FUJITSU

Digital Sandbox:
An accelerator of growth and value

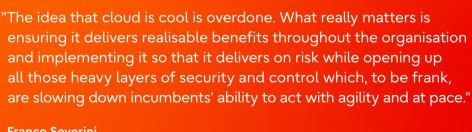## Mastering modernisation in Financial Services

> Start

How established financial institutions can leverage cloud in the same way it empowered the Fintech revolution

When the FCA released its latest report in January 2022, press headlines focused on one finding in particular, "There are signs that some of the historic advantages of large banks may be starting to weaken through innovation and digitisation and changing consumer behaviour".[1] This statement was based on the fact that digital challengers' share of the market – specifically in personal and micro-business accounts – has risen significantly between 2020 and 2021.

It's a fact that the Fintech revolution is "causing banks to lose out".[2] But all is not lost, as the FCA report concludes that established banks still have a strong position in the market. We are already seeing such banks adopting digital innovation and are 'transforming their businesses' to respond to the increased competition. How? By adopting the cloud.

The priority now is for established banks to take the opportunity to make the most of their move to the cloud. But there also needs to be a shift in thinking from 'cloud is cool', to a focus on swift experimentation and rapid implementation. And that's what Fujitsu's Digital Sandbox Accelerator is all about. It literally does 'what it says on the tin' – provides a safe space in which you can try new digital products and processes without risk.
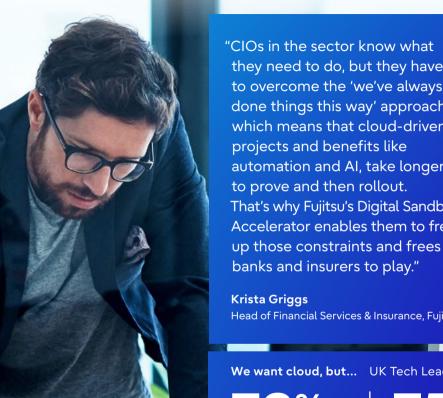
"The idea that cloud is cool is overdone. What really matters is ensuring it delivers realisable benefits throughout the organisation and implementing it so that it delivers on risk while opening up all those heavy layers of security and control which, to be frank, are slowing down incumbents' ability to act with agility and at pace."

Franco Severini
Chief Technology Officer Financial Services, Fujitsu

1. FCA: Strategic Review of Retail Banking Business Models: Final Report January 2022   2. https://www.cityam.com/competition-is-heating-up-amongst-retail-banks-says-fca/

The question: is the potential of cloud held back by perceived risks?

"CIOs in the sector know what they need to do, but they have to overcome the 'we've always done things this way' approach which means that cloud-driven projects and benefits like automation and AI, take longer to prove and then rollout. That's why Fujitsu's Digital Sandbox Accelerator enables them to free up those constraints and frees banks and insurers to play."

Krista Griggs
Head of Financial Services & Insurance, Fujitsu

The Digital Sandbox Accelerator is based on Fujitsu's global experience in the Financial Services sector. It's designed to enable them to reap the rewards of the Fintech revolution, without surrendering either their stance on risk or any of their customers. In fact, it's an opportunity to grow and achieve better value.

The heart of the challenge for many banks is solving the 'cloud conundrum.'

The problem is that the structure of established banks are geared toward managing risk and not driving innovation. The point is to balance the two. The Digital Sandbox Accelerator solves the conundrum.

The Digital Sandbox Accelerator is designed to enable Financial Services incumbents to not only work in isolation (if they choose to), but to partner with Fintech partners and even challenger businesses to drive transformation. It's a clever way of maximising the benefit of external co-operation. Fujitsu's research shows there are a range of concerns which need to be addressed, from increasing complexity to turning around technical debt, and finding the right skills. Cloud, approached in the right way, alongside focused work within the Digital Sandbox Accelerator, can enable you to address all of these challenges.

