

The logo for Sungard, consisting of the word "SUNGARD" in a bold, white, sans-serif font on a black rectangular background.

INFINITY WHITE PAPER SERIES

## A NEW PLATFORM FOR BUSINESS:

*How Software as a  
Service Can Create New  
Opportunities for Financial  
Services Institutions*

## EXECUTIVE SUMMARY

Software as a Service (SaaS) has existed for nearly a decade. With new technologies maturing and gaining acceptance, it is now able to add value to mainstream business processes. In doing so, SaaS becomes a disruptive technology, causing widespread changes not only in how technology is implemented, but also how it is fundamentally developed, purchased, and deployed. With the new groundswell of SaaS offerings entering the industry, embracing SaaS is no longer a matter of "if" but when software vendors will provide technology using these types of services. Therefore, how and when should financial services institutions leverage SaaS? How can this disruptive technology be successfully incorporated within the existing IT governance framework in a way that maintains the current standards for quality, security and compliance? How will it change how business operates and most importantly, how will it improve IT?

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## INTRODUCTION

CIOs at financial services institutions wrestle with two challenges that seem mutually exclusive: they face enormous pressure to reduce operating costs, while simultaneously facing the need to innovate in order to support new products and services. The adoption of Service Oriented Architecture (SOA) and the evolution of Software as a Service (SaaS) into a more robust platform for business provide the keys to balancing these challenges with the need to adapt and react quickly to industry demands.

## SOFTWARE AS A SERVICE DEFINED

Software as a Service (SaaS), a delivery model where software can be hosted remotely and charged on a subscription basis, was originally developed to help organizations better manage costs with respect to technology. SaaS is in the middle of an expansion and the combination of SaaS and Service Oriented Architecture (SOA) has piqued the interest of forward thinking organizations looking for increased agility and competitive advantage.

The basic premise of SaaS is in line with the needs and goals of today's organizations.

It is a model that:

- Supports the trend toward multinational and global collaboration.
- Eases expansion into new areas and complex products by allowing for quick proof-of-concept applications that help encourage senior executive buy-in.
- Promotes business agility and faster time-to-market: the keys to gaining competitive advantage.
- Helps reduce business risk by allowing organizations to utilize plug and play technology without making considerable capital investments.

SaaS as a concept is not new. In fact, many consider the Application Service Provider (ASP) model to be SaaS' predecessor. The ASP model offered a way for organizations to outsource the hosting and maintenance of applications in an effort to combat the rising costs of hardware and infrastructure, as well as the cost of ongoing management. However, the ASP model is more reflective of the traditional software model, in that ASPs typically run single-tenant, off-the-shelf applications with HTML front ends or Citrix emulations in client server mode.

SaaS is a delivery model that assumes software will be delivered over the internet in a one-to-many model similar to a utility on a pay-as-you-go or subscription basis. Essentially, SaaS allows organizations to “buy” or outsource a single business process (or select set of business processes) versus a complete application. Where SaaS offers new promise is in combination with a repository of SOA components or services providing the ability to get, combine and reuse content and change workflow without changing code. The hosted services also eliminate the need to deal with the hardware, databases, and additional technology infrastructure components that typically surround traditional software applications. As a result, organizations can focus on what matters most—the functionality needed to meet business objectives.

Technology advancements enable SaaS to be used in core business functions, not just on the business periphery. Network ubiquity, SOA, and standards, such as Web services, have matured enough to make purchasing business processes or services possible. The SOA software foundation allows for the definition of loosely-coupled services to support the business process. Plus, SOA enables the consumption of components and the creation of links to established legacy installations through the use of a Web services layer. The combination of SOA, SaaS and Web services helps organizations to unlock their siloed intellectual property and reuse content from more than one source into an integrated experience.

## THE BENEFITS OF SAAS

The key business benefits of SaaS include:

- **Corporate flexibility and agility:** If an organization needs to make an infrastructure change, such as for a merger, acquisition or reorganization, SaaS allows greater flexibility to do so quickly, easily and with few financial repercussions.
- **Faster time-to-value:** SaaS minimizes software implementation windows, accelerating the time that organizations can begin using—and realizing value from—SaaS solutions.
- **Competitive differentiation:** Ideally, the SaaS model helps organizations become more agile to meet new business challenges, deliver new products to market quickly, address new regulatory issues, and share data and processes across the enterprise to help improve customer service.
- **Improved cost management:** With “software on demand,” the size and number of upfront capital investments are reduced. SaaS offers a consistent (monthly/annual) fee structure that helps make it easier to budget and match expense to revenue streams.
- **Greater focus on the business:** By removing the IT burden associated with traditional software implementations and maintenance, SaaS frees IT professionals to focus more of their resources on returning higher value to the business.

