



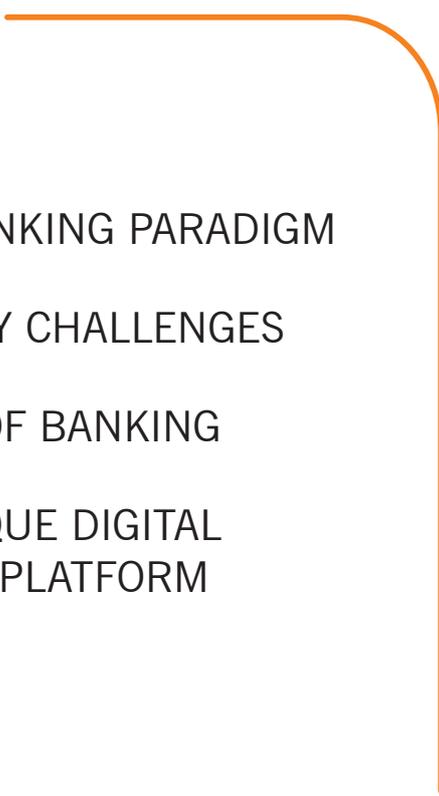
UniServe™ - Digital Experience Delivery Platform for Banking

ABSTRACT

In today's competitive marketplace, generating strong revenues and reducing operating costs are biggest challenges to the banking industry. The underlying systems supporting core banking functions are complex, and not capable enough to meet increasing enterprise growth, attracting and retaining clients as well as reducing enterprise costs.

This whitepaper talks about changing banking paradigm, highlights some of the prevailing challenges faced by the banking industry; and a comprehensive framework that streamlines internal systems, reduces operational risk and results in smarter banking.

TABLE OF CONTENTS



01. INTRODUCTION	03
02. THE CHANGING BANKING PARADIGM	04
03. BANKING INDUSTRY CHALLENGES	05
04. THE NEW WORLD OF BANKING	09
05. UniServe™ – A UNIQUE DIGITAL EXPERIENCE DELIVERY PLATFORM	10
06. CONCLUSION	21

01 INTRODUCTION



Banking industry – an extraordinary opportunity ahead...

Although traditional landscape of banking has changed significantly these days and banks have been facing tough times, there is lot of opportunities lying ahead. Half of the world, more than 2.5 billion, does not use any sort of formal financial services to save or borrow. The value of global assets will quadruple (\$1,264 trillion) by 2025 and it will require a vibrant and robust global financial system to mediate and manage.

Enterprise IT spending in banking sector

Is the banking industry capable enough to cater to this astounding growth? Let's have a look at the IT spending worldwide in recent times. The banking market accounts for \$339 billion of IT spending worldwide in 2013. The Americas is the largest super region that spent over \$140 billion in the same year. Interestingly, the Americas is also the fastest-growing region, with an annual growth rate of 5.1% in 2013 and a compound annual growth rate (CAGR) of 5.3% from 2012 through 2017, as reported by Gartner(see Table 1).

Table 1. Enterprise IT Spending in the Banking Sector by Region (Millions of Dollars)

Super Region	2011	2012	2013	2014	2015	2016	2017
Americas	128,156	133,150	139,948	146,972	154,780	163,161	172,049
Asia/Pacific	88,663	92,254	94,849	99,326	104,995	110,696	116,988
EMEA	105,238	101,188	104,317	107,007	110,261	113,947	118,108
Grand Total	322,058	326,591	339,114	353,306	370,036	387,804	407,146

From the report "Forecast: Enterprise IT Spending for the Banking and Securities Market, Worldwide, 2011-2017, 1Q13 Update."

Source: Gartner (May 2013)

02 THE CHANGING BANKING PARADIGM



The banking industry is experiencing another paradigm shift. There has been Online Banking and then Mobile Banking, but these are not enough. The industry is required to satisfy the customer's constant and insatiable need for information has also been recently driven toward Real-Time Deposits, Mobile Payments and Branch-less Banking, etc.

What Are the Causes

External drivers compel banks to leverage the developments in Information Technology and innovate continuously.

Regulatory changes and consolidation: Since the 2008 financial crisis, banking regulation has advanced remarkably achieving significant progress in recent years. The regulatory environment is forcing banks to rethink their operating model.

