INTRODUCTION

Every industry is facing rapid change. For financial institutions, this means contending with volatile markets, continuous pressure on already-squeezed profit margins, and shifting consumer behaviors. It means introducing new revenue streams and services while reducing costs and meeting complex regulations. With these challenges, however, comes an opportunity for banks to build on what still works—and evolve what doesn't.

In fact, evolution has become imperative. Today's banks can no longer rely solely on brand popularity—they face rising competition from fintech firms that have built their businesses around advanced technologies.
In a Bain study, consumers rated at least one large tech company higher than their primary bank for each of the four most important elements of value in banking: provides quality, saves time, simplifies, and reduces anxiety. Banks can’t afford to fall behind on transformation initiatives that will keep their customers satisfied—and keep them relevant and successful.

Forward-looking CFOs are on the frontlines of banking innovation, modernizing their finance functions so their teams can spend less time closing the books and more time delivering business insights to the C-suite. According to McKinsey’s “Global Banking Annual Review 2021” over the next five years, banking will move from a decade of convergent resilience (2011–20) to a period of divergent growth (2022–27)—and the decisions made in the next 18-24 months will be critical in distinguishing banking leaders from banking laggards.
The global pandemic accelerated consumers’ desire for digital banking channels, putting pressure on financial institutions to quickly move to a digital-first model. According to PwC’s 2020 Consumer Banking and COVID-19 Survey, about a quarter of consumers say that the pandemic has made them more likely to use their bank’s website (27%) and mobile app (23%) as well as online mobile payment apps (26%). In this experience economy, consumer interactions and experiences have become more personalized and accessible, and consumers now expect the same level of customization and accessibility from their banks. Creating a competitive intuitive banking experience, while also cultivating customer trust within the digital space, is critical to banks’ continued success.

A handful of barriers, however, are preventing many banks from making the shift:

Aging business applications
Many banks struggle to consolidate data from disparate, legacy applications that, if not routinely updated, quickly become obsolete. This ultimately leads to an extensive delay in financial insights, poor data quality, and information latency that can affect their ability to meet regulatory demands—and if not routinely upgraded, these systems become obsolete.

Outdated business models
Traditional finance operation models are rapidly becoming outdated, as they can’t deliver the level of data and insight that banks need to operate competitively. These outdated models don’t provide a unified or reconciled source of data, lack data granularity in their data, don’t have scenario planning tools to model potential future outcomes, and require lengthy manual processes.

Expanded regulations
Financial institutions that let critical data slip through the cracks face costly fines, increased scrutiny, and reputational risk. Adding to the pressure, regulators are increasingly making demands for reporting consistency, more frequent reporting, and unencumbered access to the details of bank filings.

Inability to adopt advanced technologies
Many outdated systems lack artificial intelligence (AI) and cognitive capabilities, hindering innovation and placing a heavier emphasis on daily, manual transactions that could be automated. AI and other advanced technologies can help banks modernize their processes and achieve quick wins by improving customer satisfaction and business workflows.
The advantages of a digital-first approach

CFOs have an enormous opportunity to grow their banks by adopting an agile, digital approach to their business processes and technologies—and many have taken note. In Accenture’s “Banking Technology Vision 2021” report, 68% of banking executives say the pace of digital transformation at their organization is accelerating. According to Oracle CEO Safra Catz, “There has never been a more important time to be in finance, using your data-driven insights and enterprisewide view into operations to guide your organization through today’s uncertain times.”

Digital transformation requires embracing new ideas and ways of working as well as rethinking traditional roles and operations to keep up with a changing market. Progressive banks are moving to platform-based business models that align their digitization and ecosystem strategies—allowing them to introduce more value-added services for their customers. These models use cloud technologies to give consumers the convenience of mobile banking. Cloud technologies also give finance teams the ability to provide the business with forward-looking data versus simple reporting and to automate manual efforts for data sourcing and reconciliation. Machine learning and AI can be used to augment human intelligence, giving finance a clear path to accelerate the pace of change and move from managing transactional processes to providing actionable insights.

My Money Bank is one example of a bank that said yes to the cloud to support digital transformation. “We need to be plug-and-play. And we want to be first movers when new technology becomes available. The cloud allows us to do that,” says MMB CFO Jeremy Bracq. After GE sold MMB to Cerberus in 2017, MMB sought a faster, better way to manage all of their finances. They turned to cloud-based Oracle Fusion Cloud Enterprise Resource Planning (ERP) and were able to reduce IT costs, close their books within five days, and automate their financial
reporting process. Investment management firm, Vanguard also recognized the need for a digital-first approach before the start of the pandemic. During a recent Oracle Live virtual event, Vanguard’s John Bendl spoke about the company’s move to the cloud during the pandemic and the benefits it has seen since doing so. “The ability to see data across all the finance functions, from planning in EPM all the way through to ERP and procurement, has been really powerful,” he said. “Clearly we’ve seen it help with enhanced decision-making.”