## A NEW APPROACH TO SOLUTION DEVELOPMENT

Software-as-a-service enables a just-in-time application provisioning model so that IT can turn on access to service components, scale as needed, and facilitate the creation of different types of business logic atop a common platform. This approach is radically different from how software implementations have been conducted and it promotes business agility and helps reduce time-to-market.

In the average development project, if a financial business unit (BU) wanted to launch a new product, it would go to IT to build the necessary infrastructure and software application. Business analysts would relay requirements to the technical experts who would design and implement the solution. Normally, this request would be entered into the development queue, and the BU might have to wait weeks—or months—for resources. However, SaaS provides IT with a faster alternative to traditional software implementations, by working collaboratively with the BU to quickly pull together the functionality needed by assembling pre-tested solution components or fully realized solutions in a hosted environment. And since much less traditional coding is required, business analysts are able to drive more of the actual solution. The ultimate payoff of SaaS? Financial services institutions can use it to help increase throughput, improve the flow of products to market, and help ensure that solutions more precisely meet the needs of the business.

Coordinating transactions across back-office systems or orchestrating straight-through processing may require rethinking business processes. Firms will undoubtedly need to embrace new patterns of collaboration. Because it will alter how software is developed and will facilitate revamping business processes, SaaS is being viewed by many analysts as a disruptive technology.

## THE INTERSECTION OF SAAS AND FINANCIAL SERVICES

What are the implications of SaaS for the financial services industry and how can financial services institutions leverage it to compete more effectively? Consider these examples:

### ***Example 1: A Cost- and Time-effective Approach to Account Opening***

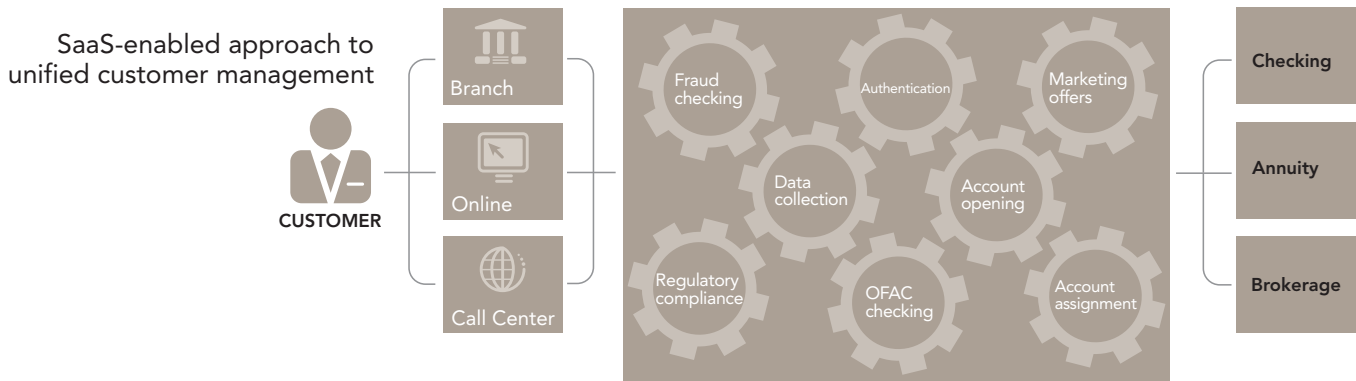
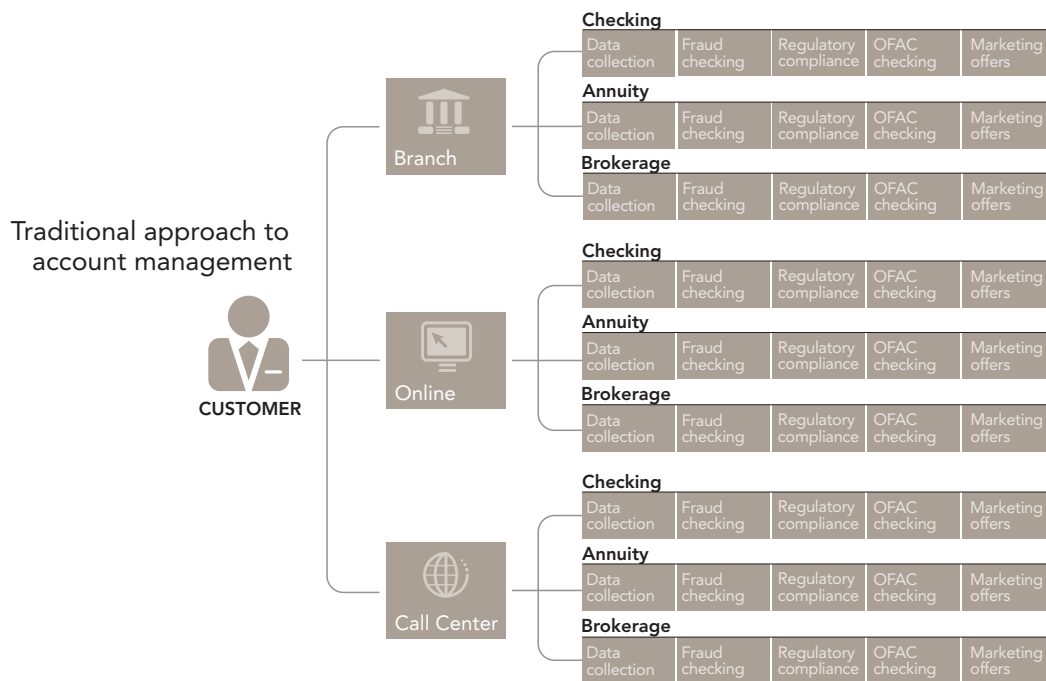
Retail banks and insurance and investment firms are looking to improve their ability to offer new services to their clients. Yet opening a new account is more complex than ever—involving multiple products, often from different lines of business, with information requirements that differ depending on where the account is opened, the type of business transaction, and type of client. Mergers and acquisitions, reorganizations and new regulatory standards mean that changes may occur on almost a weekly basis.

