



Hollowing out the core: Why banks are breaking out of their legacy core technology

Unlock efficiency and flexibility with
specialist asset finance systems



Why do banks select a best-of-breed asset finance platform?

Many banks' asset finance portfolios have not contributed significant volumes to their overall business, a chicken and egg problem attributed to their underlying technology's inability to support growth. Changes in the economy, market, technology and customer choice are turning the spotlight back on banks who can provide a complement of innovative financing solutions to customers across the leasing and loan lifecycle – unlocking new opportunities in a competitive market and putting money to work.

Why seek a dedicated asset finance solution?

Asset finance plays a significant role in 'hollowing out' of core systems. Whilst using a core banking platform to run a specialized portfolio may have seen fit for purpose in the past, there are significant nuances to running a lending book in a performant way that demands it to be implemented as a separate platform.



1 Asset specialization

Dedicated platforms are designed specifically for managing the unique aspects of auto and equipment financing, such as the particulars of leasing, hire purchase or loans secured by physical assets. Native features such as asset lifecycle management, including end-of-term, restructures, terminations, extensions and depreciation tracking, are difficult to implement effectively in a core banking system and therefore limit the range of assets that can be financed.

2 Compliance and reporting

Asset finance has its own set of regulatory requirements. It's a must for banks to ensure their platforms adhere to local and global compliance standards (e.g., IFRS 16). This allows a bank to meet regulatory requirements without overhauling their core system.

3 Scalability

To target asset finance portfolio growth, a specialized system is often better equipped to scale. It can handle increases in transaction volume and offer flexibility in product offerings, especially when this can be completed by the bank through configuration. While the cost of labor comparably can seem cheap, this presents a scalability problem up to a certain point and reduces resource dependencies.

4 Better user experience

Asset finance platforms have a more tailored interface for asset-related products, which can improve the experience for both bank employees and customers. Users benefit from tools specific to their needs (e.g., asset valuation, contract management) rather than having to work with generic banking tools.

5 Digitalization

A dedicated API-ready solution can enable channels into the bank from a complement of originators to drive new business. This can enable real-time "yes" decisions and instant payments.

6 Efficiency and speed

A specialized system offers streamlined processes that improve the efficiency of managing transactions, reducing the time spent on manual tasks and making loan approval, disbursement and management faster and more accurate.

7 Faster innovation

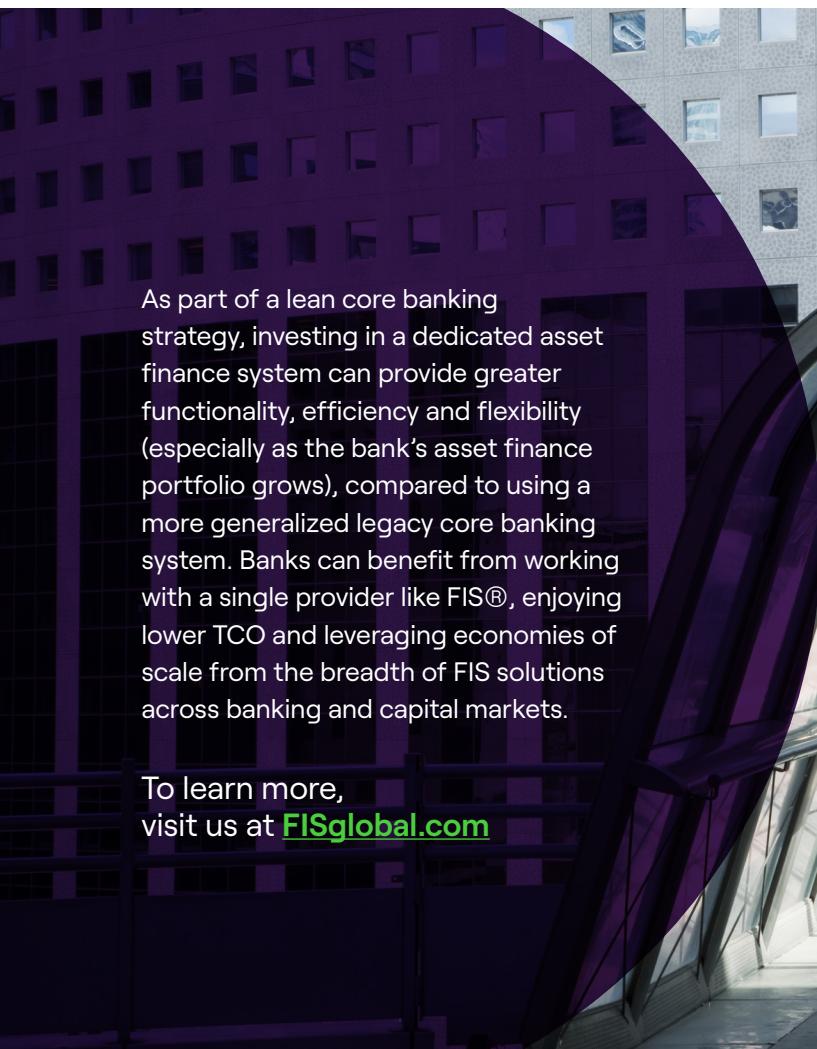
Modern asset finance solutions with regular release cadences – offering new features designed in response to market trends and customer demands – allow banks to stay competitive and provide a continuous path to upgrade, eliminating costly future migrations. Legacy core systems are unlikely to receive such regular updates, especially if they were built many years ago. The shift in customer demands towards innovative payment models, such as servitization and pay-per-use models, is only possible in a dedicated solution. Faster go-to-market of new offerings, including the ability to earn more from value added services, is crucial.

8 Integration flexibility

Modern asset finance systems that are designed to integrate with a variety of other banking systems (e.g., CRM, loan origination, payment gateways) provide a more seamless experience than attempting to retrofit legacy systems. This allows real-time data insights, reducing the risk of data silos.

9 Cost efficiency

Although the initial investment in a specialized asset finance system might seem high, over time, it can prove more cost-effective than maintaining and upgrading a legacy core banking system to handle the same tasks. It reduces the need for manual intervention and improves the cost-to-serve.



As part of a lean core banking strategy, investing in a dedicated asset finance system can provide greater functionality, efficiency and flexibility (especially as the bank's asset finance portfolio grows), compared to using a more generalized legacy core banking system. Banks can benefit from working with a single provider like FIS®, enjoying lower TCO and leveraging economies of scale from the breadth of FIS solutions across banking and capital markets.

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