We want cloud, but... UK Tech Leaders top concerns:

73%
of Tech Leaders are worried about cloud adoption leading to increased complexity

75%
worry about managing platforms long-term

37%
Only 37% have replaced their inflexible mainframes

57%
worry about a lack of skills

84%
worry about security

Protecting the foundations through accelerated innovation

Accelerating innovation can sound risky. And risk is a critical barrier to established banks becoming as agile and as inventive as Fintech start-ups are supposed to be. Trust is, after all, the foundation of all financial institutions, as one professor of economics put it recently, "You can't have trust without trusted institutions. Much of the story of the evolution of finance is about building and maintaining trust."

And that demands the maintenance of protected foundations based on due diligence, comprehensive KYC, and adherence to all kinds of regulations from strict capital requirements to increased scrutiny of the banks transactions.

At the same time, CIOs across the finance sector understand that cloud is the key to innovation, but they have to convince necessarily cautious layers of governance and risk mitigation professionals that their vision will not undermine trust in the institution. The Digital Sandbox Accelerator is a multi-cloud environment which cuts off any experimentation from the existing structures of the bank or insurance company. It enables ideas and new methods to be tested and developed in a safe, isolated space. It's where, through Fujitsu's partner ecosystem, you can reach out to third-parties of all kinds to trial how new processes or products will work with legacy applications and technologies. But without putting any of them at risk of disruption or compromising their security.

Protected foundations for an adaptive organisation

The whole point of cloud is to deliver added competitive edge, while mitigating the downside of risk (actual and perceived). The Digital Sandbox Accelerator turns the cloud into a great playground. You can try things and see if they work. It enables you to replicate what Fintechs do. Established businesses in many sectors have been making the most of sandboxes for a long time. Naturally, in Financial Services there's less room for error, which is why established institutions have strict protocols for all new projects. That's how they protect their foundations.

The Digital Sandbox Accelerator also enable Financial Services Organisations to get around the biggest hurdles to agility – regulations, strict compliance, and the need for the highest standards of security. It's also where those players can make good on their promises to be more sustainable and inclusive. The ESG agenda can only be delivered through radical change.

"It's like the Space Race – adopting cloud was like getting those first rockets into space and trying out new ways to deploy satellites and do experiments and so on. But the true maturity of space is coming because now we're looking to make space pay. It's the same in the financial sector. Cloud is proven – now's the time to ensure it delivers an advantage."

Franco Severini
Chief Technology Officer Financial Services, Fujitsu

The cloud reality vs. perception gap
What UK Tech leaders are saying:

95%

of UK Tech leaders see cloud as a key component of their digital transformation at a high-level[3]

35%

only 35% say that that they are getting the return on investment they expected[3]

And that change can be prototyped, tested, and perfected within the safe confines of the Sandbox. It's like being able to act as if you're 'born in the cloud' – even though you're not. And you can do it on the firm, protected foundations of trust and security. You become a truly adaptive organisation that's always compliant.

So, the outcome is a set of protected foundations that promote agility rather than constraining it. Traditional institutions, as we've stressed, have necessary layers of oversight which kick in to mitigate risk as data, processes, and applications are migrated. Replacing in-house legacy systems and applications might make sense from a cost point of view, but again, strict attitudes to risk slow the migration process down. And when new ideas are put forward for testing, validation, and then release, those cycles are lengthy.

Again, the Digital Sandbox Accelerator speeds everything up and makes the most of the cloud.

3. Fujitsu's research amongst UK tech leaders

The freedom (and safety) to try new ideas and test new technologies

It's all about having new ideas while improving the existing elements of your business so that your legacy technologies don't slow you down. Fintech's attracted high levels of venture capital investment because they weren't traditional banks or insurance companies. They had no legacy to worry about. Costs were low and rewards were potentially enormous. The Digital Sandbox Accelerator helps to undermine that advantage and, indeed, gives you the edge because you have so much tradition and strength behind you.

