Delivering Credit Processes in the Cloud

Make the Shift to the Cloud

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INTRODUCTION

The new reality of 2020 has illustrated the importance of business agility like never before. This need for flexibility and speed permeates the enterprise, including the credit management function. Banks are taking a closer look at their middle-office operations for ways to operate efficiently and drive down costs without compromising service and value.

In an increasingly disruptive world, many business leaders have looked ahead to 2021 to figure out how they can economically accelerate new digital services and incorporate more automation, resiliency, flexibility, and agility into their credit processes. The bottom line is: banks, at this time, need to focus on digitizing the collateral and credit facilities operations. As they work towards this critical goal, they can position themselves for a faster recovery, long-term stability and profitability.

Many banks are still saddled with rigid and legacy on-premises applications and have had to patch, update, and customize their systems to keep up with ever-changing business needs. If the recent past has shown us anything, it’s that there is a clear need for banks to be dynamic in updating their technologies to cloud based credit facilities process management solutions that could make them nimbler and more reactive. Now is the dawn of a new era - one where banks can innovate faster by gaining ongoing access to fresh capabilities while keeping costs in check. Further, operating in a virtual environment, cloud-native system means bankers can work anywhere, anytime, on any device.

THE PROBLEM OF LEGACY TECHNOLOGY

There is no denying that credit management function is complex. Today, most credit processes still require some manual intervention and data input from various individuals and sources. This disconnect slows processes, drives up costs, and precludes visibility into the entire lifecycle, from credit proposal to credit exception, and more.The result: lack of purposeful insight and real-time collaboration for informed decision-making.

Here are some of the challenges that businesses might face on a daily basis:

CHALLENGES	DESCRIPTION	OPERATIONAL IMPACT
Paper-based documentation	Flow of physical paper documents throughout the life cycle from origination to processing and servicing	• Increase in transaction turnaround time • Handling and storage costs
Inflexible, complicated processes	Lack of flexibility to adapt the processes to fit business needs	• Lack of standardization of process • No single version of the truth • Non-compliance risks
Non-core activities	Redundant data entry	• Credit analyst and underwriters spend less time on risk management activities
Poor customer experience	Limited self-service capabilities	• Unable to meet customer experience demands

Source: Deloitte Report

Banks are finding that their once cutting-edge systems aren't nimble enough to keep up with the pace of change. The limitations and complexities of legacy technology tend to cause significant operational challenges to successfully navigate the unexpected.

- **Limited in the information age**: Legacy systems by nature are rigid, clunky, and complex and this creates challenges around collaboration among stakeholders, and service consistency
- **Siloed data**: There are many banks operating on multiple systems to handle various steps involved in creating and processing collaterals and credit facilities transactions. As these systems have poor integration and interface capabilities, it creates a major disconnect in the flow of data which increases the time required to find relevant information, thereby, hampering decision making
- **Lack of data intelligence**: Relationship managers expect data and statistics at their fingertips. But, some of the information is likely to be inaccessible or non-updated
- **Error prone processes**: Error-prone manual intervention across the entire collateral lifecycle
- **Stuck in the past**: With legacy systems, banks have limited access to emerging technologies like Machine Learning (ML) to automate time-consuming, mundane processes

ACCELERATE DIGITIZATION

Among the most challenging aspects of a credit decision is the need to aggregate numerous data points. Many banks rely almost exclusively on spreadsheets, and other data, such as insight on a client's history or plans, may be locked in the mind of a banker. In addition, there is external data, such as the corporate's balance sheet from the most recent quarter and analyst insight on future corporate, industry, and sector performance, to name just a few. The ability, therefore, to automatically aggregate all of this data and manage the process in a single decision platform, is a critical requirement.

