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STRATEGIC BUSINESS INTELLIGENCE FOR THE FINANCIAL SERVICES COMMUNITY

Event Proceedings Report

Modernising core banking with hybrid cloud adoption and AI-driven personalisation for future-ready growth

18 July 2024, Vietnam

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01 Introduction

The Asian Banker, Amazon Web Services (AWS), Red Hat and Temenos held a luncheon round-table dialogue on 18 July 2024, with industry leaders discussing the modernisation of core banking and payment systems to boost operational resilience, financial stability and hybrid cloud adoption to address legacy system challenges.

The roundtable discussion centred on the following five major themes:

Theme 1. Digital transformation strategy and priorities
Theme 2. Moving from retail to business banking ecosystem partnerships
Theme 3. Challenges and evolving strategy in strengthening core foundation
Theme 4. AI and GenAI's potential and scaling challenges
Theme 5. Creating a solid data foundation

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02 Panelists

Participants of the roundtable comprised a combination of senior business and technology executives, namely:

- **Michael Araneta**, Lead, ASEAN Banking GTM, AWS
- **Stephen Johnstone**, Head of Enterprise Applications, Migration and Modernisation, ASEAN, AWS
- **Vu Tran**, Head of Financial Services, AWS
- **Truong Hong Quan**, Senior Vice President and Director of Core Banking Management and Development, BIDV
- **Raymond Sia**, CEO, Canadia Bank
- **Sophea Chheang**, Head of Consumer Banking, Canadia Bank
- **Gunneet Singh**, Director, Cards Payments and Digital Banking, FE CREDIT
- **Nam Tien Ho**, CEO, LPBank
- **Van Tien Tong**, Director of Transformation Office and Assistant to the Chairman of the Board of Directors, LPBank
- **Viet Anh Pham**, Hybrid Cloud Sales Lead, Red Hat
- **Quynh Hoang Thu**, Head of Retail Banking, Shinhan Bank
- **Tuan Nguyen**, Chief Information Officer, Techcombank
- **Nguyen Hoai Thuong (Jenny)**, Head of Digital Loyalty, Techcombank
- **Mukesh Pilania**, Executive Vice President and Head of Digital Banking, Techcombank
- **Frankie Wai**, Director, Temenos
- **Loan Nguyen**, Digital Youth Project Director, TNEX Finance
- **Tran Cong Quynh Lan**, Deputy General Director, VietinBank
- **Thao Nguyen Thi Thanh**, Head of Integrated Risk Management Centre, Risk Management Division, VPBank
- **Foo Boon Ping**, President and Managing Director, The Asian Banker
- **Christian Kapfer**, Research Director, The Asian Banker

03 Key discussion points

The roundtable discussion centred on five major themes:

3.1 **Modernisation and overcoming legacy system challenges**
Industry leaders stressed the necessity of replacing outdated core banking and payment systems to enhance operational resilience, financial stability and efficiency. Modern solutions are crucial for addressing challenges such as high maintenance costs and limited scalability.

3.2 **Adoption of hybrid cloud environments**
The adoption of the hybrid cloud environments achieves greater operational agility, scalability and efficient resource management. This approach enables seamless integration of traditional and cloud-based infrastructures, providing the flexibility needed to adapt to changing business needs.

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3.3 Effective project management and executive support

Strong project management, clear objectives, continuous monitoring and senior management support were identified as critical components for the successful modernisation of banking systems, ensuring that transformations are executed efficiently and effectively.

3.4 Enhancement of customer experience and compliance

Modernised systems were noted for their ability to provide more personalised and efficient customer interactions, which improves customer satisfaction and loyalty. Additionally, compliance with evolving regulations was discussed as a key aspect, with partnerships with experienced technology providers being essential for navigating regulatory challenges.

3.5 Collaboration and future trends in banking

Collaboration with technology providers such as AWS, Temenos and Red Hat was identified as crucial for successfully implementing hybrid cloud strategies and fostering innovation in banking operations. Discussions also covered future trends, including the rise of digital banking services, integration of artificial intelligence (AI) and machine learning and the importance of cybersecurity in protecting customer data.

04 Detailed Discussion and Insights

4.1 Industry leaders stressed the necessity of replacing outdated core banking and payment systems to enhance operational resilience, financial stability and efficiency. Modern solutions are crucial for addressing challenges, such as high maintenance costs and limited scalability.