Regulations are getting increasingly technical and more detailed (i.e. FATCA, Dodd-Frank and Basel III etc.). Because of regulations, banks have now broadly entered an era of data dependency and model-driven decision systems.

Competitive rivalry: The banking industry is considered highly competitive. Despite the regulatory and capital requirements of starting a new bank, between 1977 and 2002 an average of 215 new banks opened each year according to the FDIC.

Banks offer lower financing, higher rates, investment services, and greater conveniences than their rivals in order to lure clients away from competitor banks.

Changing consumer preference: Dealing with changing customer preference is a tough challenge to today's banking industry. Banks need to realign and reengineer their key business processes in such a way that they can synergize their efforts towards meeting these changing consumer preferences.

For better efficiency and effectiveness, banks need to perform the following:

- Improve operational proficiency
- Focus back on the customer
- Change compliance and regulatory requirement

Technological developments: Digital technology is introducing a new demand on the delivery of banking services. Banks are also significant users of financial technologies that employ economic and statistical models to create and value new securities, estimate return distributions, and make portfolio decisions based on financial data. Technological progress in the banking industry is also important because of the key roles of banks in providing financing, deposit, and payments services to other sectors of the economy.

Basel III: Unlike Basel I and Basel II, which focus primarily on the level of bank loss reserves that banks are required to hold, Basel III focuses primarily on the risk of a run on the bank by requiring differing levels of reserves for different forms of bank deposits and other borrowings. Therefore Basel III does not, for the most part, supersede the guidelines known as Basel I and Basel II; rather, it will work alongside them.

03 BANKING INDUSTRY CHALLENGES



Developing New Products and Delivery Channels

From customers' point of view, quality of service is the most important aspect of their banking experience. But they also value relevant, competitively priced innovative products, and effective delivery channels.

“The branch remains important to customers despite the growing availability of direct banking channels,” states the EFMA World Retail Banking Report 2011. “Customers increasingly view the branch as fulfilling an advisory role, though they still use the branch to carry out basic financial transactions. Product complexity and regulatory changes are pulling customers into the branch for more personalized service and advice.”

Mitigating Operational Risk

Operational risk can arise from failure to comply with policies, laws and regulations, from fraud or forgery, or from a breakdown in the availability or integrity of services, systems or information. Operational risk includes the following -

- Event risk
- Payments/settlement risk
- Technology/systems exposure
- Fraud/compliance risk
- Natural disaster
- Change management

Domestic and Foreign Expansion

Most banks want to set their footprints in domestic and foreign markets. “Our research estimates that world output will treble by 2050, driven by growth in emerging markets,” says HSBC’s Mr. Flint. “Nineteen of the 30 largest economies in 2050 will be countries that we today describe as emerging, and collectively today’s emerging world will, by mid- century, be larger than the developed world.”

Understanding Market Risk

Movements in market rates or prices such as

- Interest rates
- Equity prices
- Foreign exchange rates
- Credit spreads
- Commodity prices
- Other indicators whose values are set in a public market

will adversely affect the value of tangible and intangible assets of a financial institution, which is a huge risk to the FI.

To manage market risk, numerous highly sophisticated mathematical and statistical techniques are employed by the banks. Value-at-risk (VAR) analysis is the most important one in this regard. This has become established as the industry and regulatory standard in calculating market risks over the past 15 years.

Reducing Customer Churn

In today's marketplace, satisfying the growing demands of better-informed and less-loyal customers is the biggest challenge to the banking industry. This challenge is felt most acutely by retail bankers, with 34% citing waning customer loyalty as their biggest challenge.

24% of corporate banks think this as their biggest concern, while 32% in the private wealth sector consider customer loyalty is their biggest challenge. The entry of younger investors is the key reason behind this.

Need for Better Customer Insight

In order to have a sustainable competitive advantage in banking industry, banks need to understand their customers. By embracing advanced analytics, banks could gain insights and evaluate opportunities for better cross-selling, up-selling and enhance share of wallet.

Core Banking Challenges



Document Management Challenges in a Bank

A bank deals with hundreds of thousands of documents and images each year. It requires allocation of physical space to store client applications, financial statements, signature cards, enrollment forms, wealth management documents, loan agreements and correspondence. Since the majority of this information is handled through manual processes banks often struggle with real-time access to client documentation when operating with many branch locations and departments.

