change management, and readiness activities. These individuals will lead operations post go-live, making their involvement critical from the outset.

Undertaking this preparation early allows for identification of any special requirements that will be needed at go-live. Depending on these requirements, they could take months to either develop or negotiate with a vendor. You don't want the late identification of these requirements to push out your go-live date.

✓ BUSINESS READINESS: THE CHECKLIST FOR SUCCESS

Business readiness is a holistic process that involves preparing each department within the financial institution for the operational changes that come with new system implementations. It is essentially a series of mini-projects within the larger program, where each department follows a detailed checklist and plan to ensure readiness.

This includes developing cutover runbooks, operating procedures, and workarounds for potential issues at go-live. Key considerations in business readiness include training, communications, people change, facilities, enabling technologies, continuity, and the cutover process itself. Temporary system workarounds at go-live (also referred to as "Change In Action" strategy) should be integrated into operating procedures through a wiki within the Standard Operating Procedures (SOP).

> **"Early preparation allows for identification of any special requirements that will be needed at go-live."**

✓ TECH READINESS: THE BACKBONE OF BANKING

On the technology side, readiness focuses on preparing the technical organization to support the new system effectively. This involves disaster recovery, system monitoring, incident management, vendor management, and technology business continuity. All these – and more – must be ready for action at go-live.

The extent of these changes is heavily influenced by the future state deployment and operating models, which are, in turn, shaped by contractual obligations. Seek expert advice on contractual negotiations and start negotiating before product selection to maintain leverage. 2Oaks Consulting can help you with this.

Technology readiness is crucial for all, but especially critical for organizations transitioning from a significantly outsourced model or moving operations to SaaS or cloud-based solutions. This change requires a clear understanding of new responsibilities and operational boundaries.

✓ CONTINUOUS TRAINING AND PERFORMANCE INDICATORS

With all this preparation, however, remember that training is not a one-time event. Readiness is an ongoing operational requirement that will need to continue long after system stabilization and hyper-care are complete.

Additionally, develop a set of key performance indicators (KPIs) to monitor the success of the cutover process and support ongoing operations. Your KPIs measure the systems performance against expected outcomes and are your scorecard that tells you how well you're doing and where you need to improve.

CONCLUDING THOUGHTS

Operational readiness isn't just a phase in the project timeline. It is a multifaceted endeavor that requires early and strategic planning, the involvement of project champions, and a focus on both business and technology readiness. By following the comprehensive approach listed above, financial institutions can ensure a successful transition to a new banking system, setting the stage for long-term operational success.

KEY QUESTIONS:

How does your organization ensure that both business and technology readiness are addressed comprehensively during a system implementation?

What strategies can you employ to identify and manage special requirements early in the project to avoid delays in the go-live date?

How does your organization currently handle ongoing training and performance monitoring after a system implementation, and what improvements could be made?

What role do project champions play in your current implementation projects, and how can their involvement be enhanced to ensure successful transitions?

Are you confident you're ready to launch?
2Oaks will make sure your banking system project is ready to go.

