

# GOING BEYOND LEGACY SYSTEMS

KEY SUBJECTS INCLUDE

- // Digital use case-enabling IT systems
- // Banking-as-a-Service (BaaS)
- // Financial services ecosystem
- // How banks plan to invest in IT systems
- // Upgrading and/or replacing IT legacy systems

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# GOING BEYOND LEGACY SYSTEMS

The increasing demand from banking customers for cutting-edge digital use cases and seamless customer experience (CX) requires a robust and agile IT system to match. However, many legacy banks simply don't have the infrastructure in place to meet these expectations.

Furthermore, when asked to list their priorities regarding future vision and roadmap, upgrading, replacing or consolidating legacy systems ranked as the least prioritized initiative, per our "[Master Ecosystems: To Be Future-Ready In Banking](#)" report.

The problem for many incumbent banks is that replacing or even upgrading their legacy IT systems comes with risk attached, and can be a costly and time-consuming process.

In this paper, we will explore the current landscape of legacy IT systems, the impetus to replace or upgrade them and the steps that banks can take in doing so, without putting their day-to-day operations at risk.

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THE CURRENT STATE OF  
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SOPRA BANKING'S CORE  
BANKING SOLUTION

# THE CURRENT STATE OF IT SYSTEMS IN BANKING

Many large incumbent banks are still running on legacy IT systems. In some cases, these systems are decades old. They're often not well equipped to deal with the ever-changing needs of today's banking customers, meaning that traditional banks often struggle to keep up with their younger, more agile fintech competitors.

Furthermore, maintenance of legacy back-office systems sometimes accounts for 90% of technology budgets – vital resources that could be spent elsewhere.

It should come as no surprise that banks are aware of the problem. For more than a quarter of banks' respondents who participated in our "[Master Ecosystems: To Be Future-Ready In Banking](#)" report, legacy systems that slow down development is the biggest challenge when it comes to digital banking.

## 01 THE CURRENT STATE OF IT SYSTEMS IN BANKING

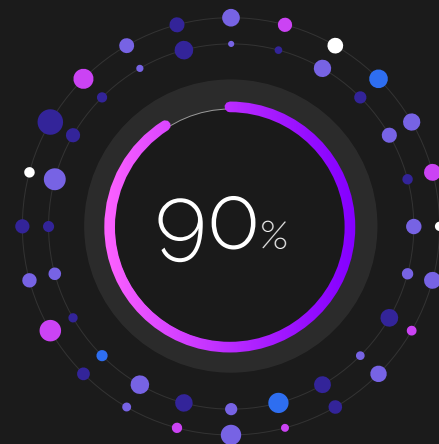
## 02 WHY LEGACY SYSTEMS ARE A PROBLEM FOR BANKS

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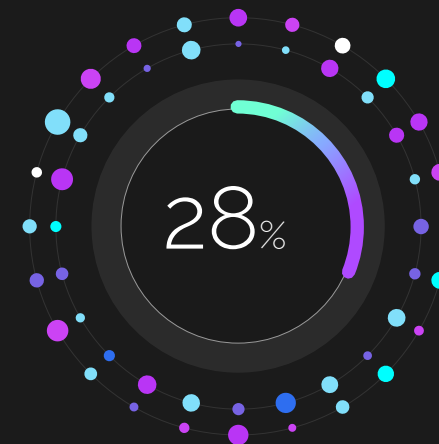
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**Maintenance of legacy back-office systems** sometimes account for 90% of technology budgets



For 28% of banks' respondents, legacy systems that slow down development is **the biggest challenge when it comes to digital banking**