4.1.1 Van Tien Tong, assistant to the chairman of the board of directors at LPBank, discussed the decision to replace the bank's legacy core banking system with a new one from Temenos. He highlighted the challenge of implementing this transformation within just seven months and emphasised the necessity of modernisation to enhance operational efficiency and adapt to a rapidly evolving environment. The new system provides the flexibility needed for future developments, including open banking and data integration.

4.1.2 Michael Araneta, lead, ASEAN banking go-to-market (GTM) at AWS stressed the need to understand the business rationale behind modernisation efforts, particularly focusing on customer experience and the ability to drive revenue growth. He acknowledged the complexity of transitioning from older systems and underscored the importance of careful planning and organisational alignment.

4.1.3 Mukesh Pilania, executive vice president and head of digital banking at Techcombank, highlighted the importance of having clear use cases and business objectives when modernising systems. He emphasised the need for flexibility in product processing and pricing, which is often constrained by legacy systems. Techcombank is currently modernising its core banking system, prioritising scalability and resilience.

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4.1.4 Tuan Nguyen of Techcombank addressed the challenges and responsibilities involved in modernising banking systems, with a focus on enhancing customer experience and operational efficiency. He pointed out the limitations of older core banking systems in facilitating rapid innovation and product launches, even with open application programming interfaces (APIs). Tuan discussed the potential of fourth-generation core banking systems but noted that they remain largely unproven in real-world scenarios. He stressed the importance of integrating these systems within a broader ecosystem, including cloud platforms and partner portals, to differentiate and accelerate time to market. He also discussed the state of knowledge sharing within Vietnam's technology community, recognising progress while acknowledging the need for a more consistent, cross-platform model to enable faster upgrades and market advancements.

4.2 The adoption of hybrid cloud environments achieves greater operational agility, scalability and efficient resource management. This approach enables seamless integration of traditional and cloud-based infrastructures, providing the flexibility needed to adapt to changing business needs.

4.2.1 Araneta argued that any modern core banking system must be cloud-based to leverage scalability, security and resilience. He noted that Vietnam is emerging as a leader in cloud-based core banking implementations, with AWS supporting several banks in the region.

4.2.2 Stephen Johnstone, head of enterprise applications, migration and modernisation, ASEAN at AWS, discussed the importance of establishing the right foundations for cloud adoption, including cost management and building a scalable infrastructure. He highlighted AWS's role in helping banks in Vietnam and other markets effectively utilise cloud technologies.

4.2.3 Tuan Nguyen, CIO of Techcombank, explained that Techcombank is transitioning to a cloud-native core banking system as part of its digital transformation. He emphasised the need for scalability and the capability to integrate with a broader ecosystem, both of which are supported by cloud-native architectures.

4.2.4 Truong Hong Quan of BIDV Bank discussed the bank's progress in transforming into an open banking platform. He highlighted the launch of an open API portal that allows fintechs and partners to integrate seamlessly, reflecting the growing trend of building ecosystems around core banking services.

4.3 Strong project management, clear objectives, continuous monitoring and senior management support were identified as critical components for the successful modernisation of banking systems, ensuring that transformations are executed efficiently and effectively.

4.3.1 Johnstone emphasised the importance of executive alignment and strong project management in large-scale transformations. He noted that a clear vision and consistent milestones are crucial for success.

4.3.2 Raymond Sia, CEO of Canadia Bank, highlighted the importance of having a dedicated project management team that aligns with the business strategy. He pointed out that finding the right talent is a significant challenge in executing such projects effectively.

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4.3.3 Araneta discussed the complexity of core banking modernisation projects, stressing the need for alignment from the executive level down to project teams. He underscored that effective project management and a clear understanding of business objectives are essential for successful transformation.

4.3.4 Viet Anh Pham, hybrid cloud sales lead at Red Hat, highlighted the challenges in core banking, including scalability limits, legacy system integration and managing concurrent projects. A phased hybrid cloud adoption strategy may be pursued to balance operations with transformation, driving sustainable growth and ecosystem expansion.

4.4 Modernised systems were noted for their ability to provide more personalised and efficient customer interactions, which improves customer satisfaction and loyalty.

4.4.1 Tuan of Techcombank discussed leveraging new core banking systems to enhance customer experience through faster product launches and improved scalability. He also highlighted the role of these systems in ensuring compliance with regulatory requirements, particularly in data management and privacy.

