

UK Cloud



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Pathway to modernization for UK credit unions and banks

A rough estimate in the industry is that about half of all core banking transformations fail.

For these transformation initiatives, the stakes are enormous. Just this year, a large UK bank suffered a major failure during the migration of customer accounts. This high-profile, customer-facing failure caused the bank major losses of £100s of millions, a precipitous stock price drop, untold reputational damage, and leadership turnover.

Smaller banks and credit unions in the UK have also encountered difficulties with their core transformation initiatives. Although for a small credit union the absolute scale of losses may be minimal compared to that of a large bank, it's a major upheaval for any organization to cope with a failed or abandoned transformation project.

Given the obvious risks, it's noteworthy that so many financial institutions still find it necessary to undertake transformation initiatives.

For UK credit unions and smaller banks, the pressure to transform comes from three main sources:



1 Competition from new entrants:

Like other banks around the world, UK credit unions and smaller banks are trying to figure out how to attract and retain the next generation of savers, homebuyers, and investors. To do so, they will have to compete with a world of fintech startups and innovators. This effort will require new digital capabilities, supported by scalable business models that can compete with powerful competitors.



2 Expanded possibilities for products and services:

UK credit unions, including workforce-based credit unions and community-oriented credit unions, have been successful in lobbying to expand the range of their product and service offerings. For example, UK credit unions have only recently started offering credit and debit card products. Yet many credit unions' core and ancillary systems lag behind, unable to support the expanded range of offerings now permissible by regulation. For credit unions to take advantage of these nontraditional avenues for lending, they need to enable open banking with a wide range of partners, which in turn requires core systems capable of simple, API-based, real-time integration.



3 Increased regulatory scrutiny:

Although not the highest-profile targets for cyberattacks, smaller banks and credit unions nevertheless face the same risks as do larger banks without the benefit of large IT staffs backing them up. Recognizing the potential vulnerabilities and exposures, UK regulators are now looking more closely at the operations of smaller financial institutions, including the business practices involved with managing cloud-based platforms. As they become reliant upon a growing number of cloud-based software providers in the open banking landscape, credit unions and smaller banks will need to increasingly rely upon their core banking solutions to coordinate the various information flows and access privileges, providing an auditable and maintainable record of customer and employee interactions.

Considering these business drivers, the only thing riskier than undergoing a transformation would be doing nothing.

What does it take to modernize a credit union in the UK?

As with any major transformation project, the foundation of success starts with suitable technology combined with experienced management.

TCS has, by far, the industry's best track record in completing core banking system transformations and the accompanying data migrations. Whether from analyst surveys or customer testimonials, TCS has demonstrated the ability to organize and implement large-scale transformations and migrations in the UK, in Europe, and around the world.

We have years of experience working with financial institutions of every size and configuration. We know what has to go right for a transformation to be successful, and just as importantly, we know what can go wrong.

Our unparalleled experience is valuable for smaller organizations with relatively limited IT resources, for whom the prospect of a combined transformation and migration may otherwise be an overwhelming challenge, and as well as for larger organizations facing the largest risks.

The cloud-based deployment of TCS BaNCS for UK credit unions and banks includes a full range of market adaptations to UK regulations, including connectivity with the various types of payment schemes used in the market. For example, smaller banks and credit unions in the UK must connect through an intermediary bank to access either of the systems run by the UK's New Payment System Operator (NPSO)—Bacs for automated payments, or to Faster Payments for immediate payments. TCS BaNCS supports the required position-keeping, reporting, risk management, and operational procedures that have to be followed for UK financial institutions.

TCS has also built an extensive partner network in the UK, enabling financial institutions to embrace the open banking trend by instantly offering an expanded set of products and services.

The cloud-based core banking solution of TCS BaNCS has been live for over two years in the UK, supporting London Mutual Credit Union, Community Savings Bank Association, Cussco in Scotland, and others.

With TCS BaNCS in the Cloud, UK credit unions and banks can safely modernize their core systems to best prepare themselves for the rapidly-emerging future.