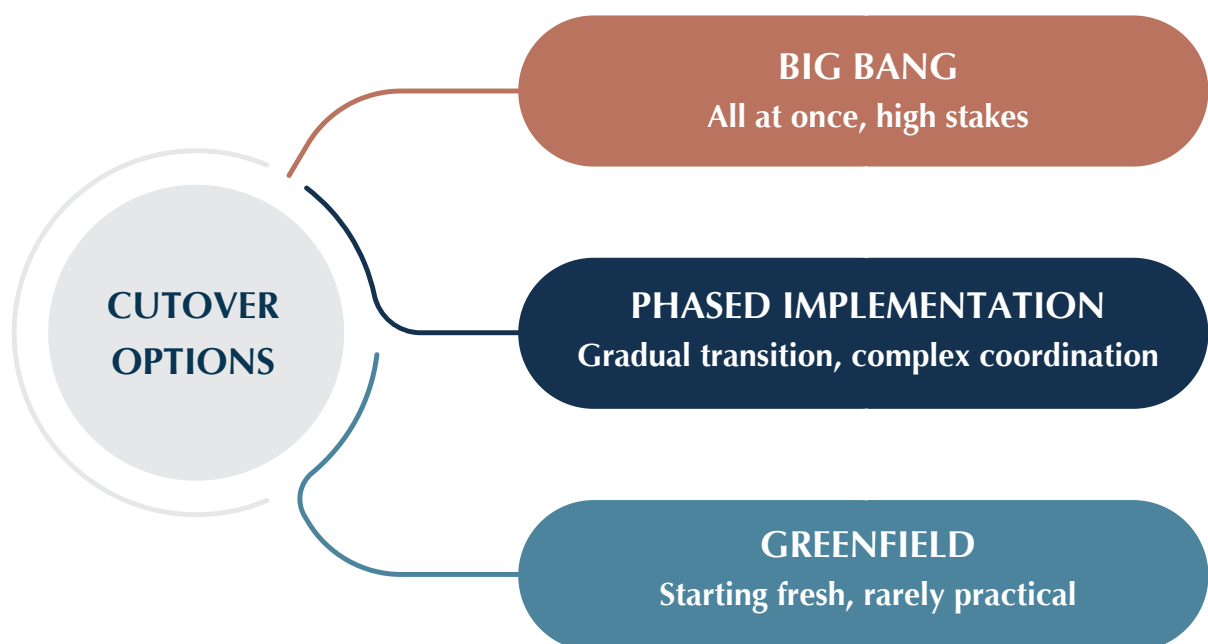# Implementation Patterns:
Which is Best?

Choosing the Right
Implementation Pattern

WHEN IT COMES TO CORE BANKING SYSTEM IMPLEMENTATION, SELECTING THE RIGHT CUTOVER PATTERN IS A PIVOTAL MOMENT THAT CAN REDEFINE OPERATIONAL EFFICIENCIES, CUSTOMER EXPERIENCES, AND COMPETITIVE EDGE.

The decision to adopt a particular approach significantly influences the project's success and should be made early in the project, as it comes with its own set of functional and non-functional requirements.

There are three primary cutover patterns, each with its own variations, advantages, disadvantages, and associated risks.

THREE PRIMARY IMPLEMENTATION PATTERNS

CUTOVER OPTIONS

BIG BANG
All at once, high stakes

PHASED IMPLEMENTATION
Gradual transition, complex coordination

GREENFIELD
Starting fresh, rarely practical

1. BIG BANG: ALL AT ONCE, HIGH STAKES

The Big Bang approach is as dramatic as it sounds: a complete cutover to the new system accompanied by the decommissioning of the old one, typically executed over a short period, such as a long weekend. This method promises immediate transformation but comes with considerable risks. The entire customer base is affected at once, making the stakes exceptionally high.

Mitigation strategies like rollback or "fix and move forward" are essential, yet they carry their own challenges. Smart organizations will consider harvesting and enhancing their future disaster recovery plan from this work, as technical and business points of no return may limit the feasibility of a rollback, while a fix and move forward strategy can quickly deplete organizational resources and test customer patience.

BIG BANG PROS AND CONS:

- **Pros:** Immediate transformation, shorter implementation timeline, potential cost savings from reduced dual-system operations and maintenance.

- **Cons:** High risk of widespread impact, limited rollback options, significant strain on resources in case of issues.

2. PHASED IMPLEMENTATION: GRADUAL TRANSITION, COMPLEX COORDINATION

Phased implementation offers a more cautious approach, introducing the new system in stages. While seemingly attractive for its risk mitigation potential, this pattern is not without its challenges.

Phases can extend over years, with some banks struggling to complete their transition even after a decade. Systemic and regulatory constraints, along with the complexities of a tri-operating model (managing the hybrid project, new production system, and old production system simultaneously), add layers of difficulty.

The longer the phases and the less defined the migration cohorts, the more complex the business and technology operating models become.

It should be kept in mind that the bigger the phase or the more one delays a release of functionality will slowly and sometime imperceptibly result in a big bang type (or mini-bang) go-live. Delaying functional releases or creating big release cohorts can be self-defeating. Additionally, do not assume "temporary" integrations will be required for only a short period of time, therefore build them with robust standards that can stand the test of time.

PHASED IMPLEMENTATION PROS AND CONS:

- **Pros:** Reduced risk with smaller initial phases, potential for early ROI realization, additional time for change management.

- **Cons:** Extended timeline, increased cost from maintaining old, temporary, and new systems simultaneously, complexity in coordination.