4.4.2 Pilania emphasised that modernisation enables more personalised customer experiences, which are crucial for maintaining customer loyalty and satisfaction. He stressed the importance of AI and data in achieving this level of personalisation.

4.4.3 Frankie Wai from Temenos presented a case study where a bank implemented AI-driven systems to personalise customer interactions. The bank reported a 20% increase in customer retention and a 15% boost in cross-selling after adopting these technologies.

4.4.4 Johnstone discussed the challenges of staying compliant with constantly evolving financial regulations. He focused on how modernised systems, particularly those with integrated compliance tools, help institutions automatically update their processes to align with new regulations.

4.5 Collaboration with technology providers such as AWS, Temenos and Red Hat was identified as crucial for successfully implementing hybrid cloud strategies and fostering innovation in banking operations. Discussions also covered future trends, including the rise of digital banking services, the integration of AI and machine learning and the importance of cybersecurity in protecting customer data.

4.5.1 Wai discussed Temenos' efforts to stay aligned with industry standards, focusing on security and agility. He emphasised the importance of collaboration with cloud providers like AWS and Red Hat in delivering modern banking solutions.

4.5.2 Araneta highlighted the growing role of AI, machine learning and cybersecurity in banking, as the industry shifts towards digital services. He underscored the necessity of working with technology providers to implement these innovations effectively.

4.5.3 Pham emphasised the importance of a solid data foundation, focusing on regulatory compliance, cybersecurity and infrastructure modernisation. He added that the shift to hybrid cloud solutions ensures a secure, scalable and compliant environment, enabling open banking and ecosystem integration. This transformation also positions banks to leverage AI and generative AI for innovation and enhanced customer services.

4.5.4 Pilania predicted that agentic AI would soon surpass generative AI, becoming critical for decision-making in banking. He emphasised the need to stay ahead in technological advancements to meet future customer needs.

4.5.5 Tong of LP Bank discussed the importance of partnering with technology providers who have deep expertise in regulatory frameworks. These partnerships were presented as essential for effectively navigating the regulatory landscape while maintaining operational efficiency.

05 Conclusion

5.1 Core banking modernisation is essential for improving operational resilience, financial stability and efficiency, addressing the limitations of legacy systems.

5.2 Cloud-based and hybrid cloud environments provide necessary scalability, security and agility, enabling banks to adapt to changing business requirements.

5.3 Effective project management, with clear objectives and executive alignment, is critical for the successful implementation of modernisation initiatives.

5.4 Modernised systems support personalised customer interactions, directly enhancing customer satisfaction and loyalty, with AI and data analytics playing a crucial role.

5.5 Compliance with evolving regulations is a priority and partnerships with experienced technology providers are necessary to navigate these complexities.

5.6 Future technological advancements, including agentic AI and enhanced cybersecurity, will be integral to banking operations, requiring close collaboration with technology providers.

06 Photo Gallery

Banking leaders and technology experts convened in Vietnam on 18 July 2024 at a Roundtable hosted by The Asian Banker, AWS, Red Hat and Temenos to explore insights for core banking modernisation.

Michael Araneta, Lead, ASEAN Banking GTM, AWS

Vu Tran, Head of Financial Services, AWS

Nguyen Hoai Thuong (Jenny), Head of Digital Loyalty, Techcombank

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Truong Hong Quan, Senior Vice President and Director of Core Banking Management and Development, BIDV

Mukesh Pilania, Executive Vice President and Head of Digital Banking, Techcombank; Viet Anh Pham, Hybrid Cloud Sales Lead, Red Hat; Raymond Sia, CEO, Canadia Bank

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Stephen Johnstone, Head of Enterprise Applications, Migration and Modernisation, ASEAN, AWS

Van Tien Tong, Director, Transformation Office and Assistant to the Chairman of the Board of Directors, LPBank

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- We help businesses benchmark their operations and competitiveness against industry best practices.
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- We create programmes for organisations to communicate with their clients or their own employees.
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aws

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Businesses no longer need to plan and procure servers and other IT resources weeks or months in advance. Using AWS, businesses can take advantage of Amazon's expertise and economies of scale to access resources when their business needs them, delivering results faster and at a lower cost.

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Red Hat

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temenos

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For more information, please visit **https://www.temenos.com/**