

Banking on Change

Technology and operations excellence in the post-financial crisis world

September 2009



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Section 1 – Point of view

Point of view

Banks should prepare now for the post-financial crisis business environment

The financial crisis of 2007-2009 will inevitably give way to economic expansion, although the exact timing of the recovery is uncertain. Banks that prepare now for the post-crisis business environment will enjoy multiple advantages over competitors that confront the new market with existing technology and operational models. Banks should recognize and respond to several realities in order to ensure their post-crisis success.

Changing customer-buying patterns create opportunities. However, banks must change their products, pricing, and delivery channels to meet the threats imposed by non-traditional competition and changing regulation.

Banks should enact holistic change to their core processing to improve customer relationship management, enable flexible product pricing, and support an increasing number of buying channels.

Banks will need to transform their business models and support structures to succeed in the new environment.

Banks should modernize and simplify aging infrastructures in order to prepare for the set of uncertain changes that will likely arise in the future.

The transformation to bank holding companies presents both challenges and opportunities.

Organizations transitioning to the bank holding company structure should define a strategy, operating model, and product set that will be easily adopted by current customers. These organizations must also adopt traditional bank operating technology and services, but should consider modern approaches already used by overseas banks.

Banks that innovate during the crisis can emerge as market leaders.

Banks should identify the benefits of transformational change to operations and technology now, before their competitors eclipse them. They should explore emerging solutions, technologies, processes, and organizational models; deliver incremental changes; and identify potential business partners for the journey.

Banks must overcome the legacy of past platform investments that have not delivered projected benefits.

Current technology solutions are often a web of archaic systems and software patches. Banks should strive to overcome the historic organizational resistance to large-scale technology projects to institute fundamental technological change. Agile institutions stand to triumph over their competitors if they prioritize and select the most efficient and effective paths to their target states.

Point of view

External threats will emerge and must be addressed

Banks that address challenges such as increased competition, growing customer demands, and new regulations with uncoordinated approaches are likely to continue adding complexity to their business models and technology environments. These complexities may not be easily unraveled and can lead to an inability to capture opportunities or respond rapidly and successfully to emerging external threats.

- Without the flexibility to innovate, banks will find it difficult to compete. Nontraditional players such as health insurance providers and certain technology and retail companies are leveraging their customer relationships, capital, and other assets to provide products and/or services traditionally provided only by banks.
- The days of the loyal, life-long customer are over. Technology-savvy customers expect banks to use information and data to provide personalized services through multiple channels at relationship-based pricing. Transient customers are generally willing to move to banks that make their customers feel their business is valued. Customers with greater access to information on banking products are often willing to consume products from multiple institutions.
- Banking services and technology must be flexible and able to adjust rapidly to changing customer and business demands while maintaining low costs. Executives must be able to formulate competitive products and bring them to market in a timely manner across domestic and international boundaries. Organizational structure, incentive schemes, and performance measures must support quality service across all channels chosen by the customer.
- All personnel and banking processes must adhere to increasing regulatory mandates and requirements. New regulations, regardless of their exact nature, will demand increased transparency and expanded reporting requirements. This will put additional pressure on efficiency ratios and capital adequacy, limit risk-taking activities, and restrict revenue growth opportunities. Banks with flexible reporting structures will be able to efficiently provide needed information to regulators.
- Banks should address these external forces holistically to determine the most effective and efficient course of action.

Point of view

Banks will need to transform their business models and support structures to succeed in this new environment

The financial crisis has highlighted inefficiencies and other weaknesses in banks' business models and support structures. Raising capital has become more difficult, and many banks have been forced to reexamine their product mix. Banks that transform business models and support structures will be poised for post-crisis success.

- The operating environment for financial institutions has changed dramatically and will continue to evolve in the near-term. For example, many companies have had difficulty raising capital. As we look to the future, a smaller, more transparent securitization market may provide much less funding to financial institutions at generally higher prices. Financial institutions, therefore, may need to attract reasonably priced, longer-term, stable funding by increasing their deposit bases and other sources of funding. In order to attract this funding, organizations will likely need to upgrade their technologies and operations to provide innovative products at the right price, coupled with high-quality service.
- In addition, we estimate that average saving rates in previously high consumption countries like the US will revert back to pre-1993 levels, when savings rates were consistently between 5 percent and 10 percent. Current statistics from the Bureau of Economic Analysis indicate that the year-to-date savings rate for January 2009 through July 2009 was 4.4 percent, the highest 7-month average since September 1998 through March 1999.¹ This will skew revenue opportunities for financial institutions toward savings and wealth management products and away from lending products. Additionally, we estimate that without significant changes in cost structures, customer delivery models, and/or product mixes, post-crisis bank profitability levels may be 15 percent to 20 percent below historical averages.
- As a result of these changes, banks should focus on developing an efficient, effective, and flexible banking infrastructure.

¹ Personal saving as a percentage of disposable personal income, seasonally adjusted at annual rates. Source: US Department of Commerce, Bureau of Economic Analysis and PwC analysis. News release 28 August 2009.

Point of view

The transformation to bank holding companies presents both challenges and opportunities

The migration to a bank holding company model by many non-bank financial institutions could have a significant impact on the competitive landscape as well as the business and operating models for the transitioning institutions.

- Many of these institutions, including many US-based brokerage, insurance, and wealth management organizations, will face particular and acute challenges in providing full banking services. This may affect their ability to compete in the short-term.
- These organizations also have the opportunity to build modern banking operations and technology processes without the constraints of 30 to 40 years of legacy practices. The adoption of solutions with open architectures and enterprise data management capabilities, proven in foreign markets such as India, the Middle East, and Australia, will provide a long-term competitive advantage.
- Bank holding companies that acquire non-bank financial institutions will face decisions regarding whether the processes and technologies of the acquired institutions bring them closer to or push them farther from their target-state platform.
- Whether through the transition to bank holding companies or acquisitions, more financial institutions and business activities will ultimately fall under bank regulatory frameworks and requirements that demand more transparency.
- Banks should continuously analyze their business models, legal entity structures, capital allocation methodologies, and supporting operational and technology infrastructures to promote enterprise-wide compliance.

Point of view

Those who innovate during the crisis can emerge as market leaders

The recent upheaval in the financial markets has opened a window of opportunity for institutions to build leading operational and technology platforms.

In the 1990s, banks in emerging markets such as India had the unique opportunity to build their banking operations from the ground up with little legacy to overcome.

- Banks currently in the midst of massive restructuring are in the same enviable position.
- Deployment of new operating models and technologies is estimated to have reached more than 60 countries.
- Leading institutions in established markets such as the US, the UK, Australia, and Canada are beginning to adopt these models and technologies; while risks exist, early adopters stand to capture significant first-mover advantages.

The benefits of early adoption may include:

- Higher customer retention and increased wallet share achieved by providing consistent services and cross-selling based on a complete customer record.
- Increased revenue due to the flexibility and speed to define, design, and deliver new products to market.
- Improved margins and profitability through operational process automation and consolidation.
- Lower operational costs due to less complex and more flexible application and infrastructure architecture.

Bank executives need to manage their organizations through the current economic conditions without losing sight of the critical elements that could define their future survival. Financial institutions that innovate will enjoy significant advantages over banks encumbered by antiquated technologies and manual processes. Organizations should:

- Identify the benefits of transformational changes to all stakeholders—including customers, business units, operations, and technology—and articulate how these functions contribute to business growth.
- Define how and when emerging solutions, technologies, processes, and organizational models should be adopted in order gain a competitive advantage.
- Deliver incremental changes to satisfy existing budget constraints while continuing to move toward their specific future-state visions.
- Identify potential business partners for the journey.