> **"Smart organizations will harvest and enhance their future disaster recovery plan from this work."**

✓ 3. GREENFIELD: STARTING FRESH, RARELY PRACTICAL

The Greenfield approach involves building a new system from scratch, often with new customers and a new operating model. It is the "cleanest" and theoretically simplest method but is rarely practical for core banking system renewals.

Very few banking system renewals are truly greenfield, even with a 3rd or 4th Gen Core in the mix. The rarity of Greenfield implementations in banking system renewals underscores the challenges and limitations of starting anew in an industry built on legacy systems and complex customer relationships.

GREENFIELD PROS AND CONS:

- **Pros:** Opportunity for standardization, reduced dependency on customizations, easier adoption of best practices and the latest technology standards.

- **Cons:** High disruption, significant investment required, potential loss of historical data.

CONCLUDING THOUGHTS

CHOOSING THE RIGHT PATH:

In addition to these patterns, factors such as the time of year for the cutover, systemic and regulatory considerations, and internal and partner constraints must be weighed alongside the pros, cons, and risks of each pattern. Only then can you determine the most favorable approach for your core banking system implementation.

Because this critical step will set the stage for a future of enhanced operational efficiency and competitive advantage in the banking sector, it must be a conscious decision by the leadership team early on and should not be assumed or left for a "de facto" decision later in the process.

Which cutover pattern aligns best with your organization's risk tolerance and resource availability?

How will the chosen implementation approach impact your current operational processes and customer experience?

What mitigation strategies can you put in place to address the potential risks associated with your preferred cutover method?

Have you considered the long-term implications of maintaining temporary systems and integrations during a phased or hybrid implementation?

"The critical step of choosing your cutover pattern will set the stage for a future of enhanced operational efficiency and competitive advantage in the banking sector. It must be a conscious decision by the leadership team early on and should not be assumed or left for a 'de facto' decision later in the process. "

What implementation pattern is best for your organization?
2Oaks can guide you along the right path.

Practice and Go-live:
Preparing for a
Flawless Cutover
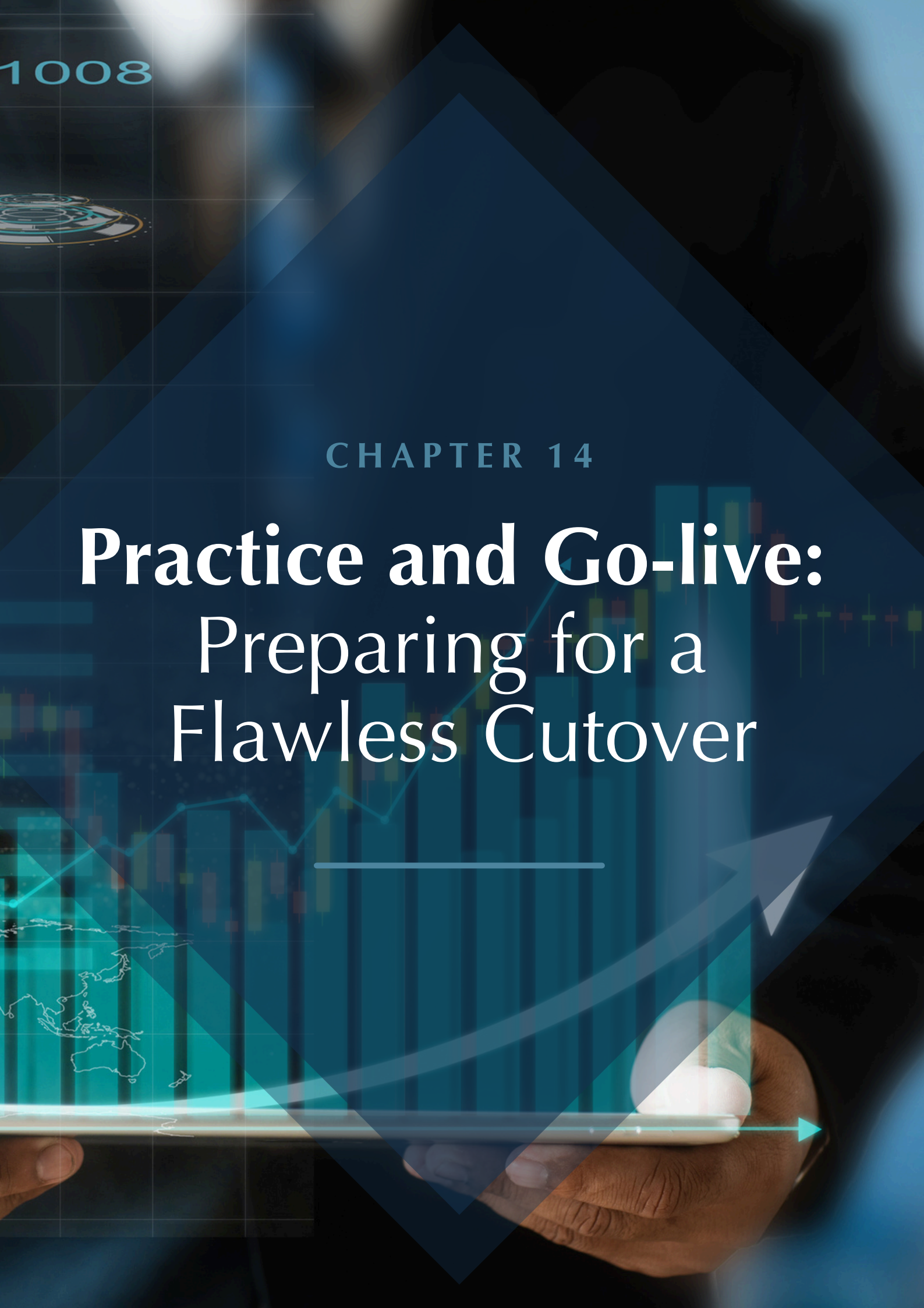
The Blueprint for a Smooth
Practice and Go-live

