

# Rural Servicios Informáticos

Spain's rural banks enjoy faster time to market for new products and services.



Rural Servicios Informáticos (RSI) is the outsourced IT services provider for all of Spain's rural savings banks. It needed to replace an aging legacy core banking system with one that would reduce its operational costs and provide the modern functionality and flexibility required by its member banks. The solution that it developed in partnership with IBM has become TEMENOS CoreBanking™. RSI migrated more than 80 banks to the new core banking system in 42 months, although during that time several of the banks merged. Since the new system has been in use, the group has seen an exponential rise in transaction volume and profits. It has also enjoyed a significant improvement in time to market for new products, channels and customer segments.

## Fast Facts

- Name: Rural Servicios Informáticos
- Headquarters: Spain
- Sector: ASP for 71 rural savings banks

## Business Benefits

- Full range of modern banking functionality
- Dramatically decreased cost of operations
- Time to market improved significantly
- Deposits up 75 percent
- Fee income on services more than doubled



**TEMENOS**  
The Banking Software Company



## Background

Core system replacement is perhaps the most complex IT project a large retail bank can undertake. Projects typically last several years or more and the risk and costs of replacement are high. But with decades-old systems constraining the ability to offer flexible, competitive banking products and services, more and more banks are looking to upgrade the technology that sits at the heart of their operations.

Rural Servicios Informáticos (RSI) is a good example. When it was created in 1986 to provide centralized and uniform IT capabilities for regional banks across Spain, it adopted a core banking package that had been developed years earlier by another Spanish financial institution. But since that time it also accumulated other supplementary systems.

RSI is owned by its member banks and today serves 71 regional banks, comprising over 3,400 branches located across Spain. Collectively these branches have more than 7 million customers, around €48.7bn in assets, handle 2.7 million credit and debit cards, and look after over 70,000 point of sale terminals and 3,409 ATMs. These generate over 3,600 million transactions per year. The banks, with help from RSI, have captured over 7 percent market share in deposits and over 5 percent of loans in the country, making it Spain's fifth-largest banking group.

But back in the mid 90s, the bank was faced with a dilemma. Its legacy core banking environment could no longer meet the demands of modern banks. The member banks were successful and growing, and they needed new products to offer their customers.

RSI didn't have the flexibility to respond to the banks requirements quickly. There was no technological consistency among solutions. The different environments, dispersed databases, many tools and interfaces meant that RSI lacked control and had to cope with high maintenance and developments costs.



“We look forward to continuing to work closely with TEMENOS on new developments as we are committed to keeping our

member institutions at the leading edge of banking systems technology.”

Carlos Moradell, CEO, RSI

# Solution

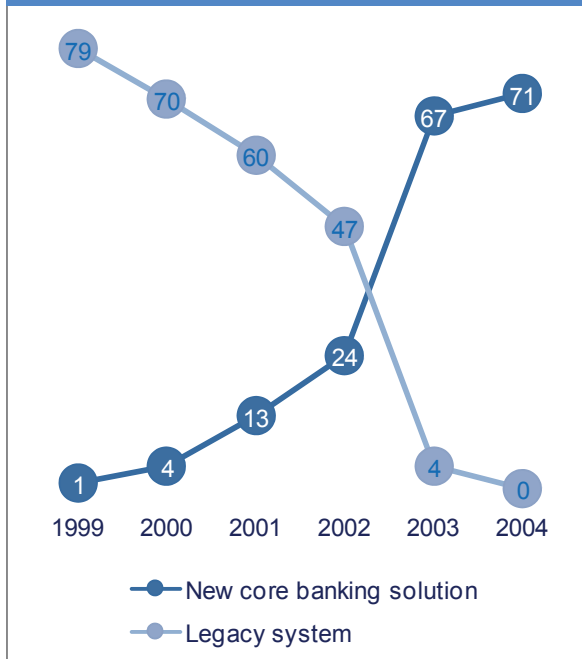
RSI began looking for a new core banking solution that would give it a global vision of its customers and their behaviors. Carlos Moradell, CEO, RSI, says: "We had three basic goals in developing the new system: lower maintenance costs coupled with faster application development; elimination of data redundancy with each data element entered only once; and providing the widest possible business information to the banks so that they could have the latest status of their customers and develop customer trend analyses and simulations."

