
SUNGARD

# REDUCING IT COMPLEXITY AND COSTS

White Paper Series

## While Improving IT Services for Financial Services Firms

## EXECUTIVE SUMMARY

### Financial services firms face growing IT complexity due to increasing mergers, proliferating product lines, and ongoing security and compliance concerns.

While these firms once handled information technology exclusively in house, many are now looking to comprehensive strategic service providers for assistance in managing their data centers and production environments. Many firms are finding that this IT model reduces complexity and costs while improving performance and availability through outsourcing. It further enhances a firm's ability to strategically transform its IT infrastructure by integrating business applications, enhancing security, addressing compliance, and meeting critical disaster recovery requirements. This white paper details the services that address the concerns of financial services firms and proposes criteria for use in identifying a service provider.

## FINANCIAL SERVICES FIRMS FACE INCREASING IT COMPLEXITY

Information technology organizations within financial services firms must manage growing complexity. As mergers and acquisitions among financial institutions increase, IT must find ways to manage and simplify the resulting heterogeneous IT infrastructures. Merged product lines are driving the need for IT to create easier, "single-pane-of-glass" interfaces to simplify customer access across multiple accounts. At the same time, security and compliance concerns are growing, leading IT to look for ways to enhance the security of the infrastructure. As a result, IT organizations within financial services firms are looking for solutions that can help in modernizing and simplifying infrastructure and its management.

### Increasing Consolidation and Acquisition

With pressure from shrinking profit margins, tepid loan demand and new compliance costs resulting from the Dodd-Frank Financial Reform Law, financial institutions are increasingly looking to achieve economies of scale to improve profitability and respond to the demands of financial reform. The result has been an increasing number of mergers and acquisitions: 108 bank deals were announced this year (through August 2012), compared with 72 deals for the same period a year earlier.[1]

Because each of the acquired/merged companies has its own IT infrastructure, data centers, and (often) homegrown applications, firms end up with large numbers of duplicate, siloed, and incompatible systems — each with associated expenses. These make the infrastructure complex and costly to operate. Multiple IT infrastructures also make it difficult for merged firms to absorb the new customers that come with the acquisition — or to sell off customers to meet SEC demands.

### The Demand for Integration Across Customer Accounts

Consolidation — combined with the lifting of restrictions through court decisions and amendments to regulations — has changed the types of services financial firms are able to deliver. Large multipurpose financial organizations now offer retail customers not only traditional deposit and lending services, but also mutual fund, insurance, and brokerage services. Firms can provide corporate customers with lines of credit as well as payments, risk management, securities underwriting services, and more.

1 Danielle Douglas, **"Consolidation of Small Banks on the Rise,"** The Washington Post, August 27, 2012

> There have been 108 bank deals in 2012 announced through August, compared with 72 deals for the same period a year earlier, according to Oppenheimer.

These firms are attempting to improve customer service by creating consolidated front ends to make it easier for customers to manage their various accounts. For example, as pensions become less prominent and 401(k) plans increasingly dominate for retail customers, employees must become more active in managing their finances. A consolidated interface allows them to log into their bank accounts, pay bills online, transfer money from their checking and savings accounts to their investment accounts, and so on.

To create such a robust and consumer-friendly interface, financial services firms need to consolidate and/or integrate the siloed and disparate IT systems that currently manage different accounts. That process can be challenging and complex.

### Growing Threats to Security

At the same time, financial services firms are increasingly concerned with security and compliance with regulations designed to protect personally identifiable information (PII). Rates of financial fraud are high and have a negative impact on financial services firms. For example, 72 percent of small-to-medium-sized businesses (SMBs) indicate that their financial institution is most responsible for ensuring that online accounts are secure. Two out of three businesses have suffered fraudulent transactions and lost money as a result. After a fraud episode, 40 percent of businesses move some or all of their banking business.[2] The financial industry is dealing with these threats by implementing security measures that enable them to comply with industry-developed security standards, such as PCI and other regulatory requirements.

The more complex the IT environment, moreover, the more likely it has vulnerabilities to exploit. And financial services environments are growing increasingly complex. The growth in mobile device usage and mobile users, for example, means that security must shift from a single point of access, which requires a traditional perimeter-based protection model, to a security model that follows the user and the data. Essentially, the new perimeter in network security is the user, and the user can be in many different places and using many different devices at any given moment.