Traditionally, account opening systems have been hard-wired into the downstream processes with limited interoperability requiring duplicate entries and increased cost. And because they are viewed as operational overhead, many firms are under pressure to reduce the cost and time associated with them. Additionally some of these processes take place outside the walls of the firm – e.g., different service centers, ties to third parties like outsourced ATM, brokerage accounts, etc.

The promise of a SaaS-based solution utilizing SOA components and new tools, such as a business process orchestration engine, means that firms can build an account management framework applicable across many different processing systems:

- The firm can build its own unique process of opening a new account which may depend on different geographic or regulatory jurisdictions, different compliance requirements, or different types of accounts, e.g., money market versus checking.
- The process engine and component-based architecture also allow the organization to change the process in the future without changing underlying systems – the solution is built to assume that things are going to change.
- By delivering on a hosted platform, the rollout of changes, such as a new disclosure screen, would be instantaneous.
- The firm would have flexibility as to the location of the account opening support organization.

A SaaS approach would remove many constraints—helping make it faster and less expensive to open and manage an account, while providing the flexibility and agility financial organizations need to meet client expectations.



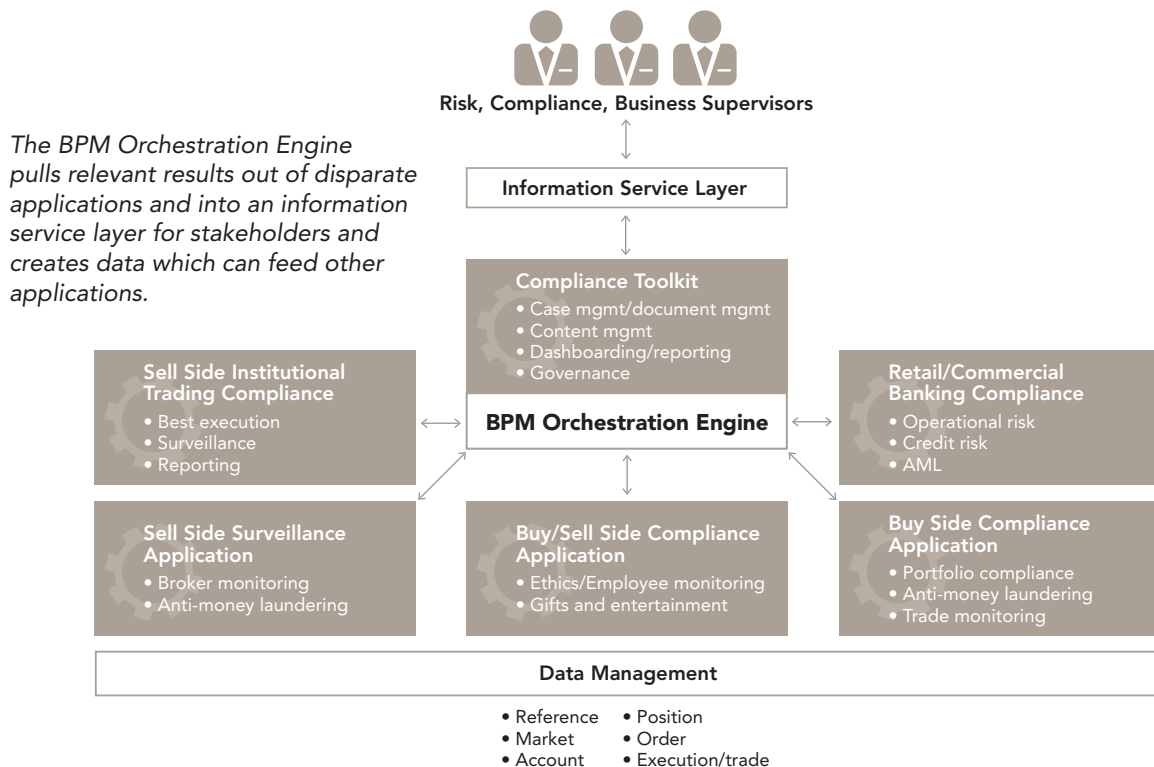
Custom account management process built using SOA components from a SaaS library