The group began evaluating core banking solutions developed in Spain and also from foreign vendors. It concluded that the Spanish solutions didn't provide it with the multi-entity capabilities it required, while foreign solutions offered weak support for legal, regulatory and cooperative banking requirements.

Not being satisfied with packaged solutions available on the market, RSI decided to develop its own truly multi-channel, multi-bank system in partnership with IBM. The system it developed, IRIS, has today become TEMENOS CoreBanking – the newest technology solution available on the market to meet the needs of large retail bank operations.

Work started on the development of IRIS using a team of staff from IBM and RSI. IBM's Information Framework (IFW) was used as the basis of the architecture. Developed by IBM in conjunction with 11 major international banks, IFW is a set of information standards geared to financial institutions. It enables banking applications to be developed rapidly and effectively. Using modular programming techniques and an enterprise development environment, new applications were developed by RSI in a controlled manner, quickly and easily. Because of these techniques there is a high degree of reuse of existing modules, which keeps costs down.

Migration of banks to the new core banking solution including effect of mergers



In June 2001, the complete rights to the IRIS banking solution were acquired by TEMENOS. The solution has been made compliant with TEMENOS' system architecture and the vendor has invested significantly in continued developments.

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## Solution

- Product: TEMENOS CoreBanking (IRIS)
- Go live: Final bank migrated in March 2004
- Users: Over 3,700 branches

## Benefits

### Rapid migration and time to market

The migration of all banks to the new core banking solution was completed in March 2004. During the migration period, several of the banks merged – a process made much easier with the move to a common core banking infrastructure. “With a good data model and a full cycle application development tool, which combined provided a sound methodology and a solid repository, we were able to implement IRIS successfully,” says Moradell.

Thanks to the modern architecture and development tools, new applications were also easy to add to the core banking platform, and RSI has rapidly developed a number of applications to meet the specific needs of its members. “Our new leasing application was developed in three months, not the twelve months we were expecting,” says Daniel Martínez Batanero, Director of Planning & Control, RSI.

By the end of 2002, the average time to market for a new product or service had fallen to 16 days, from 68 back in 1998, a 74 percent reduction.

### Better services and functionality

The new system has enabled RSI to deliver a much better service to its member banks. It provides them with extensive banking services covering all aspects of their banking and administrative operations.

There is widespread appreciation of the new system by the banks, in particular the rich functionality, including a global view of customers, integration of all customer relationships and common processes across business lines. It means they can offer their customers a much wider range of services than was previously possible. The new services and functionality have helped support rapid growth in member banks' businesses. In the past four years across the group, deposits have risen 75 percent and fee income on services have more than doubled.

### Improved control and reporting

RSI has achieved significantly improved control of its operations, including tracking all entries through the system, which makes auditing, checking and ratification a straightforward process. It also has immediate access to management reports directly and without needing to request them.

RSI is now able to easily generate accurate MIS reports across the group for budgeting, profitability and key indicators. And it is able to generate business intelligence by drilling down from regional and branch level all the way down to client segments and individual clients.

The core banking system's risk management capabilities also enable RSI to meet Basel II requirements, as well as rate, score and measure risk adjusted return on capital (RAROC) for companies and individuals.

### Reduced costs

Thanks to the new core banking system, RSI is now able to drive down transaction costs year on year, which means that the banks receive better and better service at a reduced cost. In 2006, the group achieved an IT costs-to-assets ratio of 0.1098 percent, making it one of the most efficient retail banking operations in Europe. This figure represents a 34 percent improvement since the start of the migration to IRIS.

### Platform for expansion

The new system puts RSI in an extremely strong position for the future with its rich functionality and ability to handle easily the expanding volume of transactions. In fact, it is linking the system into supermarkets and other retail outlets to enable the banks an even greater choice of service points to their customers. And there is potential for the RSI solution success to be emulated by other banks outside the group. In partnership with TEMENOS, the superb architectural base of the system is also enabling RSI to make continuous improvements in performance, operational efficiency and new functionality.