## TECHNOLOGY CONCERNS IN ADDRESSING INFRASTRUCTURE COMPLEXITY

Rather than addressing these issues strictly in house, many financial services firms are turning to strategic service providers for help in managing their increasingly complex IT environments. Firms are finding that these services reduce complexity and costs and provide better services than they can deliver for themselves. Strategic service providers can help financial firms consolidate IT, provide solutions for integrating applications, and enhance security while addressing regulatory compliance requirements. In addition to managing these customized production environments, strategic service providers can transform financial services firms' production environments to take advantage of virtualization and cloud-based infrastructures at a pace that doesn't stress existing IT environments, strain budgets, or negatively affect customers.

2 **"2012 Business Banking Trust Trends Study"** By Guardian Analytics and Ponemon Institute, August 2012

### Consolidation through Outsourced Data Center Management

Because financial firms that have undergone a merger or acquisition have multiple data centers — with redundant personnel, real estate, heating and cooling, and network connectivity — many are looking to consolidate while allocating resources toward strategic business initiatives. Firms that have traditionally operated "in house" data centers are now seeking to outsource these operations to reduce complexity and costs without affecting service levels or goals. These firms are consolidating their data centers using a mix of managed colocation, managed virtualized infrastructures, and cloud computing.

Strategic service providers expand on traditional colocation services, allowing clients to offload IT asset management tasks and provide IT staffing for 24/7 support, monitoring, and management of customers' assets, including security, networking, and storage as well as servers. These services are delivered through a model that allows customers to treat services as operating expenses, thereby avoiding costly capital expenditures.

Through virtualization and cloud computing services, clients are able to use the same hardware to support multiple applications. This approach optimizes hardware and reduces costs. The challenge with adopting a virtualized infrastructure is that the firm may not have amortized a significant portion of the existing infrastructure. In such cases, firms will need to balance the costs associated with removing hardware with the benefits of virtualization.

### Integrating Applications

Traditionally, financial services firms have developed their own applications with the aim of creating differentiation in the marketplace. As firms consolidate and seek to provide integrated services, such "differentiation" often becomes a hindrance. Disparate, siloed applications may perform duplicate functions and may be tightly tied to specific hardware—resulting in a lack of flexibility to integrate with other systems or adapt quickly to new opportunities.

Several solutions are available. Firms can customize and standardize on off-the-shelf applications, integrating homegrown functions where necessary. Standard, off-the-shelf business applications require less customization and make it easier to integrate business units. A second option is to standardize on one of the existing homegrown applications to take advantage of existing investments. Finally, the firm can move to managed cloud ERP services in which a third party manages a standard ERP application and makes it available to customers over the Web on a subscription basis. Cloud offerings reduce operational costs by sharing costs across multiple customers and lower capital expenses by using a pay-as-you-go subscription model. Additionally, cloud solutions are more up to date because the service provider manages all upgrades, patches, and other maintenance chores. Moreover, the service provider implements, manages, maintains, and upgrades all of the necessary hardware and software.

Determining the optimal approach to integration is a time-consuming challenge that should be performed in a strategic manner. Organizations need to identify their applications and services, score their applications to understand the best course of action, and then implement the plan.

### Providing Security and Regulatory Compliance

All security programs must address three levels—person, place, and process. These requirements grow more complex when organizations move to virtualized environments:

- Person — Security must enable individual users to access what they need, when they need it, while protecting private information through identity and access management.
- Place — Security must fully protect the physical infrastructure, using a full range of technologies such as firewalls and intrusion detection/intrusion prevention systems. As organizations move to virtualization and the cloud, they must secure all layers within the cloud infrastructure.
- Process — Security must protect transactional data as it travels between and within destinations. As organizations move to virtualization and the cloud, data moves through many different virtual applications, which may be managed on a single shared server or on multiple servers. As it travels, data must be protected from vulnerabilities on the shared infrastructure.

Organizations must also comply with relevant regulations. Implementing rigorous security enables organizations to address such industry and government regulations.