**Example 2: An Integrated, Institution-wide Approach to Compliance**

With the increasing number of new and changing regulations, such as Know Your Customer, Trade Monitoring, and Anti-Money Laundering, compliance reporting requirements have intensified for financial services institutions. The result is an increasing number of unconnected “compliance silos” that develop as different parts of the organization use different point solutions to focus on specific regulatory pressure points requiring considerable data acquisition and data mapping efforts. Such silos can cause unnecessary duplication of effort, increased development costs and potential gaps in compliance coverage, as well as making it difficult to obtain and interpret a holistic view of the risk positions and compliance activity throughout the organization. These pressures on traditional systems are compounded by the need to provide timely solutions in the face of rapid product innovation, e.g., changes in base analytics when introducing new and more complex securities or expansion of business activity into new jurisdictions.

Using SaaS for compliance presents an ideal mechanism to deliver integrated governance, compliance, and risk functionality in a scalable, controlled-growth manner. Migration can occur at a “service” level which can be verified against legacy-based systems; the “try-before-buy” concept would help ensure suitability of approach. The SaaS component-assembly approach which leverages and integrates stand-alone services into a consolidated view represents exponential improvements in coverage and productivity and can help create stronger communications between the business units, IT, Risk, Legal, and Compliance.

The positioning of compliance solutions, such as trade monitoring, AML, suitability, portfolio compliance, and broader governance, risk and compliance tools within a SaaS delivery platform stands to benefit (and simultaneously disrupt) this “hot” but costly area within financial services institutions. SaaS helps firms to maintain their focus on product innovation and customer service with the confidence that the middle- and back-office tools can be readily dropped in to support the business revenue-generating opportunity on an as-needed basis.



## SUNGARD INFINITY: SAAS FOR THE FINANCIAL SERVICES INDUSTRY

SunGard has been delivering solutions to the financial services industry for more than 25 years. Today, SunGard offers several industry-leading solutions, many of which are available on an ASP basis and the company is currently re-designing many of its offerings using SunGard's SOA framework— the Common Services Architecture.

SunGard is also now developing Infinity, an entirely new delivery model for SunGard products that is based on a SaaS development and delivery platform built on a Service-Oriented Architecture. This new platform for financial services is one of the first of its kind geared to this industry and facilitates the assembly of composite applications. Its key components include:

- A repository for a broad range of software components, including those of SunGard, its partner network, and customers.
- A portal which offers a centralized resource for educational materials, billing, subscription, and licensing services as part of overall account management.
- An infrastructure with a framework to compose, test, and host solutions that leverages the power of grid computing and virtualization technology.
- Access to a service-level-agreement-based 24/7 call center and utility stack for integration services.

The Infinity approach helps geographically dispersed development teams to collaborate across different technology platforms and system boundaries. It helps them achieve software agility, accelerating innovation and time-to-market. Plus, Infinity provides the components for SaaS and it enables the building and utilizing of SaaS solutions with end-to-end services and support and a growing partner network for a broad range of solution offerings.

Infinity can help change how financial services institutions purchase and implement software in order to achieve their business objectives and improve operational efficiencies and business processes within their organizations. Specifically, Infinity will help financial services institutions to:

- >> Exploit the benefits of SaaS with services designed expressly for the financial services industry
- >> More easily support expansion into new markets and products
- >> Enable businesses to easily and quickly change business processes
- >> Reduce time-to-value for new products and services
- >> Utilize “software-on-demand” by making lower initial investments in business services with many options designed to support various business models.

**About SunGard**

With annual revenue exceeding \$4 billion, SunGard is a global leader in software and processing solutions for financial services, higher education and the public sector. SunGard also helps information-dependent enterprises of all types to ensure the continuity of their business. SunGard serves more than 25,000 customers in more than 50 countries, including the world's 50 largest financial services companies. **Visit SunGard at [www.sungard.com](http://www.sungard.com) for more information.**

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