WHEN IT COMES TO BANKING SYSTEM IMPLEMENTATIONS, THE CUTOVER AND GO-LIVE PHASE IS A CRITICAL JUNCTURE.

Once the cutover dates are set, a series of preparatory events must take place to ensure a smooth transition. Several essential steps are required for a successful transition to a new banking system.

✓ 1. ESTABLISH YOUR ROADMAP

The cutover process begins with the end in mind. Once the go-live date is set, the project team must work backward to schedule the necessary data mocks and dress rehearsals, allowing ample time between each to address any issues, rejuvenate the team, and incorporate lessons learned. Keep in mind that a "code-complete" date, which marks the end of new development, must leave sufficient time to schedule all the necessary activities required for cutover.

✓ 2. IDENTIFY POINTS OF NO RETURN

Once your roadmap is complete, identify the points of no return in the project timeline,

"The cutover process begins with the end in mind."

including reputational, systemic, and technical. These are the milestones beyond which certain actions cannot be undone or changed without significant repercussions. Clear identification of these points helps in better planning and risk mitigation.

3. DATA MOCKS: THE TECHNICAL REHEARSAL

Data mocks are technical exercises that simulate the data migration process. Although the data migration team may have been running migrations for months to develop and test their routines, data mocks integrate other technical streams into the migration. Typically, a project will conduct about three data mocks, ensuring that the migration strategy is robust and ready for the actual cutover. Depending on your strategy, ancillary system migrations might be part of the data mock scope.

4. DRESS REHEARSALS: A FULL-SCALE RUN-THROUGH

Dress rehearsals are comprehensive tests of the entire cutover process, involving both the technical systems and the people who operate them. These rehearsals mirror the actual cutover plan as closely as possible, including the same people (stakeholders, partners, and vendors) and the same schedule (office and after-hours) as the actual cutover. The objective is to finalize timings and optimize the cutover process.

The number of dress rehearsals required may vary depending on the project's complexity and timeline adherence, but it's crucial to involve all business departments, vendors, and partners. Everyone must perform their cutover runbooks during the dress rehearsal to become familiar with their roles and responsibilities during the cutover.

Without everyone's involvement, the dress rehearsal simply becomes another technical exercise.

5. UNDERSTAND AND OPTIMIZE THE CRITICAL PATH

To streamline the technical migration, it is essential to understand its critical path and explore options to expedite the process. For example, identify activities that may be currently sequential but can be done in parallel to reduce the overall timeline. Include the banking system vendor in this phase, but keep in mind their focus will primarily be on the core banking system rather than the ancillary systems, which can be numerous and equally vital.