Point of view

Banks must overcome the legacy of past platform investments that have not delivered projected benefits

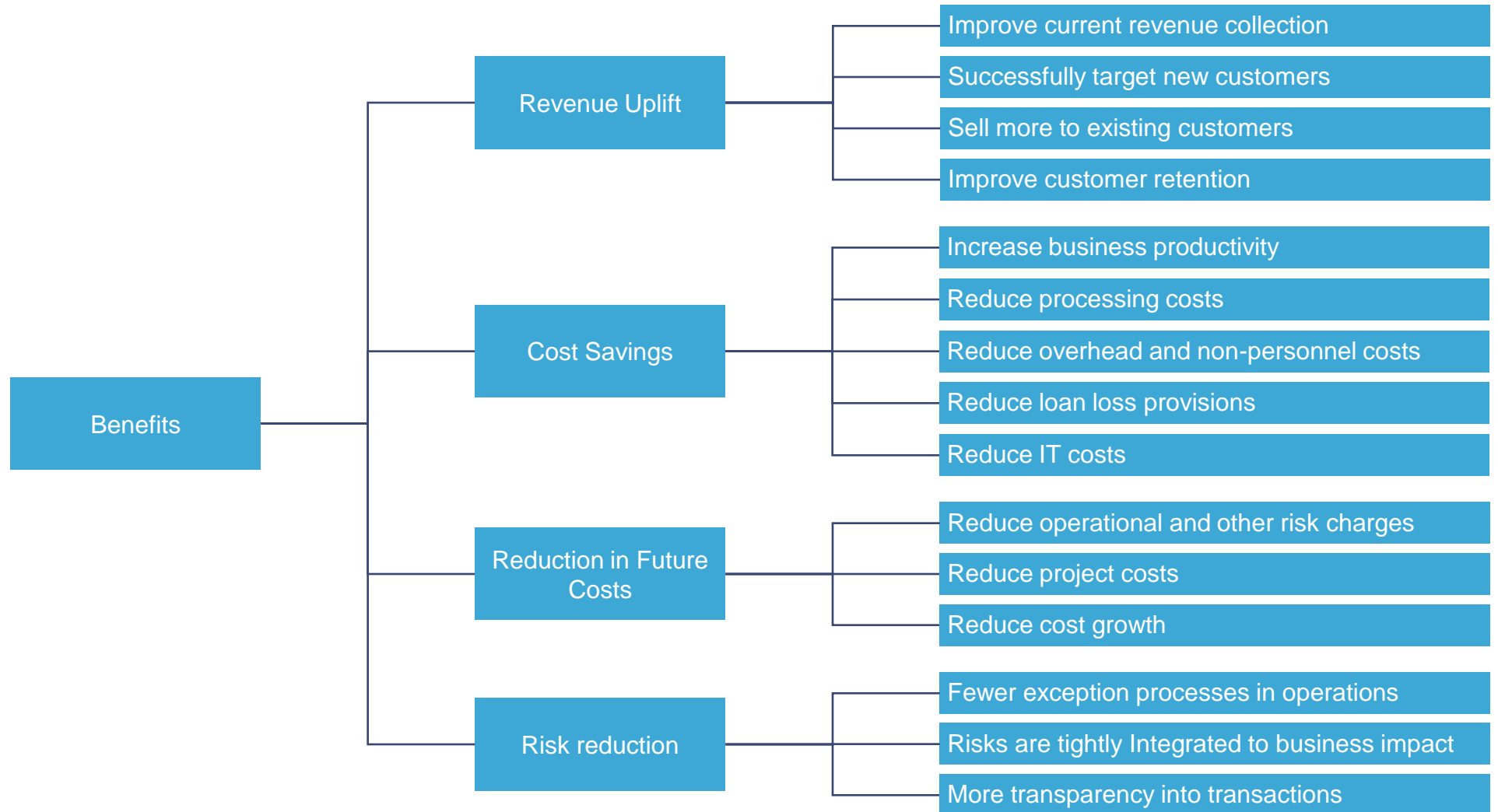
In today's environment, many senior executives remain skeptical that investments in technology and operations will lead to cost and service advantages.

- Senior executives are frequently reluctant to undertake large banking technology and operational improvement projects. Their reluctance is often based on their past experience with previous complex and costly technology implementations, many of which have not delivered projected benefits. Most institutions have instituted uncoordinated changes and workarounds, which over time increase operational costs and risks. This environment has been further complicated by M&A activity in which technology applications and operational processes are not fully integrated and/or retired.
- Major investment decisions, especially those involving the core technology platform, have moved from decisions made by the COO, CTO, or CFO, to those that involve the CEO and the entire management team. These decisions impact not only the institution's fundamental ability to offer products and services; they affect the customer experience, efficiency ratios, human capital requirements, and regulatory compliance.
- Despite current cost constraints, there is a growing realization within many leading financial institutions that significant investments in banking technologies and operations will be required to succeed in the emerging competitive business landscape while ensuring ongoing regulatory compliance.
- The financial crisis has become the proverbial "straw that broke the camel's back" in many cases. A new mentality is taking hold, with many institutions facing fundamental prioritization, investment, and change decisions in order to survive.

Point of view

Quantitative and qualitative benefits

The increase in short-term operating expenses and transformation spend should be netted against the long-term benefits of revenue uplift, cost savings, reduction in future costs, and risk reduction.



Point of view

Quantitative and qualitative benefits – Reduce current risks and future costs

Reduce future costs

Compliance costs and other risk charges

- Centrally located and accessible data enables integrated governance, risk, and compliance activities, which improves transactional and business conduct oversight
- Lower the cost of compliance and regulatory examinations

Project costs

- Reduce future technology project costs and obtain faster acquisition integration with an integrated service model

Cost growth

- The costs of connecting legacy systems to constantly changing delivery channels may be reduced through the integrated model
- As business grows or contracts, the scalability of processes and systems follows suit in near real-time
- The cost of integrating acquired entities is significantly reduced

Risk reduction

Fewer exception processes in operations

- Straight-through processing (STP) avoids manual handling of exceptions, which reduces errors

Risks tightly integrated to business impact

- Risks of specific transactions are tied to the individual customer or business unit
- Flexibility of pricing may be managed to account for increased risk taking

More transparency of transactions

- Management is expected to have more transparency into risks of specific transactions
- Examiners may likely require more data (real-time or adhoc) related to transactions

Section 2 – Current situation

Current situation

The marketplace has never been so volatile

Customer, product, and competition themes	Changing business	Product/service extension	Borderless banking
Operations and technology themes	<p>Strained infrastructure</p> <ul style="list-style-type: none"> • Most core systems more than 15 years old, with many over 30 years • Challenge to serve more information-based requirements of home banking and mobile banking clients • Temporary changes and “hot fixes” to legacy infrastructure are expensive and insufficient • Consumers who are better cash managers are straining the systems 	<p>Platform cost effectiveness</p> <ul style="list-style-type: none"> • Demand management of client customization is extremely difficult and often not priced into service offerings • Urgent need to construct optimal global cost-effective infrastructure by moving processing from high-cost markets to lower-cost ones is inhibited by inflexible platforms or limited expertise in certain markets 	<p>Transparency</p> <ul style="list-style-type: none"> • True unit costing of services and performance evaluation remains difficult for most competitors, due to manual, fragmented processes and poor business and operating metrics • Participation in TARP and other government crisis response programs will likely bring additional demands and constraints
	<ul style="list-style-type: none"> • Contraction in the number of banks due to attrition and consolidation • Global clients are seeking consistent, personalized service worldwide • Nonbanking intermediaries and nontraditional banking players establishing banking services • New channels for acquisition, support, and transacting • New demands by consumers for innovation, lower costs, and increased access to data • The government taking a more active management role beyond regulatory 	<ul style="list-style-type: none"> • Lines between transaction accounts, savings accounts, and investment accounts are being blurred • Information-based services such as alerts, mobile banking, and Web services • Base products are strained by expectations for real-time updates and access • Products need to be tailored to more and more granular segments in order to be competitive (for example, language support, senior citizen banking, mobile clients) 	<ul style="list-style-type: none"> • Increasingly migratory population demands a more global presence • International payment capabilities, cash pooling, offshore investment requirements originating from all segments

Current situation

Banks are attempting to manage through the difficult environment

Current management responses to market volatility	Cross-product operations	Professionalism in operations	Sourcing/centers of excellence
	<ul style="list-style-type: none"> • Merging operations and technology for common horizontal functions such as reconciliations, payments, and cash management • Unified cash and securities platform versus horizontally layering solutions • High-quality client data across product groups • Single view of customer created from multiple source systems, but data quality issues are significant and single view not used to service customers 	<ul style="list-style-type: none"> • Managing operations based on thorough key performance indicator (KPI) data • Process excellence principles and framework are being adopted in pockets to drive continuous improvement (e.g., Lean 6 Sigma) • HR – Competition for talent is intensifying and the talent pool is limited in specific product areas 	<ul style="list-style-type: none"> • Movement of processing nearshore/offshore – HR challenges • Application Service Provider (ASP) banking solutions are growing • Concerns regarding capabilities of service providers now and in the future • Continued analysis and reexamination of insourced vs. outsourced solutions • New competitors from former outsourcing partners extending their services
Current management responses to market volatility	Control	STP/efficiency	Customer service
	<ul style="list-style-type: none"> • Implementing proactive controls to build compliance into all processes • Synergies between process improvement investment and regulatory investment 	<ul style="list-style-type: none"> • Changing technology/business processes to achieve true STP/exceptions-based model • Rise in electronic transactions – high rates of STP now taken for granted • One-stop issue resolution around transaction processing 	<ul style="list-style-type: none"> • Quality of customer care is a larger differentiator than ever before • Outsourced service and multi-channel support complicates support requirements

Current situation

Investments are being made in core banking and delivery channel applications to improve competitive positions and/or enter new international markets