Circular Management

- Dispatch of hardcopies of a large number of circulars from sources like RBA, FCA, RBI, FDIC to the concerned legal & HR departments and customers using postal mail requires substantial expenditure on postage, courier etc.
- Also users will be deluged by the paper and will not be able to retrieve information easily.
- Statute requires that banks retain the circulars for at least 3 years.
- The main challenge here is that of categorization of circulars based on Subjects, Departments, and the Linkage of Circulars.
- The time required to retrieve these documents is quite substantial and depends on human intervention.

Issues in Traditional Circular Management

- Even in the branch, on receipt of the circulars a lot of manual effort is required to file the circulars and retrieve them.
- Retrieval is very difficult for users as for each topic they have to manually search through the documents. Also when circulars on same topic are not linked together, users face an uphill task in retrieving a specific circular as the effort requires a thorough manual sifting
- There is a possibility of the paper documents being damaged in transit or being lost entirely.

Cheque Processing

- Manual entry of both inward and outbound cheques at each of the branches is labor intensive and prone to errors.

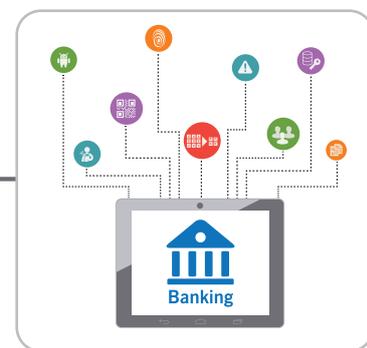
Form Processing - Customer Forms and Signatures

- Application forms for credit cards, bank accounts are required to be scanned.

Demand Draft Cancellations and Voucher Retrieval

- When a customer wishes to cancel a DD/PO issued by the branch, the branch officer is required to retrieve the physical voucher prepared and filed on the date of issue of the DD/PO for comparing the signature of the person.
- This is a highly cumbersome and time-taking process which affects productivity of the branch as well as customer service levels.

04 THE NEW WORLD OF BANKING



The banking industry requires a smarter solution that reduces cost, cuts down delivery time and decreases project risk and increases agility.

- All financial processes in the industry are required to be automated facilitating the participants in controlling, managing, sense and responding promptly and accurately.
- Banks entail rapid and intelligent analysis of structured and unstructured data in order to have better customer insight. This helps banks to make informed judgment and fight abuse.
- Understanding and anticipating clients' needs, and delivering innovative product to the clientele, is the success mantra of today's competitive banking industry.



05 UniServe™ – A UNIQUE DIGITAL EXPERIENCE DELIVERY PLATFORM



UniServe™

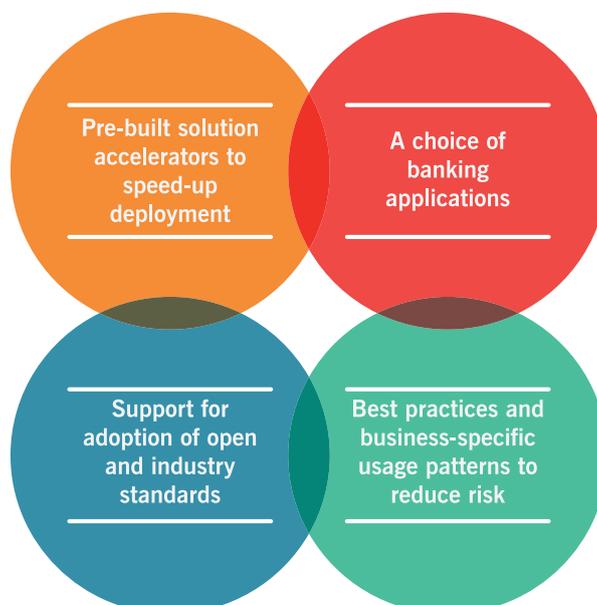
A smarter approach to resolve prevailing challenges and improve ROI

What is UniServe™ Framework?

UniServe™ framework enables the banking industry to perform business operations through integrated systems and analytics that help banks streamline and accelerate their business performance.

It has been built on service-oriented architecture (SOA) platform using open standards that allow it to easily integrate with other systems. The framework provides efficient and streamlined customer on-boarding, advanced information management, analytics, document management, automation and integration of processes among business functions.

UniServe™ boasts a smart banking specific software platform that gives the banking industry much needed speed, flexibility as well as choice in deploying solutions while at the same time reducing costs and risks.



