Research Report

Smart Banking at IBM's European Banking Center of Excellence

Introduction

Clabby Analytics (that's me) recently had the opportunity to visit IBM's Center of Banking Excellence in Montpellier, France. During my time there, I learned that the company sees the continuing decline in HP's NonStop sales, the delay in Itanium processor release schedules and the recent take-over by Oracle of Sun Microsystems as a huge opportunity for its System z (mainframe) servers to capture banking market share. As the banking industry reconsiders its investments in HP and Sun server environments, IBM believes its suite of "Smart Banking" solutions, running on its System z mainframe servers, offers an ideal basis for running core banking and ancillary applications on a single-system architecture. Further, IBM believes the banking industry will make a strong move into standardized systems and infrastructure over the next several years. That scenario fits well with the company's promotion of System z as an ideal service-oriented architecture (SOA) hub that can readily serve the infrastructure needs of banks that need turnkey service-oriented infrastructure solutions.

IBM's Smart Banking Initiative

The most important finding that I came away with as I left IBM's European Banking Center of Excellence is that the company is investing *extremely heavily* in integration activities that will enable its banking business software partners to deploy their SOA solutions on System z. According to IBM, banks all over the world want to move away from custom coding and disparate systems environments — and the company believes its mainframes are ideally positioned to become the systems-of-choice in tomorrow's SOA-driven banking marketplace.

IBM's agenda at this meeting was to familiarize several top System z research analysts in Europe and the Middle East with their "Smart Banking" initiative — a series of integrated banking software solutions that make it possible to run a complete portfolio of banking applications on standardized SOA-enabled infrastructures. As part of presentation, IBM featured banking software solutions from several companies — most notably Oracle and ACI. And IBM also featured how these products could be deployed and managed on its System z hardware platform.

With respect to Smart Banking, IBM's key message was: "It is now possible for banks to deploy a wide variety of commercial-off-the-shelf (COTS) software on a standardized SOA infrastructure environment. By doing this, banks can:

- Standardize their information systems architecture (enabling banks to run core operations on fewer, common systems rather than multiple, disparate systems);
- Cease developing and maintaining custom core banking solutions;
- Spend more time focusing on integrating process flows and launching new initiatives rather than on program design and development, as well as systems maintenance; and
- Improve manageability by using a variety of SOA-based tools and utilities to monitor and control banking systems and processes.

Will IBM's Smart Banking solutions change the banking industry? For the most part, the Banking Center of Excellence lectures and demonstrations were most convincing. IBM was indeed able to show how a variety of COTS programs could be deployed on SOA infrastructure — and was also able to demonstrate how building on SOA made application integration easier while improving control and manageability of information system resources. Further, the company brought in a cadre of its banking benchmarking experts (who conduct large-scale benchmarking and testing) who could verify that this new generation of SOA-based banking software not only works, but it also performs well and is easy to integrate with other SOA-based programs.

Summary Observations

The banking industry has come under increasing scrutiny due to the part it played in the worldwide economic downturn. So, at present, banks are operating very conservatively and not aggressively adopting new hardware and software solutions. But as economies around the world recover, banks can be expected to become more aggressive in terms of creating new, revenue-generating products and services.

In this post-downturn world, banks will need to revamp their existing IT infrastructures in order to be able to offer new services in a more efficient manner. And this means that banks will, over time, need to move toward a service-oriented architecture. Banks that fail to make this move will experience increased pressure from competitors that do make the move to SOA-based solutions — or they will end up farming out various banking services to hosted services providers who will run SOA-based solutions for them.

IBM is aiming to succeed in both of these scenarios:

1. For banks willing to make the move, IBM has built a very powerful SOA hub in its System z mainframe architecture. System z is known throughout the banking industry for its reliability, availability and security — and for its prowess in running batch and high-volume transaction processing applications. IBM needs to get the banking industry to see the System z in a new light: as a fundamental solution for core and ancillary banking challenges; and
2. IBM is also positioned to provide SOA-based hosted solutions as services through service offerings, including on-demand innovation services, infrastructure management services, and other offerings.

Smart Banking at IBM's
European Banking Center of Excellence

IBM's European Banking Center of Excellence in Montpellier serves as both a banking customer benchmarking site and as a demonstration facility. For prospective IBM banking customers, this site and its U.S. equivalent in Poughkeepsie, NY are well worth a visit. While at either center, expect to talk to IBM representatives who understand current and evolving banking initiatives — and who have access to a lot of computing resources that can be used for large-scale benchmarking. And expect a pitch by IBM on why moving to SOA-based standards (upon which "Smart Banking" is based) is the wave of the future.

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