	Observations of current experiences			
Characteristics of service offering and infrastructure	Financial institution 1	Financial institution 2	Financial institution 3	Financial institution 4
Core application strategy	A global bank is replacing its core application within each country with a standard base instance. As each country has implemented this, the global technology team decides whether to build a capability with the core for the next release to all countries or build it into an exposed functional wrapper that will be unique to that country.	A national bank, in preparation for going global, is replacing its core application with an integrated core application that was developed to be configurable for country-specific requirements and multiple currencies. The application is an integrated delivery channel through core and selected back-office operations.	A global bank holding company currently branded by country, but moving to a common brand, is deploying an application re-use strategy to deliver a consistent customer experience across all delivery channels. However, the core back-end will not be standard across countries.	A multi-country bank utilizes a strategy whereby each country runs common applications in a single location and single instance of its core application architecture. This is akin to a best-of-breed strategy but not as highly integrated.
Support model	Global technology team supports standard core with local teams supporting exposed localized functions.	Supported primarily by application vendor offshore.	Primarily supported locally with specifications and design recommendations for the “standard” delivery channel applications made by the parent company.	Primarily supported by the centralized local technology team with some independence for smaller applications and requirements specific to a market.
Architecture	Distributed	Centralized with significant integration	Distributed	Centralized with less integration

Note: This information has been obtained through various means and represents our current best understanding of competitive institutions that are judged to be relevant. This information is represented as such, and we make no claim as to the level of accuracy or completeness. Potential implications also include our knowledge of competitors beyond those listed.

Section 3 – Framework for response

Framework for response

Lessons learned about from successful organizations that have invested and achieved competitive advantages

The single-most referenced lesson learned is the need for an effective and efficient execution and implementation effort. Other important lessons include:

- **Obtain senior sponsorship** – CEO and executive team sponsorship is a requirement, not only due to the investment required, but because of the degree of organizational change required to successfully implement and transform the institution. Organizations have reported that in previous efforts, sponsorship and governance focused on one business area and/or support function, which prevented and/or precluded decision making to achieve significant cross-functional benefits.
- **Secure all required skill sets on the team** – Transformations are significant efforts. Frequently, the necessary resources are underestimated and/or not properly allocated. Project participants frequently report “day jobs” and “project jobs” cannot be successfully completed in the same business day. The impact may be devastating on both the transformation, day-to-day business, and overall morale and motivation. Leading companies actively assess skill set and resource needs in their planning phases and then devote dedicated leadership and selectively employed external resources to augment team expertise and resources. Support resources are typical within project management, product and software expertise, organizational design, regulatory, tax and process reengineering skills.
- **Develop a formalized and approved target state** – Financial institutions fared better when a principles-based target-state vision, which included organizational, process, technology, and regulatory design, was formally documented and approved. A number of organizations, in the absence of a clearly defined “to be” vision, tended to focus on the execution of a portfolio of projects and were unsure if the effort was generally on- or off-track toward a set of goals and expected benefits.
- **Incorporate competitive information and potential game-changing innovations** – Out-of-the-box thinking and knowledge of the competition are critical for game-changing ideas to surface. Organizations have not historically dedicated sufficient time in their strategic planning sessions for operations and technology, and often sense they are only duplicating the work of their competition rather than making their own advances. Despite the financial uncertainties, changes in the business environment, information technology, process automation, and other tools have recently made possible strategies that were once considered impractical or unsustainable. For example, the consideration of the US as a potential low-cost location is a fairly recent phenomenon. This trend is the result of many factors such as talent availability, political risk, exchange rates, tax policy, and management concerns. By understanding the competition and enabling your team to spend time thinking creatively, new and innovative solutions may be embedded into the target-state vision.

Framework for response

Lessons learned about from successful organizations that have invested and achieved competitive advantages

The single-most referenced lesson learned is the need for an effective and efficient execution and implementation effort. Other important lessons include: (concluded)

- **Create a practical, flexible roadmap for implementation that may be adaptable to change** – All successful programs develop a clear, concise, dynamic, and prioritized implementation roadmap which includes the larger components of the program, timelines and milestones, and deliverables. In addition, the roadmap must be sufficiently flexible to incorporate multiple scenarios such as acquisitions and spin-offs. The best roadmaps recognize the interaction between different workstreams and include an overall investment plan, which serves as a vehicle to gain senior level support for the overall program projects, initiatives, benefits, and budgets. Specific business cases may be developed and vetted against the roadmap.
- **Evaluate business cases against a consistent framework** – One of the most important aspects of successful programs is the development and implementation of a consistent and thorough framework to evaluate business cases and funding allocations. Steering committees and executive teams are able to ask the right questions; compare business cases; prioritize based on risk, complexity, and benefits; and determine which business cases deliver when a clear vision and roadmap are in place. In their absence, we have seen a number of programs evolve into a series of uncoordinated, misaligned projects that have not been subject to clear cost/benefit analyses.
- **Measure and communicate results and benefits in real time** – The most successful programs begin with a strong communications plan, agreed-upon quantitative and qualitative metrics, and a strong project management organization. Progress and realized benefits are monitored for mid-course corrections. Costs are tracked and tied back to the specific initiative. Armed with this information, the transformation team is able to promote business case projections becoming realized benefits that may be demonstrated concretely to senior managers. Formal tracking and reporting capabilities have become standard in successful programs.

Framework for response

PricewaterhouseCoopers has developed a framework and action plan to assist clients

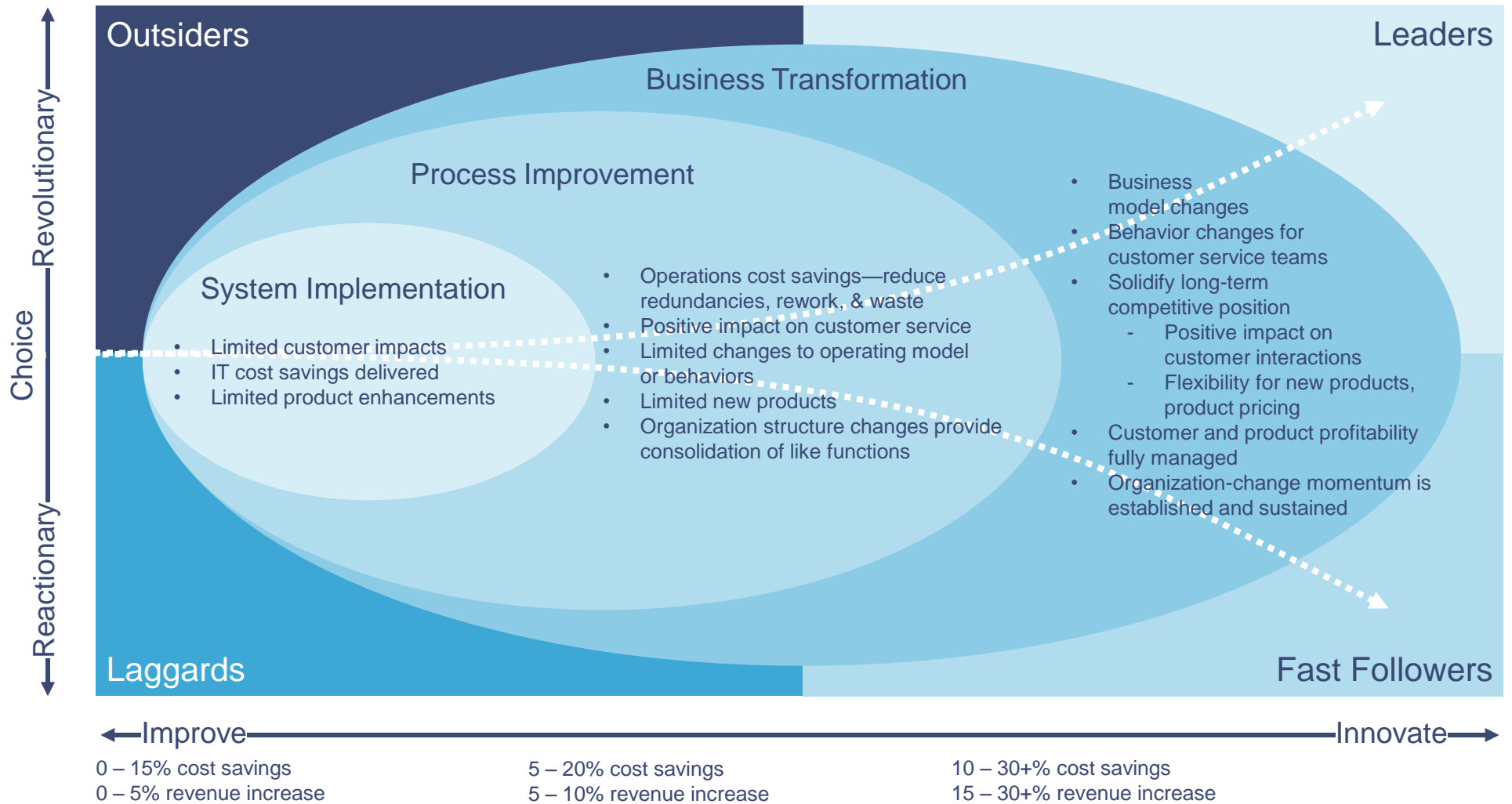
This framework and action plan helps clients achieve a target state while overcoming current constraints and challenges. Our framework begins with an action plan designed around three major areas or workstreams:

- First, banks must decide on the extent of the change, including systems upgrade, process improvement, and/or transformation.
- After defining the appetite for change, we recommend applying our transformation framework, which provides guidance on all stages including: assess, design, construct, implement, and operate and review.
- When the selected transformation framework is complete, it is important to maintain a post-delivery culture of change and support.

