

SaaS cloud computing

A fast track to application modernization for banks

A CGI Viewpoint Paper

by Jame Cofran, Senior Vice President, CGI, US Banking and Investments Group

This briefing document describes key considerations and best practices that help global financial institutions get the value and performance they need from Software as a Service cloud computing.

In a challenging economy, financial institutions are under intense pressure to grow their top lines and reduce costs. For bank CIOs, this means finding more cost-effective IT delivery methods that also support the rapid creation of innovative new services.

As CIOs increasingly become consumers rather than providers of IT, cloud computing and especially Software as a Service (SaaS) is a compelling delivery alternative by providing on-demand access to IT services at a lower cost. According to TowerGroup, a Corporate Executive Board company, banks can “leverage next-generation delivery models like SaaS and cloud computing to gain needed capacity and capabilities while shedding costs for functions that do not provide competitive advantage.”¹

In fact, the financial services industry is one of the fastest to adopt cloud technologies. TowerGroup predicts that by the end of 2015, cloud spending in global financial services will increase by 47 percent to more than \$27 billion.²

Path to agility, innovation and savings

More and more banks are recognizing the value of using cloud-based services to adapt quickly to market changes and create new revenue streams. In a survey of 186 bank technology professionals, 73 percent pointed to the ability to meet user demands quickly and achieve scale as key drivers for cloud adoption.³ Banks are also taking advantage of the inherent economies and flexibility of the cloud to:

- Reduce costs by paying only for what is used
- Scale up or down at the click of a mouse
- Optimize IT resources and reduce sprawl (and hardware and license costs)
- Shift from a CAPEX to OPEX model to free capital for more strategic investments
- Remove development constraints based on IT's capacity to deliver
- Improve system availability and reliability

What makes it “cloud”?

- On-demand self-service
- Rapid elasticity
- Measured service
- Broad network access
- Resource pooling

¹ TowerGroup, *Global Payments: Top 10 Technology Initiatives for 2011*, Arlington, VA, 2010, page 8

² TowerGroup, *Destination 2015: Spending on Cloud Computing in Financial Services*, Arlington, VA, 2011, page 1

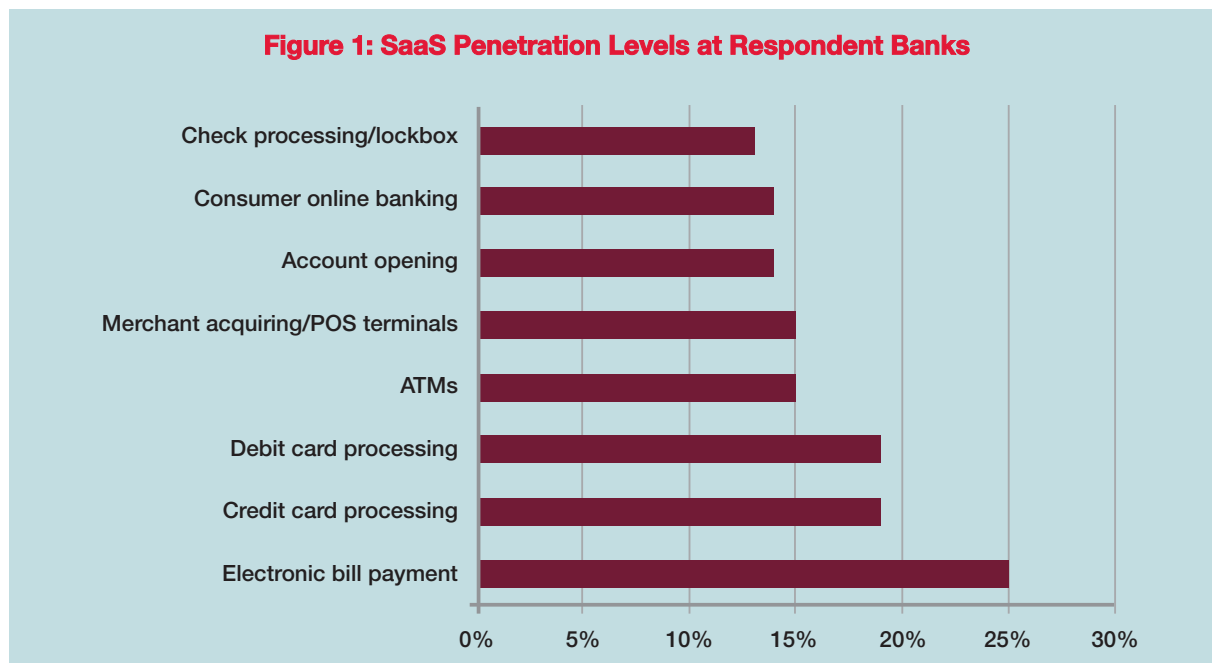
³ “BS&T Survey: Banks Take to Cloud Computing,” Penny Crosman, *Bank Systems and Technology*, August 16, 2010
www.banktech.com/architecture-infrastructure/226100004