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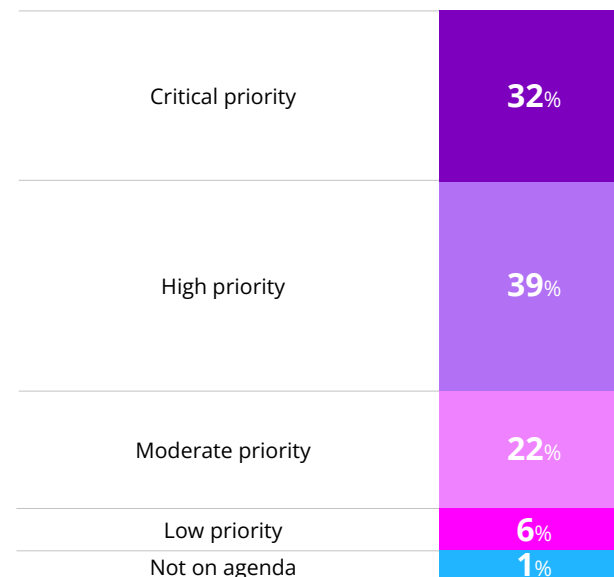
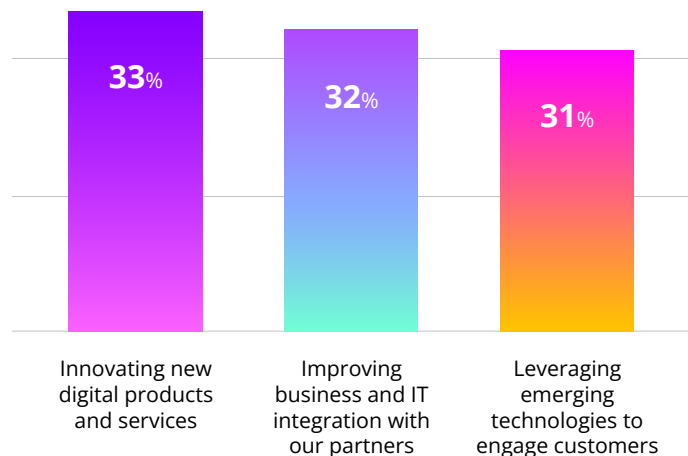
# WHY LEGACY SYSTEMS ARE A PROBLEM FOR BANKS

Today's bank must be able to offer the latest in digital banking products and services – such as Instant Payments, mobile wallets and Personal Finance Management (PFM) solutions – to compete on the market. For instance, two of the top three initiatives prioritized by our banks' respondents are related to digital technology. However, legacy IT systems make offering these products and services complicated.

Likewise, offering a seamless, front-end customer experience (CX) – another key objective for banks – is also compromised due to legacy systems.

**IMPROVING CX IS A KEY OBJECTIVE FOR MANY BANKS, WITH 72% OF OUR BANKS' RESPONDENTS SAYING IT'S A CRITICAL OR HIGH PRIORITY.**

**WHICH OF THE FOLLOWING INITIATIVES ARE YOU PRIORITIZING AS PART OF YOUR ORGANIZATION'S FUTURE VISION AND ROADMAP?**



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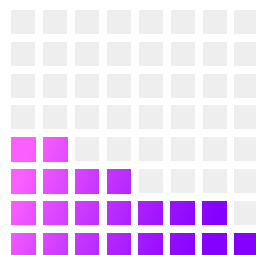
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## ISSUES AROUND INTEGRATION

As we can see in the graphic on the previous page, “improving business and IT integration with partners” is the second highest priority for banks when it comes to future vision and roadmap. Unfortunately, legacy systems are preventing banks from being able to partner with other players in the financial services industry who may help them produce innovative use cases or create new revenue streams through Banking-as-a-Service (BaaS).



For 34% of banks' respondents,

legacy technology complicating integration is the biggest challenge with regards to developing a digital ecosystem of products and services

During our research for “[Master Ecosystems: To Be Future-Ready In Banking](#)”, we spoke with many executives from fintechs who have worked closely with banks, many of whom confirmed that their legacy technology complicated the relationship.

“

*We as partners need to understand the system. That system needs to be documented so we can integrate with it so my developers know the specification of their system and I don't have to facilitate the number of calls to bring out data information.”*

**Vice-president**  
of an Asian payments platform

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# WHAT BANKS ARE DOING ABOUT IT

Almost all banks' respondents told us that their organizations plan to increase investment in upgrading, replacing or consolidating legacy systems over the next 12 months.

### HOW DO YOU EXPECT YOUR INVESTMENT IN UPGRADING, REPLACING OR CONSOLIDATING LEGACY SYSTEMS TO CHANGE OVER THE NEXT 12 MONTHS?

Outsource to another provider	40%
Build ourselves	47%
No plans to invest	10%
Don't know / does not apply	3%

However, when asked how important upgrading, replacing or consolidating legacy systems was as part of their future vision and roadmap, it was the least prioritized initiative, among a possible 25.