Framework for response

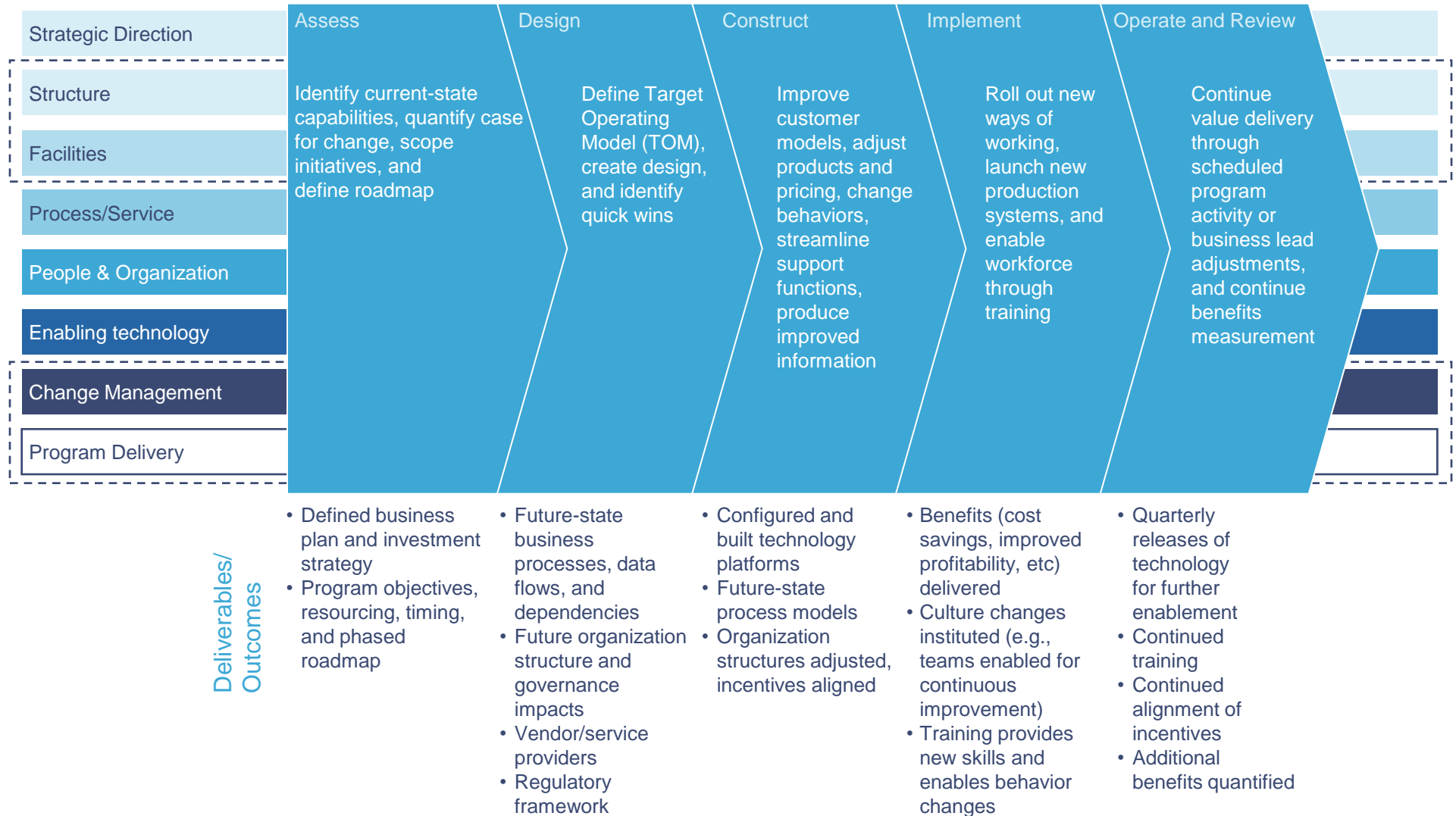
Organizations must identify the desired results and appropriate action steps

It may be necessary to challenge the appetite for change and the overall culture to produce results.



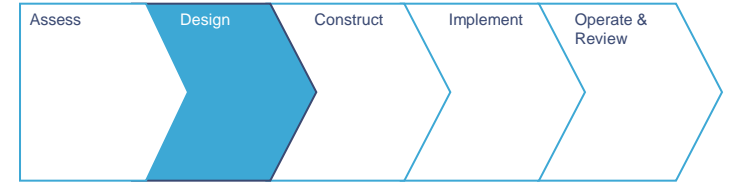
Framework for response

Adopt a transformation framework

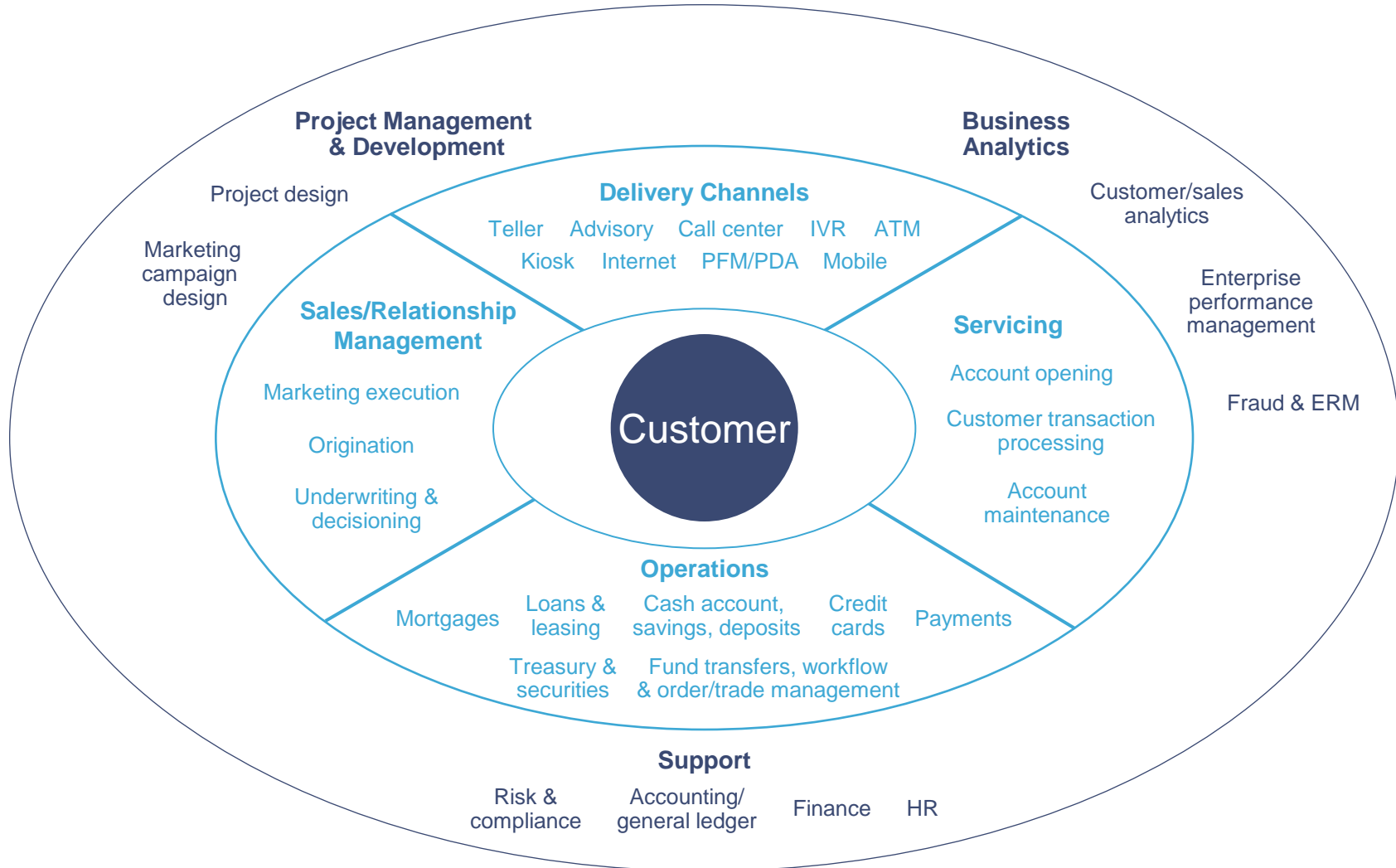


Framework for response

Demonstrate customer-centric target operating model (TOM) adds value

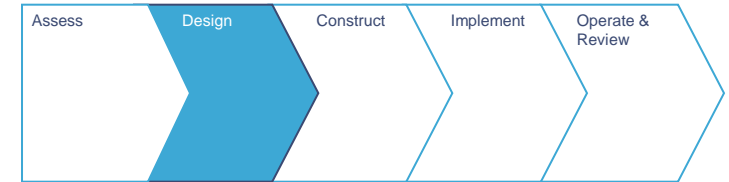


Customer-centric models impact front- and mid-office functions; largest impacts and benefits may arise when high-performance is achieved across banking functions.