The fast track to application modernization

Outdated legacy systems make it extremely difficult for banks to create and launch new services, provide access to a mobile workforce, and accommodate geographically dispersed customers and partners. Cloud technology within the application layer enables modernization—as well as ongoing access upgrades—without upfront capital expenditures, helping banks increase their ability to rapidly deploy new services.

SaaS, one of three cloud computing models along with Infrastructure as a Service and Platform as a Service, is based on multi-tenancy (multiple customers using a single application set and database) to bring the greatest economies of scale. Customers get all the benefits of the cloud along with the value of the provider's intellectual property for best-in-class solutions. According to Aite Group's 2011 global survey of 80 CIOs and other bank IT executives, 57% of banks now embrace SaaS.⁴

Figure 1 shows the SaaS penetration levels at the respondent banks:



Case study: Innovating SaaS in trade finance

As a leading IT and business process services provider to financial services companies, CGI has been innovating SaaS solutions for more than 10 years with offerings like CGI Trade360®, the only proven, end-to-end automated global trade and supply chain finance solution.

Delivered as SaaS in a secure community cloud, Trade360 processes over 2 million transactions annually for users in more than 30 countries. The client community that relies on Trade360 is actively involved in setting its development strategy, direction and priorities. New requirements are brought to fruition, tested and put into production quickly—in stark contrast to traditional onsite software deployments where banks have to build a business case for new releases and then fall behind when they cannot get funding in a timely manner.

⁴ Global Bank Technology Trends, 2011, Aite Group, <http://www.aitegroup.com/Reports/ReportDetail.aspx?recordItemID=792>

As a cloud-based solution with centrally-managed software, Trade360 enables banks to bring all of their branches across the globe onto a single solution, and to quickly roll out a wide range of functionality from portal support and back-office processing to imaging and workflow, supply chain finance and even the provision of customer support.

Trade360 clients also have the flexibility to mix and match functionality in any order to suit their needs. For example, Bank of Montreal, ANZ and Union Bank use the complete solution, while others such as Bank of America and Wells Fargo use the sophisticated imaging and workflow capabilities and integrate them into their existing solutions. With more than 30 trade finance products supported on the platform, banks can choose the offerings appropriate for their business strategy and add others at any time, only paying for the transactions they use.

To date, the primary benefits of this unique community cloud SaaS offering for member banks have been:

- Faster speed to market
- Operational savings of 30% and more
- An always-current system to keep up with user demand
- Access to a global network with the same service available from anywhere in the world
- Service level agreements for both clients and users
- An up-to-date, global view of the business (workforce, transactions, customers, etc.)

Key considerations and best practices for choosing SaaS providers

SaaS can be considered a form of outsourcing because a third party is providing the IT as well as the intellectual property. As such, best practices for choosing SaaS providers are similar to those for choosing outsourcing providers in general. For maximum value and performance, banks should look for SaaS providers that:

- Are experienced in managing data and systems for banks
- Follow best practices for data security and privacy
- Continually invest in developing industry-leading innovations
- Focus on operational excellence
- Provide outcomes-based Service Level Agreements
- Offer additional IT and business services such as systems integration, transition planning, change management and application portfolio rationalization
- Offer pricing models that align with enterprise procurement models

Conclusion

Outdated legacy systems are hindering banks from innovating to create new revenue streams and support global and mobile requirements. SaaS cloud computing offers banks a powerful means to meet these needs as well as adapt quickly to market changes and reduce costs. CGI has innovated SaaS for more 10 years with Trade360, the only proven global trade and supply chain finance solution. The primary benefits of this unique community cloud SaaS offering have been speed to market, operational savings and the ability to keep up with user demand with an always current system. When choosing SaaS providers, banks should follow the same rigorous best practices they follow for choosing outsourcing providers.

Why CGI

CGI is supplying cloud-based, service-intensive solutions for financial service providers, retailers and governments all over the world. We have helped clients maximize savings while improving security, availability and performance by planning and managing cloud solutions. For more than 30 years, we have partnered with financial institutions to reduce costs and increase efficiency. Given this deep industry experience, CGI knows what questions to ask and what challenges need to be identified prior to presenting any solution, product or service recommendations.