The Digital Sandbox Accelerator is a proving ground for all levels of cloud ingenuity, from transforming established processes so that they're faster, more efficient, and cost less, through to new products and services which can be tested and evolved to match the expectations of both the business and the customer. The key to doing that is the fact that the Digital Sandbox Accelerator integrates a wide range of solutions and capabilities ranging from the major cloud providers (Google, Azure, AWS, Alibaba, etc.) through to innovations from small start-ups.

You can use the sandbox as an arena for the kinds of solutions which, when you propose that they run with your organisation's existing ecosystem, would raise alarm bells for those overseeing risk and security. The sandbox is a tightly controlled space in which you can learn, experiment, and develop whilst quarantining your activities from the rest of the organisation. You can understand the value of new technologies – from API frameworks to AI/ML – through to trying out new products.

Then, when you've proven your point and can show that the right outcomes can be achieved, demonstrate it to the rest of the organisation. And once the case has been proven and you move to the implementation stage, the Digital Sandbox Accelerator can be used as a 'digital twin' where you can mirror specific areas to run further in-depth analysis and experiments. Again, ring-fenced from your mission critical processes and applications.
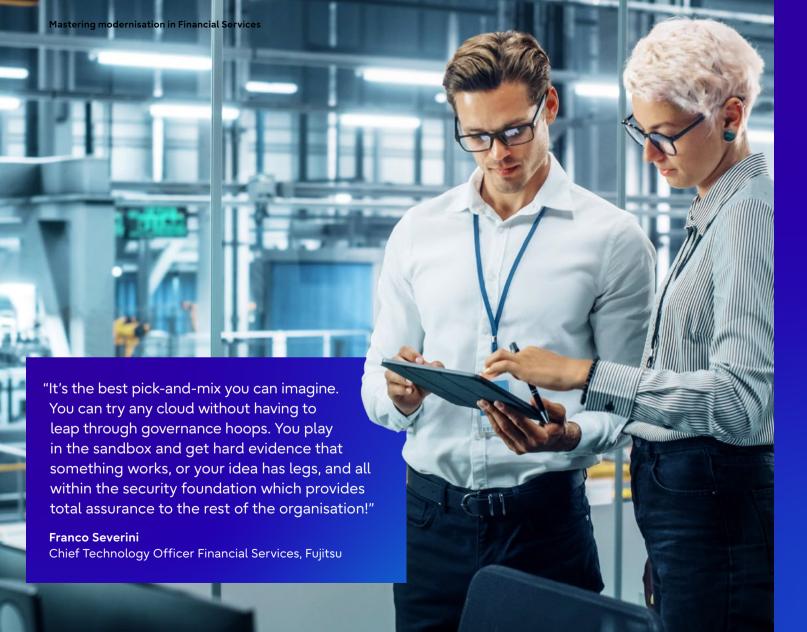
"The Fintech revolution isn't the only challenge financial organisations face – there's the urgency to contribute to a more sustainable world through both products and a different approach to investment. That's a huge opportunity. As financial organisations innovate to compete with challengers they can also innovate to help save the planet and attract new customers from younger generations."

Krista Griggs
Head of Financial Services & Insurance, Fujitsu

Fujitsu's cloud agnostic approach is focused on the needs of your organisation. You can experiment with different ways to address the problems which the research quoted previously highlighted as being front-of-mind for tech leaders in the UK. Fujitsu provides the skills and expertise to partner your progress through both cloud migration and, most importantly, ensuring that it strengthens your protected foundations and, at the same time, ensures that those foundations promote and sustain a truly agile and adaptive organisation.

"It's the best pick-and-mix you can imagine. You can try any cloud without having to leap through governance hoops. You play in the sandbox and get hard evidence that something works, or your idea has legs, and all within the security foundation which provides total assurance to the rest of the organisation!"

Franco Severini
Chief Technology Officer Financial Services, Fujitsu

To see how the Digital Sandbox Accelerator can help you boost your organisation's innovation, get in touch so we can have you onboarded. Contact us if you think you have a great tool set that could benefit the sandbox ecosystem and want to become a partner.

Let's talk ＞

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www.masteringmodernisation.com