With the use of Oracle Cloud ERP, Oracle Fusion Cloud Enterprise Performance Management (EPM), and Oracle Fusion Cloud Procurement, Vanguard was able to meet its goals and better serve its customers, and business partners.

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–John Bendl
Principal, Funds CFO and Chief Accounting Officer at, Vanguard
Four ways CFOs can kick-start smart innovation

1. Implement a centralized financial accounting system powered by integrated data management capabilities

Today, banks must do more with less while meeting increased regulatory and compliance requirements. To remedy this, they must look for ways to maximize their data to identify and solve business problems faster and gain a competitive advantage. This is easier said than done when that data lives in multiple repositories such as general ledgers, data warehouses, data marts, and Excel spreadsheets. It can be painful, time-consuming, and costly to keep track of disparate data stores on a project-by-project basis, and reconcile data across systems—and, ultimately, it can prevent banks from meeting the demands of external regulators, resulting in noncompliance and fines. And with multiple data repositories, banks don’t have a shared, consistent view of their financial chart of accounts, cost centers, product definitions, legal entities, and other key elements across business units and systems.
Cloud-based data analytics and reporting platforms provide a common data model across the bank, including risk, finance, treasury, and customer service. This helps CFOs and their teams eliminate time-consuming processes such as manual data entry and collection and reconciliation, and helps finance understand the flow of data from source to usage, providing a full audit trail of all the ways its data has transformed throughout its processing chain. CFOs are then able to present critical KPIs to senior management in a consistent format, from a unified reporting data source. It also helps finance understand the flow of data from source to usage, including a full audit trail of all the ways its data has transformed and the adjustments made along the way to it through its processing chain.

SUCCESS SPOTLIGHT: BANCO AGRARIO

For Banco Agrario, a move to the cloud unified data and operations across their 799 offices. Before beginning their finance modernization journey, the Colombian bank had multiple repositories and tools for each task and no common data model or system that unified their applications. They needed a solution that would allow them to govern and control the entire budgetary process, including budget execution, payments, and treasury and accounting.

With Oracle Fusion Cloud ERP, the bank can do all of that. In addition, Banco Agrario can efficiently deliver documents and data to Colombia’s financial sector and meet regulatory reporting requirements.

“With Oracle Cloud ERP you have governance, control, and consistent data and accounting. The increase in efficiency and control is gigantic.”

Luis Ignacio Suarez
Vice President of Technology,
Banco Agrario
Use multidimensional analytics to manage profitability

As banks look to innovate and grow, they need to understand which customers and products are most profitable. CFOs and their teams are tasked with assessing the cost to serve their customers and identifying what opportunities to invest in and what products to divest. Benchmark research on the Office of Finance conducted by Ventana Research reveals that relatively few companies use analytics to manage profitability; only 29% of study participants said they use analytics to manage product profitability, and 26% said they use analytics to manage customer profitability. Without a system that provides multidimensional profitability analytics, finance teams can overlook valuable information that can guide them in nurturing current customers and attracting new ones.
When Akbank, a private Turkish bank with more than 771 branches, needed help measuring profitability, it decided to migrate to Oracle Financial Services Profitability Management from Oracle Financial Services risk and finance applications. As a result, the bank cut the time it takes to create profitability reports from eight hours to four hours, can now model loan scenarios, and gained the ability to use real-time insights to determine day-to-day pricing insights, cultivate customer relationships, and increase retention.

“[Oracle’s solution] is helping us to make more-informed pricing and other related operational decisions that, ultimately, positively impact our profitability and customer retention.”

Aynur Satici
Senior Vice President, Budgeting and Management Reporting Head, Akbank

SUCCESS SPOTLIGHT: AKBANK

Customer and accounting profitability in the cloud allows financial services institutions to calculate risk-adjusted profitability by product, channel, segment, and individual customer. Banks can better manage profitability, determine which services to upgrade its customers to based on specific customer relationships, and make pricing adjustments as needed. Having the ability to efficiently use funds transfer pricing rates and gain insights on net interest margins at the most granular level allows banks to compete for the most-profitable customers. With a full view into profitability drivers and risk-adjusted performance, finance and planning teams can drive smart innovation and growth.
Connect your financial planning and forecasting

Banks have unique needs when it comes to looking ahead. They must be sensitive to economic conditions and create plans that not only forecast future performance but also forward risks. Most importantly, they require tools that accurately forecast net interest margin. All of this makes it critical for banks to connect planning across lines of business. Running scenarios, forecasting, and budgeting using multiple repositories makes it difficult to identify and quickly respond to opportunities for growth. Reporting can also be daunting and prone to inaccuracies when departments work in separate, manual spreadsheets. With cloud technologies such as artificial intelligence and machine learning, banks can automate financial planning, budgeting, and close processes, allowing departments to spend more time focusing on their areas of expertise and growth initiatives.