Framework for response

Define Target Operating Model (TOM)



Customer-centric business models have produced significant benefits to organizations—legacy product silos and business models must be challenged.

P&L Owners

- Opportunities for new fee and interest income
- Cost and timeline to launch new products
- Flexibility of configuring/customizing products for geographies or customers
- Costs of servicing customers for existing products (including flexibility across channels)
- Workforce effectiveness—time spent servicing or selling versus performing nonvalue activity

Bank Operations

- Service costs and quality measures for end-to-end processes
- Flexibility to adjust capacity and costs based on changing demand
- Costs associated with meeting changing regulatory requirements
- Opportunities to eliminate redundancy



- Complete and accurate customer information records are used to attract and retain the right customers
- The right products at competitive prices (including relationship based pricing) to maintain customer satisfaction
- Availability and flexibility of services across channels and geographies

Finance and Administration

- Profitability of products
- Profitability of customer relationships
- Effective use of capital and other assets

Chief Information Officer

- Costs of maintaining existing platforms/ service providers
- Costs of maintaining, extending, or adding delivery channels
- Quality of service/satisfaction of internal and external customers
- Quality of data and usability for analytics
- Projected costs of replacing existing platforms (systematically or entirely)

Regulators/Compliance

- Collecting complete customer information in the most efficient manner
- Automating disclosures designed to ease transition to new regulations
- Automating compliance tasks enabling more timely, predictive, and accurate reporting

Executive

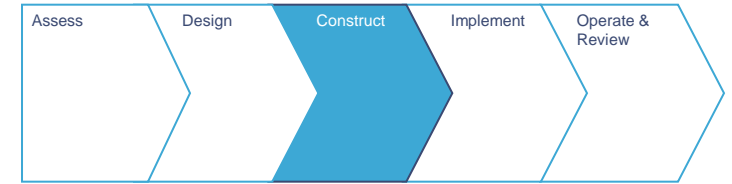
- Return on operational investments and the impact on sustainable profitability
- Flexibility of banking operations to gain benefit from acquired assets
- Confidence in banking operations to realize benefits of future acquisitions
- Executive accountability for results that also rewards teamwork necessary to service customers across silos
- Market share captured or sustained from non-traditional competitors

Chief Risk Officer

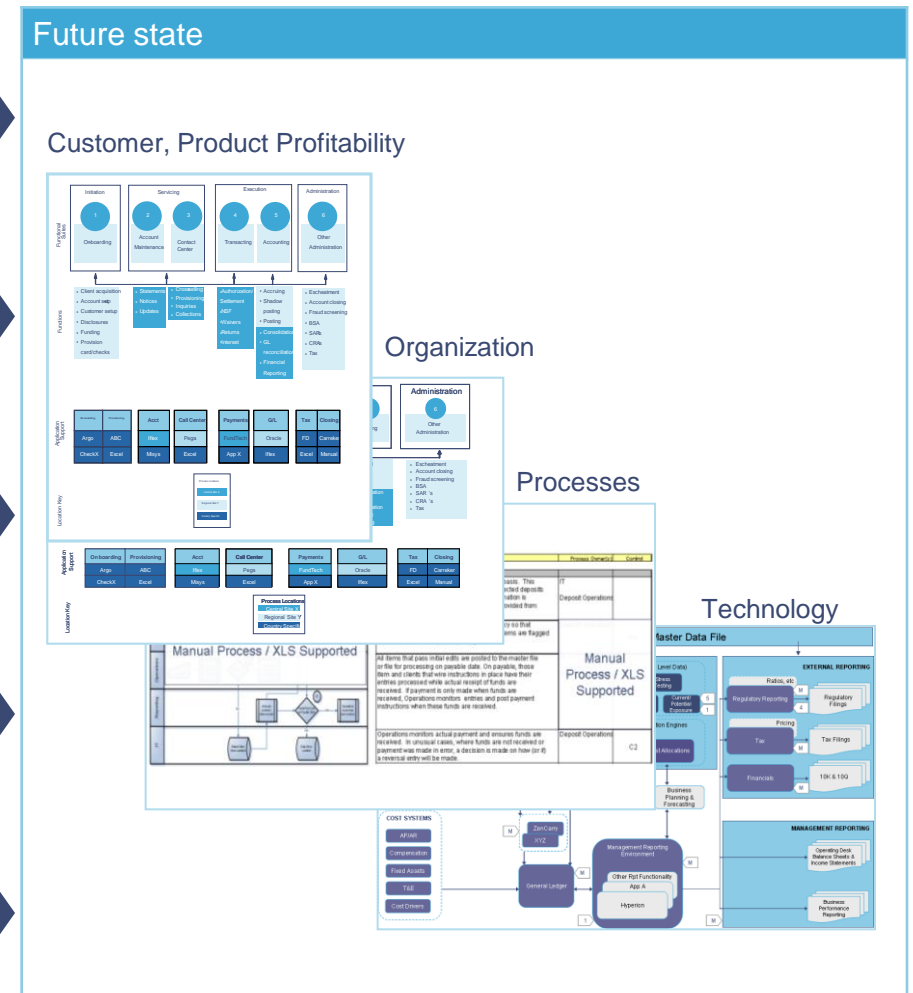
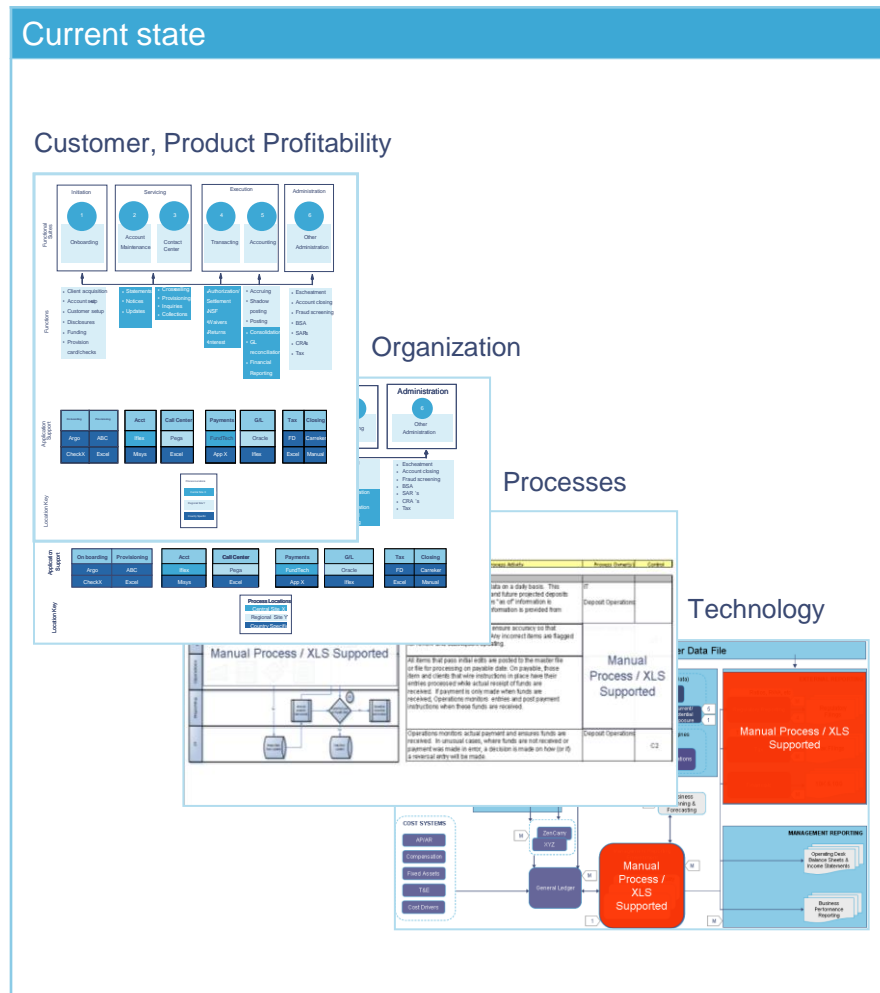
- Timely and detailed reporting
- Replacing detective controls with preventative controls
- Integrating risk assessment platforms

Framework for response

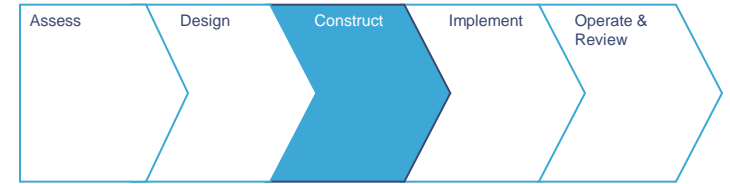
Construct the future-state business, organization, and technology



Per the roadmap phases, define the future business model, business rules, organization structure, straight through processes, and enablement technology.