If you're figuring out what your business may gain from digitization, here are areas to think about:

- Quickly react to market changes with the ability to make continuous, dynamic, real-time adjustments
- Faster time to decisions
- More accurate decisions, which, in turn, reduce risk for the bank and are more cost-effective for the corporate
- Lower operating costs due to reduced manual intervention

Why should you consider letting go of legacy monolithic systems and embrace digital transformation with purpose-built solutions for credit facilities process management? Consider these benefits:

FUNCTIONALITIES	BENEFITS
Business process automation	Automated process workflows at every stage of the collateral and credit facilities lifecycle improves task management and increases productivity • Straight-through processing eliminates redundant manual processes • Enables real-time visibility into collaterals and credit facilities transactions
Connected experience	Seamless multi-channel experience increases customer engagement • Provides customers with the self-service ability • Allows use of different access points to begin and complete process
Lifecycle management	Complete, end-to-end solution on a single platform for credit and collateral lifecycle management • Provides greater convenience with ability to customize workflow processes • Enables unified real-time view of exposure to customers across country, subsidiaries and different credit types
Third-party API integration	Seamless third-party integration for quicker turnaround and collaboration between participants • Enables integration with back-office and front-office applications • Enables Integration with external applications
Dashboards	Increases the productivity of front-line relationship managers • Enables faster, higher-quality credit decisions. • Ensures shorter processing time

THE CASE FOR CLOUD

Emerging technologies and practices will underpin the new era of resiliency. The pandemic is accelerating what was already a seismic shift to embracing credit processes in the cloud with reduced cost and increased digital scalability.

Banks are looking for faster, easier, and lower risk paths to modernization. The cloud clears the way. As banks transition to cloud, they gain the opportunity to transform - increasing pace of innovation, reducing complexity, improving flexibility, and gaining agility to navigate changing market conditions.

Cloud-based credit process management has several advantages. Some of the top benefits are:

- **Cost-effectiveness:** Cloud applications drive greater business value through streamlined processes, improved productivity, and reduced overhead and operational costs. Banks can scale up and down as needed- avoiding any over-investment in infrastructure
- **Automate modernization:** The cloud supports 'forever' modernization without risk and business disruption
- **Complete:** Cloud delivers one solution for your enterprise across collateral and credit processes
- **Operational agility:** Cloud solutions reduce complexity. They are agile, adaptable, up-to-date and easily configurable as needs change
- **Efficiency:** Cloud solutions provide end-to-end business flows that enable more automation
- **Increased scalability:** One of the things that sets cloud solutions apart is that banks can scale up and down as needed - to meet the demands of predictable and unpredictable spikes
- **Data security and privacy:** With cloud solutions, you get multilayered security, data encryption, and state-of-the-art data centers
- **Modern experience:** The cloud offers a modern user experience that's intuitive and empowers banks to deliver exceptional customer experiences - from origination to servicing - and everything in between
- **Subscription-based pricing:** Cloud solutions come with subscription-based pricing that's flexible, scalable for growth, and cost efficient
- **Continuous innovation:** The cloud helps banks innovate faster as updates are delivered automatically, providing new capabilities without undergoing a major upgrade. It also ensures a painless upgrade path as new functionality is deployed regularly via the cloud

Benefits

The benefits that come with credit processes in the cloud are profound.

- More agility - configure, rather than customize
- Faster innovation - take advantage of automatic updates
- Transformative technologies - embedded intelligence
- Increased productivity - complete transactions in only a few clicks
- Improved data security – data encryption at every level
- Easier integration - easily integrating to other applications

CONCLUSION

To summarize, this time of uncertainty underscores the need to adapt to any situation quickly. Digitization is creating new avenues for banks' growth, improving customer service, and creating efficiencies in middle-office operations. A new-generation credit management operations platform equips banks with purposeful insight for better decision-making, enables standardization of processes to enhance distinct operational capabilities, and empowers relationship managers with real-time collaboration and intelligent automation to achieve higher levels of efficiency.

In an era where time-to-market expectations are measured in hours or days instead of months, the cloud offers a faster and smarter path forward to more effective, agile, and cost-efficient collateral and credit facilities operations. With the ease of consumption and access, and a highly scalable and secure environment, the case for credit processes in the cloud is even more compelling.

The reward for banks that adapt their collateral and credit facilities systems and move to the cloud, however, is not just process efficiency and expanded transparency but also the significant IT operational savings that come from zero upfront costs and infrastructure maintenance costs. Faster, easier, and more cost effective - it's time to move to the cloud.

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