In a [2020 research report](#), Gartner discusses how traditional financial planning and analysis led by corporate finance is evolving into extended planning and analysis (xP&A). xP&A, or [connected enterprise planning](#) as Oracle refers to it, breaks down organizational silos and connects financial, operational, and line-of-business planning. This helps financial services institutions, such as banks, improve planning accuracy and align their goals across the business in a rapidly changing market environment. Cloud enterprise performance management solutions give banks a complete view of their plans, forecasts, workforce, capital expenses, projects, and balance sheets so they can move quickly with confidence.

SUCCESS SPOTLIGHT: M&G

The finance team at [M&G](#) needed a way to automate their processes while also adopting an agile financial ecosystem to achieve ambitious goals and scale with growth. Oracle provided a comprehensive cloud infrastructure to support the investment company's forward-thinking plans. Oracle Cloud EPM provides M&G with scenario planning capabilities and rich data insights that help the company stay competitive. With Oracle Cloud EPM, M&G can navigate market volatility, plan for multiple scenarios amidst uncertainty, and simplify previously complex processes.
Manage your risks to prevent profit-loss and comply with evolving regulations

With the incredible pressure for banks to manage a complex, costly regulatory environment, it has become vital for banks to align finance, IT, operations, and audit teams around to manage the most critical business risks. Traditional, task-focused risk management and regulatory reporting can be tough on finance teams. While working long hours to meet month-, quarter-, and year-end reporting deadlines and juggling other projects in tandem, finance teams also need to assess new risks, and ensure compliance with regulations such as the Basel Committee on Banking Supervision’s effective risk data aggregation and risk reporting (BCBS 239) requirements. The rapidly expanding remote workforce has added to the complexity, amplifying existing vulnerabilities and introducing new ones.

Cloud-based risk management is becoming even more valuable to financial institutions because it provides the ability to manage multiple risk types while preparing for new regulations and complying with current ones. And, for forward-thinking banks, cloud solutions have the potential to be key contributors to the bottom line. A 2021 McKinsey research report reveals that companies that include risk management best practices right at the start of their digital transformations can reduce their risk remediation costs by around 10%, while companies that embed risk management in technology delivery can reduce defects by 50%.
Risk management will continue to be a differentiator for banks, helping to provide a competitive edge. By using an integrated cloud credit risk management solution, such as Oracle Financial Services risk and finance applications, banks can unify risk, compliance, and finance, enabling them to manage their balance sheet against regulatory constraints, automate routine risk tasks, make smarter decisions using advanced analytics, reduce audit expenses, improve financial controls, and prevent cash leaks.

**SUCCESS STORY: SEABANK**

SeABank sought to streamline their risk-related tasks, manage the complexity of their finances, and find ways to boost profitability—all using one infrastructure. The bank discovered Oracle Financial Services risk and finance applications, which helped them gain a 360-degree view of their risk and finances. SeABank now has improved transaction and reporting transparency, provides enhanced customer experiences, and benefits from better operational efficiency. By selecting a common data foundation that includes an integrated finance transformation solution, the bank was able to reduce unnecessary overhead costs associated with previously having separate systems for asset liability management, liquidity risk management, and the IFRS 9 banking standard.
Lead your business forward with confidence

The time for a digital-first approach is now, and with the right tools in place, your finance team can lead transformation initiatives with the transparency, efficiency, and compliance they need to confidently deliver strategic value across your banks and unify your financial processes. While resolving minor issues on current systems might seem ideal for short-term projects, an investment in broader finance modernization can produce both quick wins and long-term ROI.

Oracle is here to help. Our Oracle Financial Services risk and finance solution is a single integrated global platform for financial management, planning and budgeting, financial risk, treasury, and performance management. The solution includes Oracle Cloud ERP and Oracle Cloud EPM applications, Oracle Cloud Infrastructure (OCI), and Oracle Financial Services risk and finance applications.

Modernizing financial operations gives banks the ability to see what’s possible without wasting precious time optimizing outdated models and systems. Learn more about how our cloud solutions are helping bank CFOs break through and move their institutions forward.

In Accenture’s recent global research study on the role of CFOs, 79% of CFOs said the effects of COVID-19 have compelled them to ramp up their transformation in several ways including the following:

86% of CFOs have increased the frequency and scope of their collaboration with C-suite partners, leveraging their enterprisewide visibility, access to data and analytics, and understanding of enterprise risk to drive strategic change.

88% of CFOs have introduced new metrics to better leverage finance’s collaboration with and influence on the enterprise.

21% of CFOs use operational data to identify new value and 20% include macroeconomic data in their forecasts.

43% of CFOs have used advanced financial modeling in the past two years to identify future risks and opportunities.

23% are using the cloud to provide new insights, and 16% are using the cloud to identify new sources of value.

Learn more about finance modernization View our solutions guide