### Disaster Recovery

For a financial services firm, every second that information is not accessible results in lost revenue. In the event of a natural or other disaster, firms need to get up and running quickly. As organizations consolidate data centers, DR becomes even more important. When a firm has many distributed data centers, a single loss has a limited impact. As the number of data centers is reduced, the loss of any one center becomes proportionally greater.

Often neglected, an effective disaster recovery plan is key to availability. Yet developing a DR plan is extremely difficult due to the use of complex, multi-tiered applications, often with different tiers located across the country or around the globe. In addition, as organizations move to a virtualized environment, many end up with a hybrid environment with some virtualized servers, some physical servers, and some servers in the cloud. Few solutions enable firms to back up and recover both environments, further increasing DR complexity.

This is an extremely complex management problem when considering the different sprawls of hardware and software supporting every application.

## WHAT TO LOOK FOR IN A STRATEGIC SERVICE PROVIDER

A strategic service provider can help financial services firms overcome the myriad challenges of consolidating datacenters, integrating applications, ensuring security and compliance, and implementing DR. The right provider can do it all for a cost comparable to or lower than providing these services internally. Look for a service provider that offers the following:

### Assessment Services

Assessment services help financial services firms examine the organization's current state and develop a set of requirements for moving forward. These services include remediation requirements to address current vulnerabilities, transformation roadmaps to assess ways to evolve existing IT infrastructures, and/or maps of the existing IT architecture to help business decision makers fully understand the state of their information technology.

### Comprehensive Managed IT Services

Managed IT services allow financial services firms to offload production environment management, including tasks such as monitoring, updating, and reporting on a clients' security, networking, storage, server, and other IT assets.

### Full Range of Virtualized and Cloud-based Services

No company is the same, and no cloud is the same. Whether companies are still focused on their physical infrastructure, dabbling in a shared server environment, or exploring the benefits of cloud, their needs and demands are always unique. Even within a cloud-based infrastructure, model and cloud types vary, and the best option for any firm will depend on many factors. Establishing a true partnership with a strategic service provider can help financial services firms define a strategy and help with the migration. Cloud environments may not be for every organization, but for those wishing to employ these technologies, the right service provider offers experience and the capabilities to manage and deploy in all environments.

### Application Management Capabilities

For most financial services institutions, application management is top of mind—particularly for ERP systems. As ERP applications evolve to the cloud, users must consider how this evolution will impact their own IT environment. Firms must address a number of questions: How should they get there? When should they go there? Can they get there with their current architecture and resources? Strategic service providers help provide the answers.

### Security

Strategic service providers should offer a blend of consulting services, professional services, and solution offerings that provide a holistic security framework to address all IT environments. A provider needs to be experienced in security capabilities, how they affect day-to-day IT operations, and the implications for compliance requirements. True strategic service providers can assist with the design, implementation, and operation of enterprise-wide security programs and help with developing structures, policies, and practices that improve the performance of security tasks and functions.

### Disaster Recovery

Outsourced disaster recovery services should deliver:

- Recovery technologies that support each platform and operating system in the secondary site
- Staff with expertise in each application (for example, Oracle, Windows, and VMware)
- A well-documented disaster recovery blueprint (runbook) that contains all recovery processes
- Change management processes to keep the runbook current by making sure that any changes in production configurations make their way into the recovery environment
- Regular DR testing to make sure that the recovery plan works properly, consistently, and within the recovery point objective (RPO); most organizations perform DR testing two to four times each year

## CONCLUSION

Financial services firms no longer need to manage complex data centers and IT infrastructures in house. The right strategic service provider can help firms consolidate data centers and integrate applications to provide a consolidated user interface while improving security and disaster recovery. But the real success is partnering with an experienced strategic service provider that can meet business needs today while helping firms design and deploy a long-term strategy to address their future business requirements. Strategic service providers can help create an approach that balances risk and cost against business demand and growth expectations.

## FOR ADDITIONAL INFORMATION

To learn more about Strategic Services from SunGard Availability Services please contact your local Sales Executive or contact us at 1-866-714-7209.

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To learn more, visit www.sungardas.com or call 1-800-468-7483.

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