UniServe™ – A Strategic Platform for Growth

UniServe™ framework provides a software platform along with pre-built integrated core banking software extensions, solution accelerators, tools, templates and best practices. Bridging the gap between business requirements and IT capabilities, UniServe™ provides an approach for a progressive, managed, business-driven transformation of core banking processes.

With the framework approach, banks could develop a plan to streamline and upgrade their technology infrastructure according to evolving business needs. UniServe™ framework supports core banking transformation projects in 6 major solution areas:



UniServe™: Customer Centric Banking - A 360 Degree View

Banks today need to get closer to the customer, realign their product line and service offerings meet mounting customer demands across segments. UniServe™ platform offers customer centric banking that enables digitalization of multi-channel customer engagement and experience. It reduces operational costs by streamlining processes, improves revenues through targeted 1:1 trans-promotional messages and improves customer experience through consistent, preferred channel and timely delivery.

From customer on-boarding to capturing their spending pattern and providing specific service, UniServe™ performs each and every task in a much smarter and faster way thereby facilitating banks in reducing their customer acquisition costs by 40%, improving customer service, reducing customer churn and gaining competitive edge.

A Platform for Best ROI



Capabilities to Address Key Banking Challenges

Core Banking Transformation:

Core banking transformation refers to replacement, upgrade, or outsourcing of core banking systems of a bank. A core banking solution has to be more scalable, adaptable, process-centric as well as faster and economical for deployment over cloud.

Internal and external imperatives are the key drivers of core banking transformation.

Internal drivers

Product and channel growth – For satisfying the requirement of different customer segments, banks need to come up with an increasing number of products. Furthermore, the number of channels is expanding with time, which is increasing the complexity of multi-channel banking. Banks find it difficult to handle this ever-increasing volume of product-channel transactions and payments.

Legacy systems management - As legacy technologies are fast becoming obsolete, banks have to move to new technologies. These new technologies allow flexible business process set-up, and minimize platform costs.

Cost reduction - Today's core banking systems combine quite a few stand-alone applications. This is to optimize existing costs related to core applications and hardware processing.

External drivers

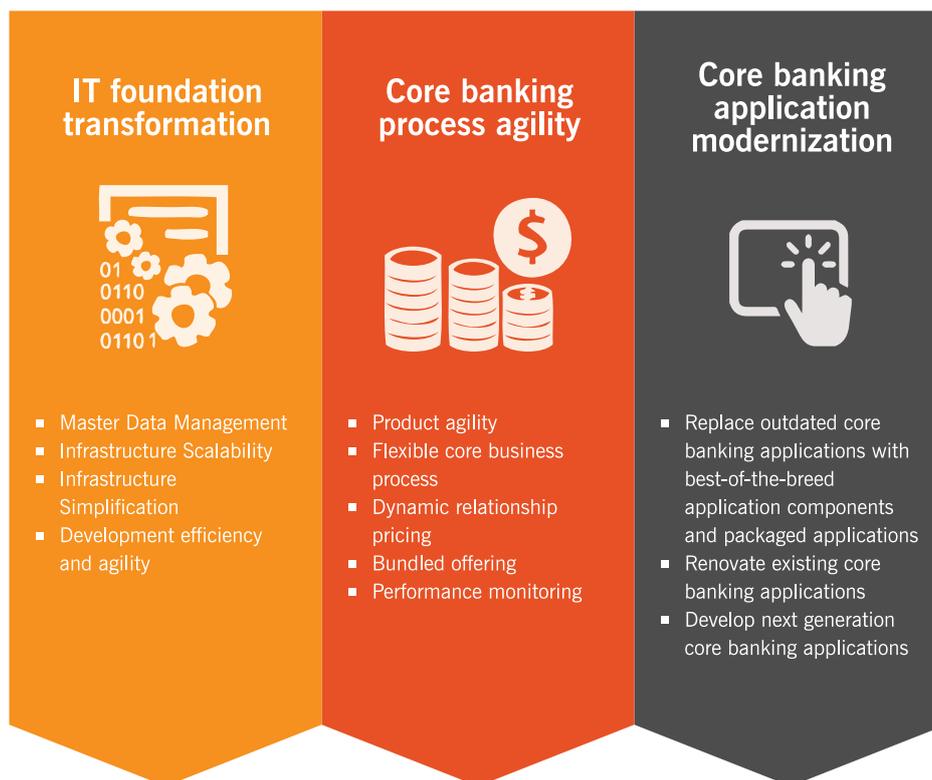
Regulatory compliance – For better transparency in operations and customer satisfaction, there are a number of new regulations such as Basel III, Foreign Account Tax Compliance Act (FATCA) and the Dodd-Frank Act. To comply with these, banks need to enhance their IT systems and operations.