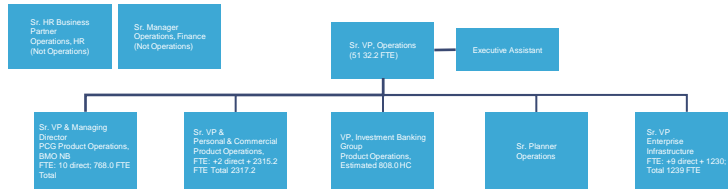


Framework for response Organization

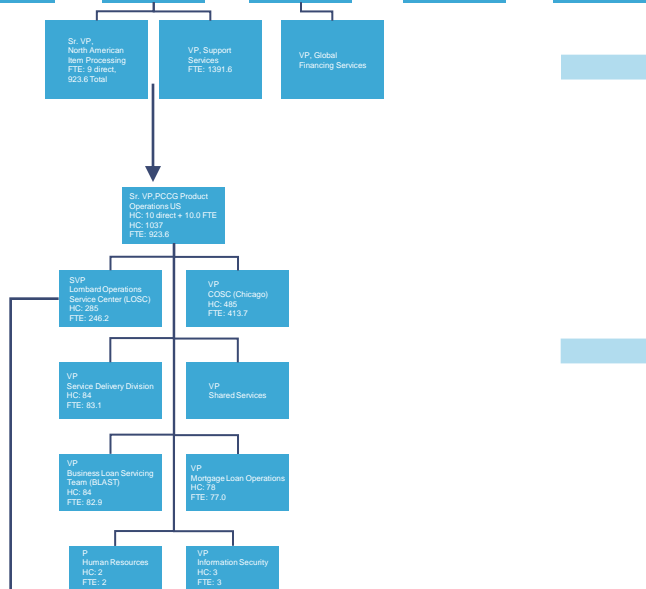


The target-state organizational structure should include roles and responsibilities, job descriptions, and clearly assigned accountability.

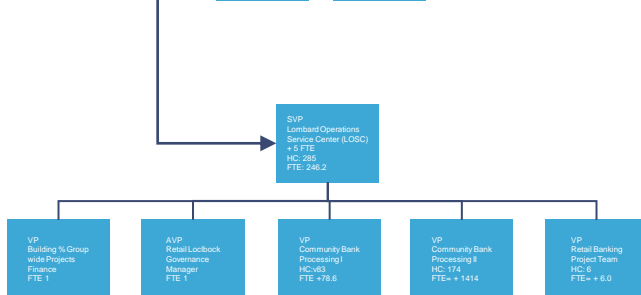
Executive



Management Team



Delivery Team



Job Descriptions (Roles/Responsibilities)

<p>Summary</p> <p>The role is to manage the day-to-day operations, including, but not limited to, the management of the business operations and the management of the business operations. This includes the management of the business operations and the management of the business operations. This includes the management of the business operations and the management of the business operations.</p>	
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P&L Accountability

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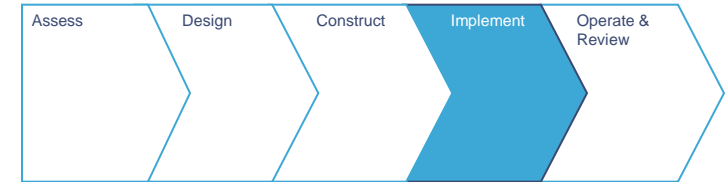
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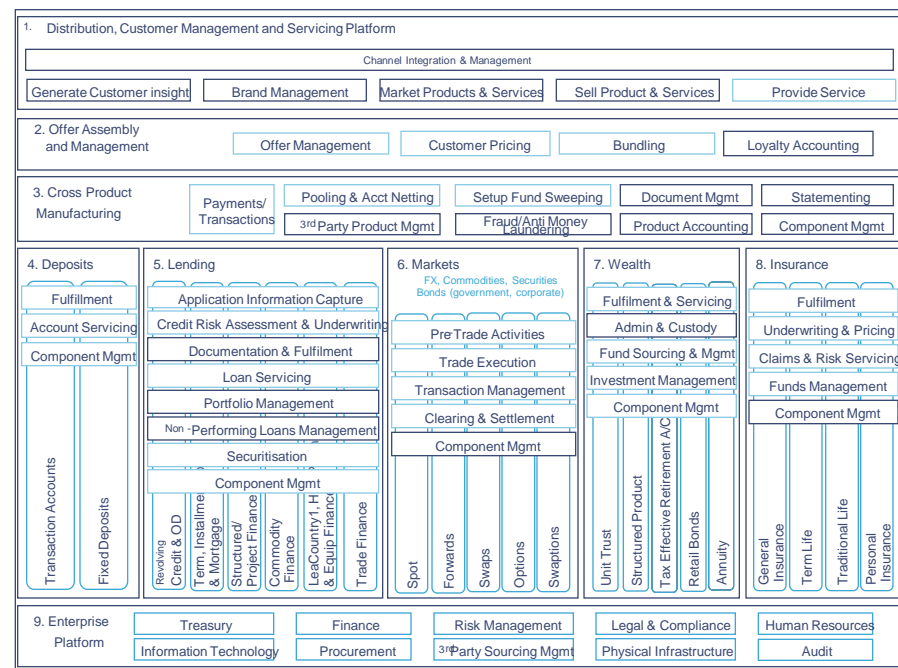
Framework for response

Banks will benefit from documenting current processes and modeling the future state



Build top-level process inventory (Level 0), followed by levels (Levels 2–3) to define what is done and how the processes interrelate.

Illustrative Level 0 – Banking business model for purposes of defining interrelation and aligning ownership



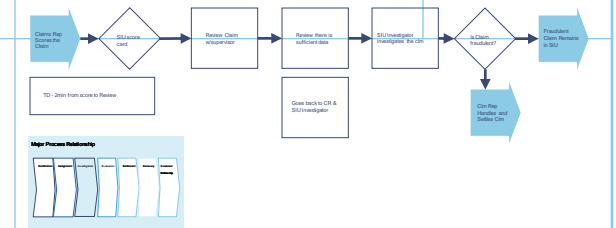
With Level 0 defined, banks should build subsequent level of process decomposition for purposes of managing business processes

Level 1
Business Unit Level
High Level Description:
Inputs – Process – Output

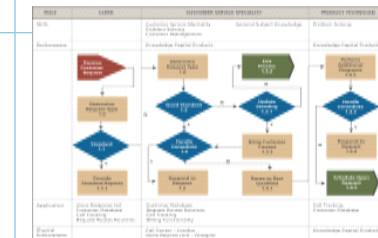


- Functional Decomposition**
1. Initiate Loss Notification
 2. Obtain Loss Facts
 3. Obtain Involved Party Information
 4. Obtain Service Provider Information
 5. Obtain Asset Information

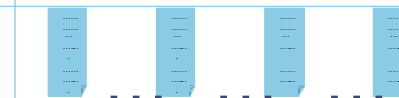
Level 2
Work Group Level
(Sub-Processes)
6 to 12 Steps per Sub-Process



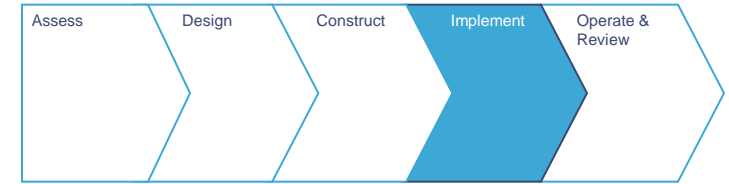
Level 3
Resource Level
(Roles, Responsibilities, Activities)
Swim - lane Resource Detail



