



BANKING ARCHITECTURE REFERENCE TAXONOMY

A Simple, But Invaluable Dollar Saver

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It is commonly understood that a Banking Reference Architecture in a bank's software or enterprise provides a template solution for a bank's architecture. It provides a basis for a 'common vocabulary' through which implementations are discussed. However, apart from the 'commonality' feature does Banking Reference Architecture Taxonomy bring any tangible cost benefits? This article presents in very clear terms the advantages of Banking Reference Architecture and its usage.

Historically, legacy systems tended to grow in silos, insulated from other applications to which they were functionally linked.

Application Silos – A Product of Layered Legacy Infrastructure

Traditionally, the level of automation in the Banking industry has been much higher than many other contemporary industry verticals. Maintaining very large day-to-day banking transaction volumes, ensuring the appropriate operational liquidity and the need to oversee the requisite financial controls are essential reasons for such high automation levels in the Banking industry.

Since the 1980s, global banks have invested heavily in software, hardware, and infrastructure to enable core banking, payment infrastructure, multi-channel capabilities and various processing hubs within domestic and international circuits. However, as the building blocks of these assets have been layered on existing infrastructure, banks, on many occasions, have already developed silos of applications and infrastructure – this impacts the traceability and control of the overall investment across the organization.

The Need to Create a Common Business Architecture Reference Taxonomy

Various techno-functional architecture teams across the banking industry are trying to address this complexity with multiple integration solutions, service-based frameworks and creation of efficient hubs while revisiting the future technology needs enabling the flexible and agile needs of this industry. While the entire techno-functional architectural community strives hard to learn and unlearn the new ways of building technology infrastructure, a strong need is felt to create a common taxonomy of Business Architecture Reference (BAR) that would serve the purpose of creating a common identifiable business terminology across multiple stakeholders within the banking industry.

Functional and technical architecture blueprints along with relevant functional and technology documentation are usually complemented to relate and identify the assessment of 'as-is' versus 'to-be' state of the assets, design and landscape of the various applications, hardware and infrastructure assets. However, with such traditional approach it becomes very difficult for medium and large scale banks to encapsulate the entire organization's operations, even assuming with the good intentions of ensuring reusability and ensuring extensive control while mapping it to the actual business LOBs/sub-LOBs. Thus, loss of traceability of the larger picture is very common across the industry.

BAR Taxonomy – Why do Banks Need it?

BAR taxonomy can encapsulate the entire business operation across the bank with identification tags. In BAR each line of business, such as retail, corporate and investment banking, is mapped with entire customer offerings (L0), high-level process lifecycle (L1) and related services to these processes (L2) of each LOB and sub-LOB, and with further decomposition (upto Ln) for the specific services in each L2. In other words, this BAR taxonomy can be used to decompose the entire business operations across all lines of banking business. Once this extensive BAR is created with proper identification numbering, this is wired across the multiple business operations in logical groups.

With the use of BAR, every individual in the banking organization can use the identification tag for every initiative, project and program in order to bring uniformity.

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A Business Architecture Reference model differentiates a well-managed financial institution from mediocre ones.

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Advantages of BAR

The BAR can be used extensively for the following purposes:

- BAR serves to identify the high level view of business offerings, processes and services related to the entire organization and will help organization to speak a common terminology across its departments through this taxonomy.
- BAR can be used to complement the identification of reusability of software, hardware, infrastructure across multiple projects or programs. It will also enable assess the wasteful expenditure in terms of needs for each such asset. Therefore, it brings strong uniformity and control of the organization's operations.
- Change control programs can be complemented with BAR encapsulation and wiring; this taxonomy helps the 'change control teams' to comprehensively visualize the depth of each program and project they would approve.
- BAR can be extensively used in defining organization-wide process definition or process streamlining, while wiring each process to the relevant taxonomy.
- Various projects across the bank can develop business scenarios, use cases, test case based on ready BAR framework. It helps to define the project requirement definition in very short time. These could be used not only in development projects, but also in various other projects such as testing, consulting, due- diligence, product implementations, etc.
- The BAR framework can complement GAP analyses of 'to-be' versus 'as-is' scenarios for identifying improvement areas in development or enhancement of functional components.
- The framework can help to train newly inducted (and existing) employees and make them aware of the high level business environment in which they would operate.
- Most banks find it difficult to structure reporting needs from various data sources. The BAR taxonomy can help complement traceability for creating data uniformity needs across the organization.



Knowledge Shelving and Wiring (KSW) frameworks aid in designing robust, comprehensive models that link all functionally related modules.

Banking Process Decomposition Framework by Polaris

Polaris has in depth knowledge and experience in designing BAR for leading global banks. It leverages a framework called Master Process Exchange (MPX) framework that utilizes a state-of-the-art MPX tool and proprietary Knowledge Shelving and Wiring (KSW) methodology. Our experience has convinced us – and our customers – on the genuine need to enable this as an industry-wide phenomenon. The use of BAR can help banks in cost optimization across various areas such as new projects, mergers and acquisition programs, restructuring programs, transformation programs, organization-wide control initiatives, process improvements, and so on.

Polaris' proprietary banking Knowledge Shelving and Wiring (KSW) framework (LO) has over 5,000 business processes, and over one hundred thousand business cases documented in the areas of core banking, lending and mortgages, credit card, private banking, brokerage, asset management, cash management, liquidity management, trade finance and treasury spaces.



About The Author

Shripad Vaidya is the Head of the Global Retail Banking Vertical Practice at Polaris Financial Technology Ltd. He has in-depth experience in Retail Banking and new generation Online Banking Channels including Social Media. Prior to joining Polaris, he was with Tata Consultancy Services as a Domain Practice Leader in Retail Banking and Innovations.

Shripad is a Fellow Chartered Accountant from ICAI. He has been a Judging Panelist for five years for Global Finance Magazine Inc., NY, USA. Shripad has also published white papers, blogs and articles in India and abroad on various Banking topics.

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Polaris Financial Technology Limited is a global leader in Financial Technology for Banking, Insurance and other Financial Services. With over 25 years of expertise in building a comprehensive portfolio of products, smart legacy modernization services and consulting, Polaris owns the largest set of Intellectual Properties for a comprehensive product suite, Intellect® Global Universal Banking (GUB) M180. Intellect® is the world's first pure play Service Oriented Architecture (SOA) based application suite for Retail, Corporate, Investment banking and Insurance. Its acclaimed products, solutions and services enable unprecedented operational productivity for the global Financial Services Industry by Building, Maintaining, Expanding and Extending highly complex and Integrated Financial Technology Infrastructure.

This makes Polaris the chosen partner for 9 of the top 10 global banks and 7 of the top 10 global insurance companies. The company has a global presence through its 40 relationship offices across 30 countries, 6 international development centers and 8 fully owned Business Solution centers. Polaris has a talent strength of over 13,000 solution architects, domain and technology experts. For more information, please visit <http://www.polarisFT.com>

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