"Allow ample time to address any issues, rejuvenate the team, and incorporate lessons learned."

6. FINALIZE RUNBOOKS AND ESTABLISH A COMMAND CENTRE

During the mocks and dress rehearsals, the project team must finalize the runbooks, establish the command center, adjust resources, initiate communications, revise standard operating procedures, and ultimately makes the pivotal go-no-go decision. This activity is crucial for ensuring that all teams are synchronized and ready for the cutover.

7. GO LIVE, BUT MAINTAIN CONTROL

Throughout the cutover period and subsequent hyper-care phase, your command centre should operate around the clock. Some organizations may have sub-command centres, such as a business hyper-care centre, but having a single point of control that serves as the focal point for all activities and communications related to the cutover is essential.

We advise organizations to develop a real-time dashboard to track and display the cutover status. This can alleviate the need for constant visits to the command centre, reduce the presence of FOMO, and help team members rest after their shifts.

8. PRO TIP: PREPARE FOR THE WORST AND HARVEST LESSONS LEARNED

As the cutover phase progresses, it's important to consider and prepare for a backout strategy in case of unforeseen complications. Further, preparations for the cutover process present an opportune time to harvest lessons learned for future business continuity and technology disaster recovery planning. Documenting these lessons can help improve processes and mitigate risks in future implementations.

CONCLUDING THOUGHTS

In conclusion, the path to a successful banking system cutover includes detailed planning, rigorous testing, and strategic execution. By following these guidelines, financial institutions can ensure a smooth transition to their new systems, minimizing disruption and setting the stage for future innovation and growth in the banking sector.

KEY QUESTIONS:

How does your current cutover and go-live strategy align with the best practices outlined in this chapter?

What specific steps can your team take to improve the planning and execution of your next banking system transition?

Have you identified and documented the points of no return in your project timeline, and how will you address potential risks associated with them?

How can you incorporate lessons learned from past implementations to optimize your critical path and ensure a smooth cutover process?

Does the cutover process feel intimidating?
Our 2Oaks experts will make sure you're ready to go live!

Stabilization and Optimization:
Effective Post-Cutover

Ensuring Stability with
Stabilization & Optimization

GO-LIVE MARKS A SIGNIFICANT MILESTONE IN ANY BANKING SYSTEM TRANSFORMATION, BUT IT'S NOT THE END OF THE JOURNEY.
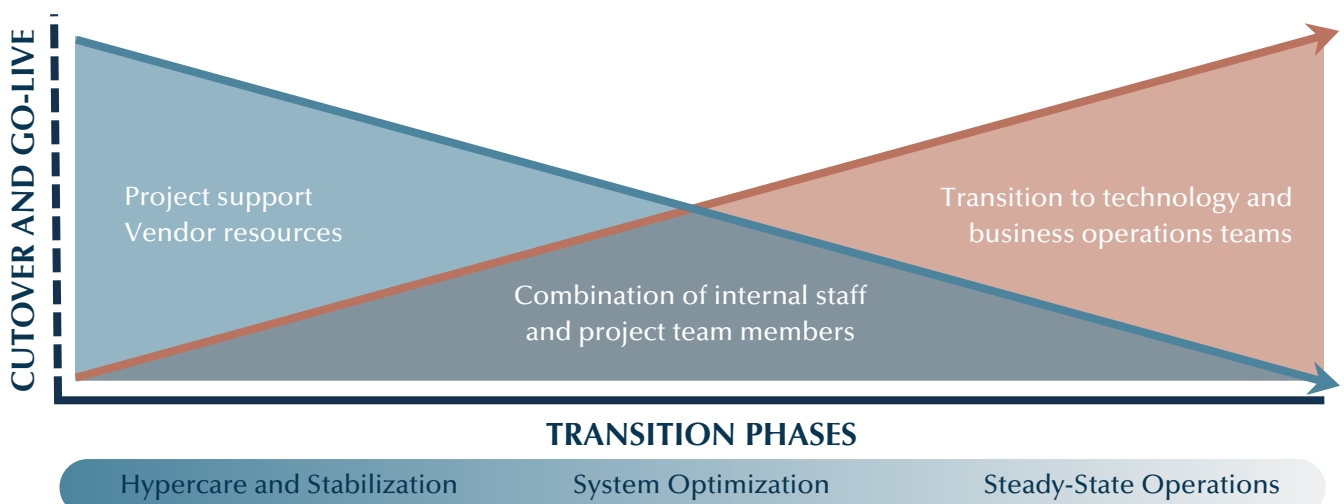
After the cutover, several considerations must be addressed to ensure a smooth transition to stable operations. The concept of "done" needs to be clearly defined and understood by all stakeholders.