### WHICH OF THE FOLLOWING INITIATIVES ARE YOU PRIORITIZING AS PART OF YOUR ORGANIZATION'S FUTURE VISION AND ROADMAP?



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## A NEW SYSTEM TO MEET THE NEEDS OF TODAY'S CUSTOMER

Simply replacing or upgrading a legacy system is easier said than done. For a start, many banks believe that it comes with a high operational risk, which could result in data inconsistency, system downtimes and service failure, among other issues.

And then there are the cost implications that come with transforming legacy IT systems, poor Total Cost of Ownership (TCO) and Return on Investment (ROI).

These concerns could explain why so few banks are prioritizing the upgrading, replacing or consolidating of their legacy IT systems, as demonstrated in the graphic on the previous page.

To mitigate the risks outlined above, banks need to make sure that any new system they work with provides a comprehensive set of capabilities, with no gap on necessary functionalities.

Furthermore, the new system should be fully composable, so banks can easily select the specific functions and APIs they need. This composability also allows banks to reduce the risk of replacing a legacy system in a "big bang" approach, and instead opt for a smooth and gradual transition.



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## SOPRA BANKING'S CORE BANKING SOLUTION

Banks wishing to upgrade their legacy systems, without creating unnecessary risk or cost implications, would be well served to work with reliable, committed and experienced partners.

These partners should be able to provide a new and modern IT system that is Cloud-ready or Cloud-native, designed with an open and modern architecture, tailored to build ecosystems and help banks meet their customers' needs, even outside of banking.

Beyond that, though, banks require a partner who can also provide integration and operation capabilities, with access to a large, high-quality ecosystem, in order to provide further project-related services, such as cybersecurity, innovation and consultancy.

Sopra Banking's [core banking solution](#) provides banks with the tools they need to meet and embrace the demands of a fast-changing market.

## CORE BANKING GEARED FOR THE DIGITAL AGE

*Our core banking system features extended functional coverage to ensure an outstanding experience for your banking employees, clients, and partners.*

- ✓ An approach that **minimizes risks**
- ✓ More than 50 core banking system **upgrades per year**
- ✓ **Reduce total cost of ownership** and cost per transaction
- ✓ **Stay compliant** with 50+ regulatory standards covered
- ✓ **Anticipate changes**, become scalable, and **grow**
- ✓ Expose your banking operation to an **open ecosystem**
- ✓ **Compose your bank operations** based on your needs
- ✓ Deploy new corporate strategy **from transformation to M&A**

[FIND OUT MORE](#)

DISCOVER MORE



CHOOSE YOUR NEXT READ

## **Security and compliance in open banking**

Open banking is just one example of how the banking world has changed in recent years. It has fast become a vital component of how a modern bank needs to behave in order to meet the needs of today's banking customer.



## **Banking-Platform-as-a-Service: The platform revolution**

With evolving consumer demands and institutional supply dynamics, the financial services industry is undergoing a transformative reform.



## **A guide to fintech disruption**

Over the last two decades, software has become ubiquitous in traditional industries, such as media, entertainment, and retail. And banking is no exception.



## **Customer experience in banking**

We believe that full digital customer experience is key for banks, as trust is a strong differentiator in an industry going through perpetual disruption. Engagement is key as clients expect fast decisions within an end-to-end, humanized digital experience.



## **Integrating AI, cybersecurity and the cloud into IT systems**

Artificial Intelligence (AI) and machine learning (ML) enable banking systems to process large volumes of data faster, shorten processes and increase productivity.



## **What is digital banking?**

But what is digital banking exactly? How was it developed? What are its benefits and shortcomings, and what can we expect from it in the future?



**Sopra Banking  
Software**

Sopra Banking Software is the partner of choice for more than 1,500 financial institutions worldwide. The rich variety of our solutions, the strength of our conviction and our passion for innovation enable us to support our clients on a daily basis and in their future projects, as well as in their goals regarding financial inclusion. Our customers, based in over 80 countries around the world, benefit every day from our technologies and software, as well as the expertise of our 5,000 employees. Sopra Banking Software is a subsidiary of the Sopra Steria Group, a European leader in consulting, digital services and software development. With more than 47,000 employees, the Sopra Steria Group generated a turnover of €4.7 billion in 2021.

*To find out how we can help your bank to create market-beating digital transformation strategies, visit [www.soprabanking.com](http://www.soprabanking.com) or contact us at [hello@soprabanking.com](mailto:hello@soprabanking.com)*