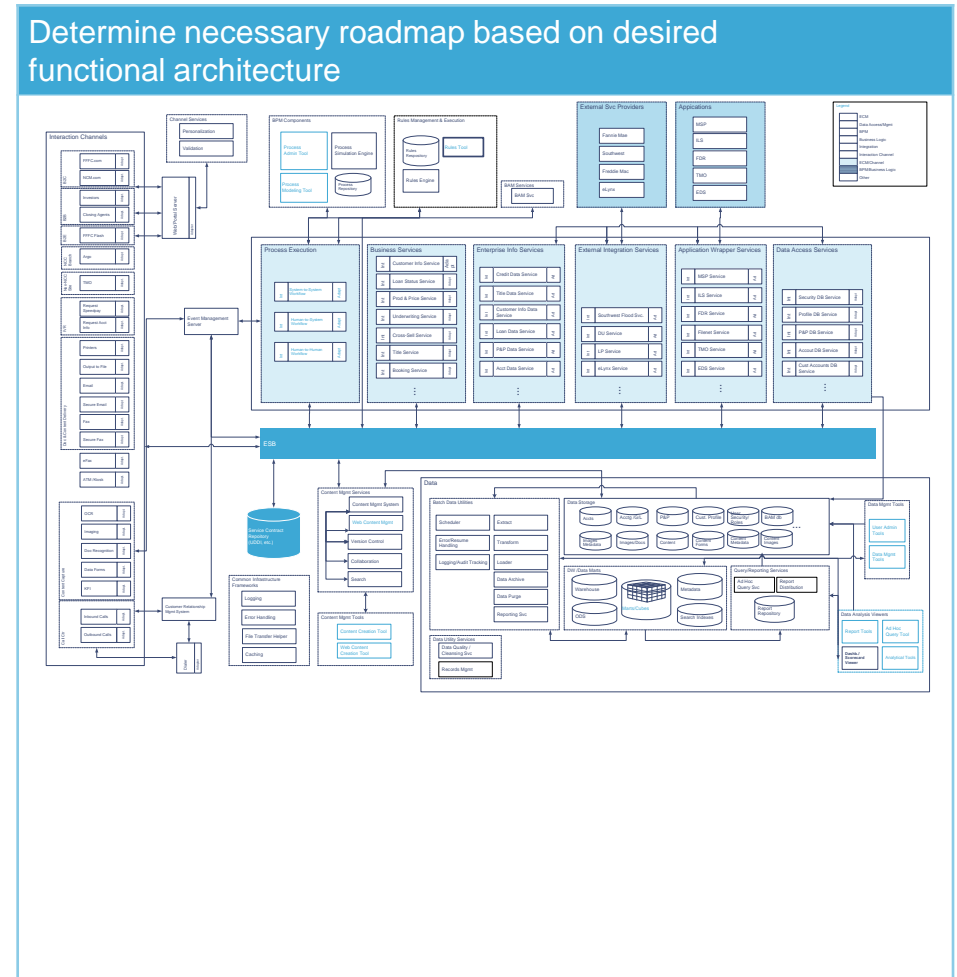
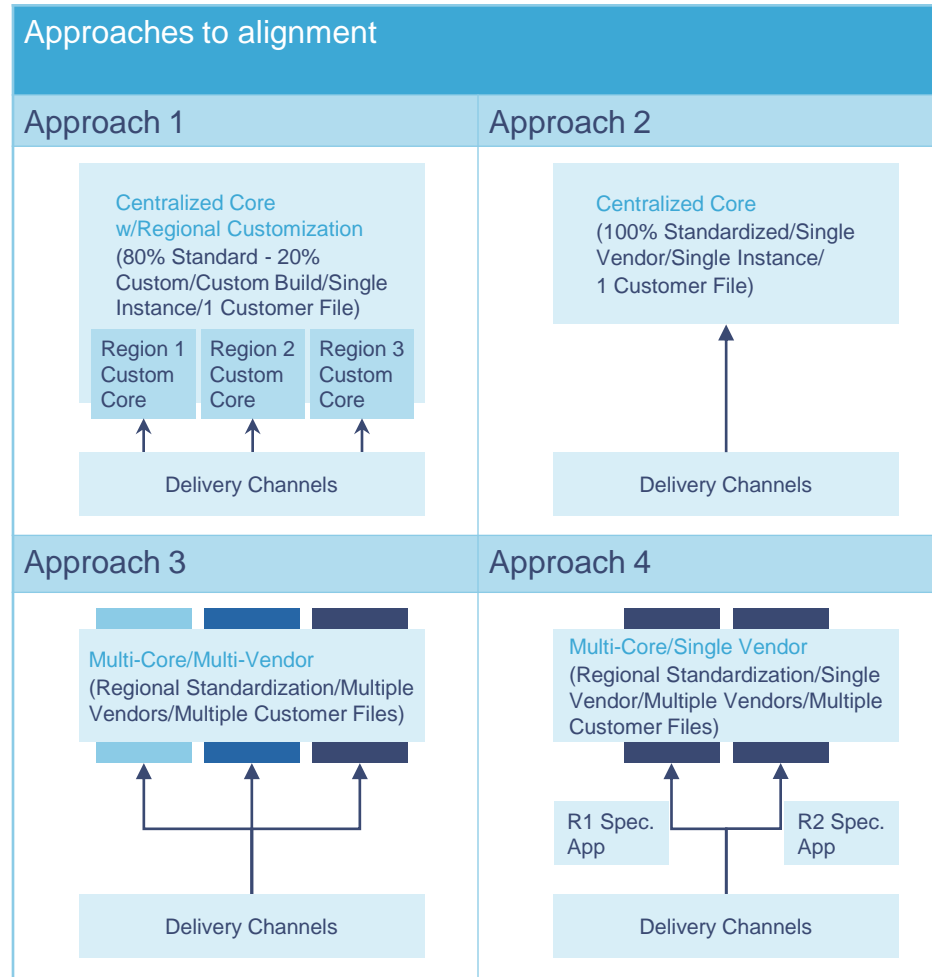
Level 4 and 5
Individual Tasks and Use Cases
Policies & Procedures
i.e. ISO and Use Cases



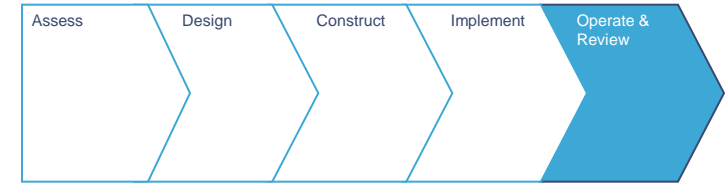
Framework for response Technology



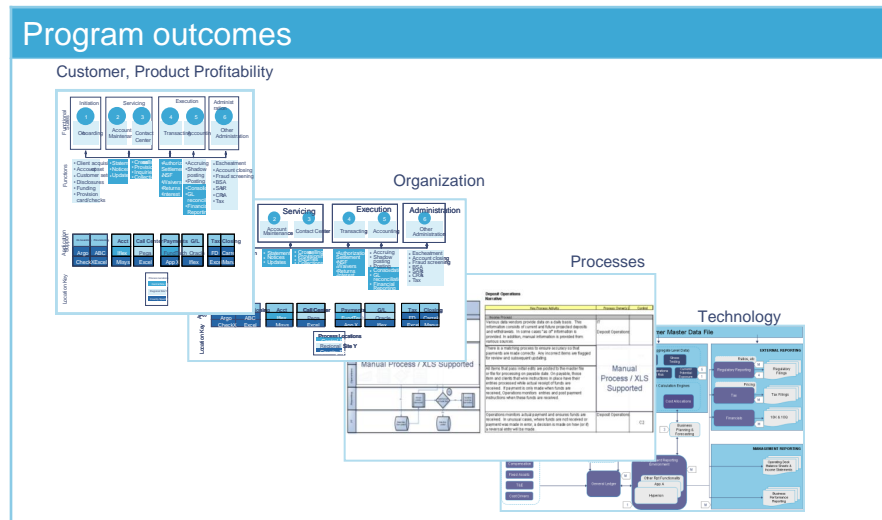
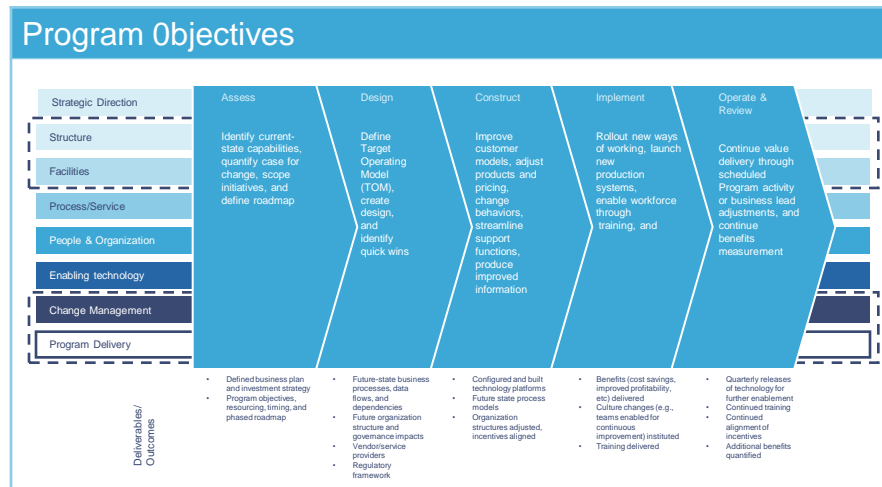
Align technology procurement, deployment, and operations to customer service, management, and support models. Build data and technical architecture.