Customer centricity – Over the years, banking industry has been product-centric. But the scenario has changed these days, and now products have become commoditized. The industry is now more customer-centric and requires better customer service, single view of the customer, and relationship-based pricing.

Increasing competition – There is increasing competitive pressure from new entrants in banking.

UniServe™ solution approach

Employing UniServe™ in Core Banking, banks could get rid of redundant interfaces and combine application services and components. With UniServe™, banks can achieve:



Customer Care and Insight

Exceed customers' expectations with better insight

Today's customers look for products and services tailored to their needs and preferences. So the banks need to understand their needs and offer them an enhanced and consistent experience across channels, which is quite challenging indeed.

Better customer insight can boost bank's ability to optimize resource allocation and provide personalized offers.

UniServe™ solution approach

Customer information optimization

- Customer data integration
- Common data warehousing

Customer insight optimization

- Customer analytics
- Threat and fraud intelligence
- Business insight
- Search and discovery analytics

Multi-channel transformation

- Common channel IT architecture
- Channel renovation

Sales process optimization

- Cross sell / up sell
- Dynamic product bundling
- Lending optimization
- Customer on-boarding (i.e. Account opening)

Service process optimization

- Contact center optimization
- Disputes
- Event-based decision making

Marketing process optimization

- Customer segmentation and profitability
- Marketing communication
- Campaign management

Compliance process optimization

- Know your customer
- Customer preferences

Integrated Risk Management

The purpose of integrated risk management in a bank is to calculate and control risk and capital across a range of dissimilar business activities. Banks require a solution that aggregates risk types (market, credit and operational) and help to address them.

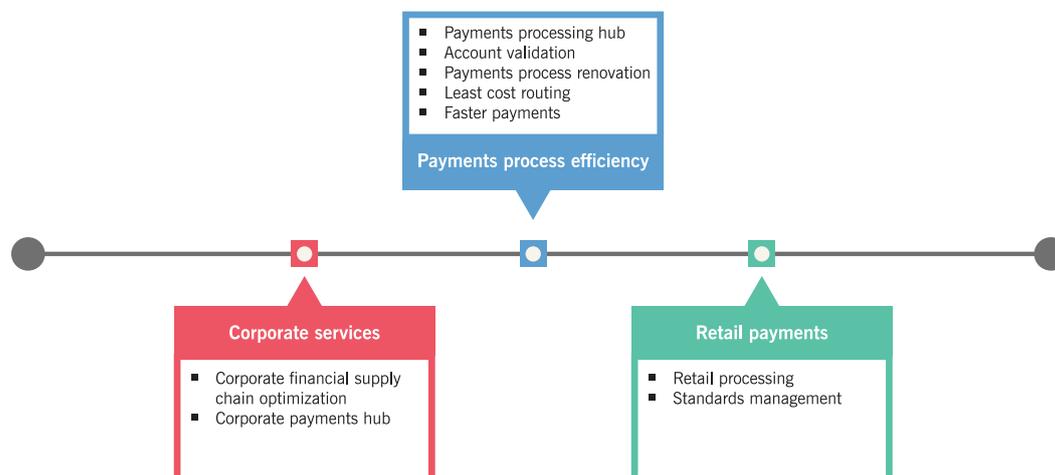


Payments and Securities

Payment and securities settlement infrastructure have been going through rapid change in the recent years. It is expected that this will continue in future as well. Global regulation and standardization initiatives are increasing the need for change.

Today's banking industry enjoys better connectivity in payments, settlement systems and exchanges due to advancement of technology. But these advances have also opened the doors to new competitors. With UniServe™, now banks can build a technology roadmap to meet these challenges.

UniServe™ solution approach



Document Management

Banks today require managing documents more efficiently for both enterprise-wide and for various lines of business. Whether it is streamlining core processes such as lending or account opening, improving the quality of customer interactions, or fulfilling compliance mandates across the organization, document management solutions play crucial role for the optimal functioning of a financial institution.