Here are some key factors to consider post-cutover:

✓ TRANSITIONING SUPPORT PROCESSES

One of the primary considerations is the transition from project support and execution processes to business and operational processes. This transition can be particularly complex in phased implementations, where a hybrid model

TRANSITION FROM PROJECT SUPPORT AND EXECUTION PROCESSES TO BUSINESS AND OPERATIONAL PROCESSES

CUTOVER AND GO-LIVE

Project support
Vendor resources

Transition to technology and
business operations teams

Combination of internal staff
and project team members

TRANSITION PHASES

Hypercare and Stabilization   System Optimization   Steady-State Operations

needs to be maintained. Key issues that arise during this phase include:

1. System Changes and Defect Remediation:

Post-cutover, there may be a need for system changes to address defects or issues that were not identified during testing. This will require a well-defined process to manage the changes and their release.

2. Future Releases:

In addition to defect fixes, there may be a need to release additional features or enhancements that were not part of the initial cutover scope. These releases should be carefully planned and coordinated with operational processes.

⊘ HYPERCARE AND STABILIZATION

The period immediately following the cutover is often referred to as "hypercare" or "stabilization." During this phase, it is advisable to retain project and vendor resources to provide dedicated support and address any issues that arise. This approach ensures a smooth transition and minimizes disruptions to business operations.

⊘ CENTRALIZED SUPPORT AND KNOWLEDGE MANAGEMENT

Effective support for the business and customer base is essential during the stabilization period. This can be achieved through the establishment of a central support system, such as a call center or strategically located subject matter experts. Additionally, a "change in action" wiki or knowledge base can be invaluable for documenting known issues, workarounds, and system changes. The typical process should involve:

1. Checking the wiki or knowledge base for known issues and solutions.
2. Contacting the central support or available subject matter experts for assistance.
3. If the issue remains unresolved, opening a ticket for triage and prioritization.

⊘ ONGOING TRAINING AND KNOWLEDGE TRANSFER

As the stabilization process unfolds, ongoing training and knowledge transfer for new staff members will be necessary. This ensures that the organization maintains a skilled workforce capable of supporting the new system or processes.

⊘ SYSTEM OPTIMIZATION AND PERFORMANCE MONITORING

Part of the technology stabilization process involves optimizing the system and monitoring the duration of overnight and intraday processes. This is an ongoing exercise that relies on the collection of key performance metrics. It is crucial to incorporate these key metrics as non-functional requirements (NFRs)

during the project's requirements gathering phase to enable effective monitoring and optimization post-cutover.

✓ TRANSITIONING TO STEADY-STATE OPERATIONS

Eventually, the need to reduce project support and associated costs will arise. The duration of this transition period varies depending on the project's complexity and the organization's specific circumstances. However, a typical path forward involves:

1. Hypercare or stabilization period with dedicated project and vendor support.
2. Reduced support with a combination of internal staff and some project team members.
3. Complete transition to technology and business operations teams for steady-state support.

CONCLUDING THOUGHTS

By addressing these considerations and establishing clear processes for the post-cutover phase, organizations can ensure a smooth transition from project

execution to stable operations, minimizing disruptions and maximizing the benefits of the implemented solution.

Of course, eventually the need will arise for upgrades, new system implementation, or restarts. This is the cycle of life in banking system transformation! When that need arises, refer back to Chapter 1 of our *Transforming Banking* eBook and let 2Oaks Consulting guide you once again through another successful banking system implementation.

KEY QUESTIONS:

How prepared is your organization for the transition from project support to operational processes after cutover?

What resources and strategies do you have in place for the hypercare and stabilization period post-cutover?

How effectively can your current support system manage and document known issues and solutions?

What measures are you taking to ensure ongoing training and knowledge transfer for your staff during and after the stabilization phase?

Are you ready to go live? 2Oaks experts will help you make a smooth post-cutover service transition!

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