Framework for response Operate and review



Most transformation programs accomplish only partial aspects of change at one time. Key to continued benefit delivery is the installation of a culture of change and support post delivery of the original program.



Remaining opportunities

Culture and accountability for continued change

Commitment and roadmap for continued change

Measurement and reward for additional benefits

		FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
RBA	Efficiency	-	-	-	-	25	26	62	65	106	111
	Revenue	3	4	6	7	108	114	467	545	774	941
BPA	Efficiency	-	-	-	-	5	5	13	14	79	83
	Revenue	-	6	13	17	61	66	375	399	857	915
ABO	Efficiency	-	-	-	-	29	30	48	50	66	68
	Other Revenue	8	27	65	96	101	108	186	199	230	246
IT	Maintenance	-	-	-	-	50	50	144	207	215	226
	Project-Related	-	-	-	-	16	16	46	66	68	71
Total		11	37	83	120	994	415	1,342	1,545	2,394	2,660

Section 4 – How PwC can help

How PwC can help

PwC has helped banks execute their approach

Build a case for change and preparing for the journey	Banks risk failing to adequately support the business case for core banking transformation. This results in unnecessary rework to provide additional information to executives and board members. PwC has helped banking executives successfully articulate the case for change. We have provided complete, defensible, and flexible cost/benefit analyses that allow banks to evaluate alternative risk scenarios and release strategy options.
Redesign front-office banking processes	Without end-to-end redesign of front-office banking procedures, banks do not fully realize the benefits of banking transformation. PwC has helped banks design and implement extensive changes to internal processes resulting in increased efficiency.
Manage risk and integrate regulatory compliance functions	Banks benefit from experienced advisors who bring a fundamental understanding of the key challenges and risks faced during a large-scale implementation. Viewed as a leading advisor on regulatory considerations for core banking providers in the US market, PwC has experience working with solution providers. The solution providers and their customers have benefited greatly from our risk and regulatory experience.
Manage organizational and behavioral changes	Without a robust training program, end users do not have the necessary knowledge or skills to utilize new platforms effectively. This results in the bank not fully realizing the benefits of the new platform. PwC has advised on change management, conducted readiness reviews, analyzed training needs in order to build comprehensive training strategies, and conducted post-implementation assessments of banks' change management efforts.
Identify and implement technology solutions	Banks need objective and unbiased recommendations. The third parties that conduct the integration often position themselves for ongoing integration work. PwC has helped banks evaluate alternative technology solutions, assisted with the roll-out of national and global technology solutions, and performed global testing of platform and system security.
Coordinate project management	Banks that fail to adequately identify stakeholders may face a lack of awareness of the new system and disengagement during implementation. This can result in delays, unnecessary cost overruns, and retraining. PwC has helped banks by creating a governance model and program structure, enabling stakeholder engagement, and establishing communication structures and forums to effectively manage stakeholder groups.
Execute for success	Banks will benefit from PwC's vast experience in successfully executing large-scale transformation programs. As the world's preeminent diversified financial services practice, PwC provides its clients with unparalleled access to its global best practices and resources. In addition, PwC provides the highest quality, unbiased advisory services to clients.
Build upon successes	PwC can partner with banks to combine best practices from the industry with leading practices specific to that bank. Leveraging those combined practices can lead to more efficient transformations.

How PwC can help

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Section 5 - Select qualifications

Select qualifications

Building the business case for an integrated banking platform

Issue	The client needed to identify the financial impact of the program including NPV, payback, IRR and impact on the bank's profit-and-loss and balance sheet. Additionally, the client wanted to quantify the impact of risk (uncertainty of cash flow) on the financial case and make sure that executive stakeholders and business managers agreed and bought in to the benefits.
Approach	<ul style="list-style-type: none">• PwC provided a flexible and detailed cost-benefit structure. This approach allowed the client to evaluate risk scenarios and release strategy options.• Our approach provided a cost-benefit analysis that was thorough, defensible, and achievable. This required benefits and costs to be internally consistent and comprehensively documented for future reference.• PwC's risk analysis was explicit and directly related to key project objectives and assumptions being made using confidence levels on all min-max ranges. The dispersion of possible outcomes was clearly understood and managed during the life of the program. Logical exit stages and criteria needs were established and factored into decision making.• PwC advised on the approach to the business case to avoid rework and to ensure that the business case provided the appropriate information for executives and board members.
Benefits	PwC provided proven experience in building and reviewing business cases for large-scale transformation programs. The client benefited from a multi-disciplinary team covering all aspects of a detailed business case—quantitative, qualitative, and key risk perspectives. We provided an objective, pragmatic and comprehensive approach to challenging and supporting the business case, rather than a purely theoretical perspective. We helped decision-makers focus on the most important issues.

Select qualifications

Consolidating legacy infrastructure into a single core general ledger platform

Issue	<p>The client consolidated its multi-system legacy infrastructure into a single core platform that incorporated general ledger systems, the finance data warehouse, and the consolidation tool Hyperion. Transitioning to a global single core general ledger platform required significant organizational change and a redesign of all finance and accounting activities. Additionally, this consolidation entailed modifications to more than 50 inbound and outbound systems that utilized data from the general ledger.</p>
Approach	<p>PwC deployed a team with expertise in project and change management to partner with more than 500 global business, finance, and IT personnel assigned to the project. PwC advised on:</p> <ul style="list-style-type: none">• Creation of governance model and program structure• Launch of local steering committee• Engagement of internal and external stakeholders• Communication to the client's employees, management, and internal and external stakeholders• Performance of impact assessments• Design and implementation of extensive changes to internal processes within the finance function, resulting in increased efficiency• Global testing of platform and system security
Benefits	<p>PwC instilled project and change management discipline that did not previously exist within the organization. Ultimately this project has helped the client to:</p> <ul style="list-style-type: none">• Enable more effective risk management throughout the organization• Utilize a single source of general ledger information• Streamline the financial close process and reduce processing time• Reduce IT spend• Achieve global consistency in its risk and compliance reporting

Select qualifications

Implementing an integrated banking platform

Issue	The client was transitioning from a multi-system legacy infrastructure supporting 10 countries to an integrated banking platform purchased from a vendor. In addition to addressing complex technology issues, this transition entailed significant organizational change, including the redesign and implementation of banking processes, training, transitioning employees to the new solution, and managing the change of "day-one" activities to minimize impact to the customer.
Approach	<p>PwC served as advisor to the team of internal resources managing the transition to the integrated banking platform. Guidance covered change management and system implementation. In addition to its advisory role, PwC:</p> <ul style="list-style-type: none">• Conducted readiness reviews to determine if the business units were ready for "day-one/go-live" to ensure the customer impact risk was minimized• Performed application testing• Analyzed the program's change management capability• Provided insights regarding required changes to the business model including operational workstreams• Performed post-implementation assessments on the effectiveness of the client's change management efforts
Benefits	Supported by PwC recommendations, the client was able to implement new change management practices to better manage risk and quality around platform development and handover. The recommendations included a rejection of the originally proposed delivery time frame due to excessive risk to the: (1) change management schedule; (2) quality of the platform implemented; and (3) the end customer. We helped the client develop reusable components to support rollouts at additional locations

Select qualifications

Modifying a core banking platform for the US market

Issue	The client's integrated banking platform solution had not been rolled out to the US market. The client needed to identify specific compliance needs, processes, and leading practices of major retail and commercial banks in the US.
Approach	PwC produced a set of detailed functional specifications to address regulatory requirements and leading banking practices. Working with the client's product experts, we identified existing gaps between the functionality of the provider's software and US regulatory requirements. PwC advised the client on an approach to close these gaps and adopt leading practices based on factors such as product offerings, geography, and organizational structure.
Benefits	By focusing on a targeted set of banking regulatory requirements, the client is positioned to address its customers' needs in the US market. This eliminates the need for banks to spent time and effort to educate the solution providers on applicable rules, regulations and compliance issues. PwC is viewed by this solution provider and others as the premier advisor on the issue of core banking in the US market. The solution providers and their customers have benefited greatly from our risk and regulatory expertise.

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