Downsides:

- Delay in the physical transit.
- Delay in Tracking the File / Documents.
- Loss of some File / Documents during physical transit.
- Consumption of reams of paper.
- Cumbersome maintenance of Physical records.
- Require expensive space for storage on site

UniServe™ solution approach

User management

- Create groups (Loans, Mortgage, Retail Banking, HR, and Legal etc.), user roles (Maker-Checker, Loan Executive, Account Executive, HR Manager etc.) and users.

Capture & create

- Creating hierarchical document structures and applying permissions
- Creation of compound documents
- Indexing of documents

Manage & store

- Version Control to maintain separate versions of documents
- Document subscriptions
- Audit Trail - Reports on various criteria

Search & retrieve, distribute

- Powerful search engine
- Powerful Viewer and Markup tools
- Knowledge pad and Bulletin board to disseminate information

Retention & disposal

- Archives / purges the documents once the retention period is completed

Benefits to banks

- Faster decision making with custom defined business processes
- Better use of resources thereby reduction in TAT
- Operational effectiveness through business process automation & business rules
- Increased productivity - making right info available to relevant stakeholders
- Low operational costs- reduced paper storage, duplication, transit costs
- Ability to provide information to many employees at the same time from any location

- Ability to track the activity and performance of users using Audit Trails & Reports
- Enhanced workflow management to automate your business processes
- Increased level of security to digital information
- Centralized & user-friendly application
- Easy & flexible platform to integrate with core business applications
- Enhanced Indexing & Searching features to retrieve documents easily

Social Media Analytics

The number of social media users is expected to reach 2.55 billion by 2017. And the developing regions, such as Asia-Pacific, Latin America, and the Middle East & Africa are leading the way. It is anticipated that the Middle East & Africa region will experience the highest compound annual growth rate (CAGR) of 14.3%, through 2017.

According to the Accenture report referred earlier, 28% of consumers use information from social media when evaluating retail banking services. Since social media is all about customer experience, banks need to build their social media strategies around the customer to drive loyalty, revenue and profitability.

Capgemini published a report on banks that have leveraged social media. Some of the leading names are –

- Commonwealth Bank of Australia
- Royal Bank of Canada
- ICICI Bank in India
- DenizBank in Turkey
- ASB Bank of New Zealand
- Moven

UniServe™ solution approach

- With UniServe™ platform, banks can formulate a vision and gather required organizational support for implementing social media strategy.
- Banks can have a clear view of the scope and objectives for social media strategy. It helps them to determine the right metrics for measuring the usefulness of the strategy.
- Banks can devise a robust risk mitigation plan before embracing social media platforms and integrate the technology infrastructure to advance social strategy and achieve business objectives.
- Achieve customer centricity through social strategy.

Benefits

- Since banks can identify relevant social media platforms, both on mobile devices and the Web, they can develop insights by listening to communications of customers and competitors' customers.
- It becomes easier for the banks to engage audience for developing a dedicated community and educate customers on financial topics and regulations.
- Once social media is integrated with bank's ecosystem it results in a 360-degree customer view and helps to acquire better knowledge of the market and customer sentiment.

06 CONCLUSION



With rapid and irreversible changes across technology, customer behavior and regulation, the current shape and operating models of the banking industry are no longer sustainable into the future. The industry requires a much smarter framework that boasts speed of implementation, flexibility and at the same time, reduces costs.

UniServe™ Digital Experience Delivery Platform for Banking is the framework that combines industry knowledge, best practices, software and tools that enable swiftness, flexibility and choice in solution deployment. By deploying the state-of-the-art development tools and techniques of UniServe™ banks can gradually transform their infrastructure, enable better innovation & agility, and gain an in-depth customer insight. This results in more competitive and responsive service to the ever-changing customer's needs.

About Intense Technologies

Intense Technologies Limited is a global enterprise software products company, headquartered in **India** with a strong and emerging presence in **USA, LATAM, EMEA and APAC**. Our enterprise software products are used globally by Fortune 500s for digitalization of customer experience lifecycle resulting in greater customer centricity and reduced operational expenses.

We have a strong track record of deploying our highly scalable product suite to Banking & Financial services, Insurance, Government, Utilities, Manufacturing and Telecommunication enterprises. We serve customers in **30 countries across 4 continents**, with a 70% market share in Telecom in India