

HORIZONS REPORT**The Best Service Providers
for Core Banking
Modernization, 2024****Authors:**

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Excerpt for EY

“

Core banking modernization is more than just updating technology. It has broad consequences that impact everything—technology, business, and operating models. Therefore, investments in core banking modernization must be made to create a lasting foundation for innovation and competitive advantage rather than delivering quick wins.

Success will depend on how the bank is envisioned through core modernization and how capabilities are developed comprehensively across the different layers of banking. Service providers have a critical role in building these foundational capabilities for the future of the banks.

”



Divya Iyer
BFSI Practice Leader, HFS

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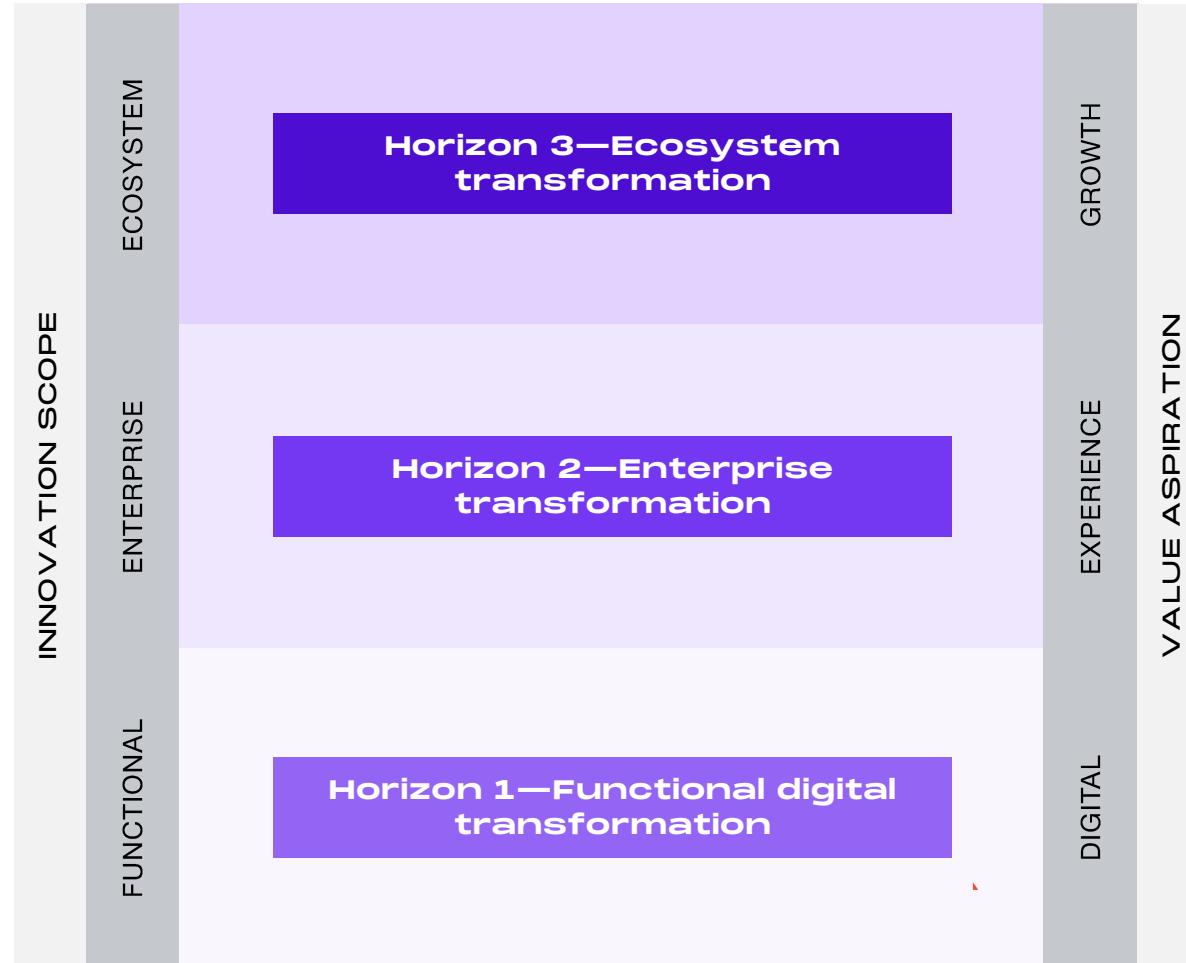


Introduction and the HFS core banking modernization value chain

Introduction

- Core banking modernization is essential for success. But there is not a **one-size-fits-all approach**. The report explores the myriad ways banks are driving core modernization with the help of their service provider partners.
- The **HFS Horizons Report: The Best Service Providers for Core Banking Modernization, 2024** assesses how well service providers are helping their global core banking modernization clients to embrace innovation and realize value across three distinct Horizons:
 - **Horizon 1 is digital:** The ability to drive digitized processes to improve business outcomes such as cost reduction, speed, and efficiency across elements of the core banking modernization value chain
 - **Horizon 2 is experience:** Horizon 1 + Enablement of the OneOffice™ model of end-to-end organizational alignment across the front, middle, and back offices to drive unmatched stakeholder experience and enterprise transformation
 - **Horizon 3 is growth:** Horizon 2 + The ability to drive OneEcosystem™ impact via collaboration across multiple organizations with common objectives around driving completely new sources of value
- The report evaluates the capabilities of **18 service providers** across the [HFS core banking modernization value chain](#) based on a range of dimensions to understand the **why, what, how, and so what** of their service offerings.
- It highlights the **value-based positioning** for each participant across the three distinct Horizons. It also includes **detailed profiles** of each service provider, outlining their **provider facts, strengths, and development opportunities**.
- The report is **global in scope** and offers **critical insights for financial services enterprises, service providers** supporting BFS organizations, and **ecosystem partners**.

HFS Horizons for core banking modernization



Horizon 3—Ecosystem transformation

Horizon 3 service providers demonstrate

- Horizon 2 + Ability to drive **OneEcosystem** impact via collaboration across multiple organizations with common objectives around driving completely new sources of value
- Innovation scope is at the ecosystem-level with the resulting value delivered focused on growth through new business and collaboration models.

Horizon 2—Enterprise transformation

Horizon 2 service providers demonstrate

- Horizon 1 + Enablement of the **OneOffice** model of end-to-end organizational alignment across the front, middle, and back offices to drive unmatched stakeholder experience
- Innovation scope is at the end-to-end enterprise-level with the resulting value delivered focused on enhanced stakeholder experience—inclusive of customers, employees, partners, and regulators

Horizon 1—Functional digital transformation

Horizon 1 service providers demonstrate

- The ability to modernize individual core banking functions to deliver outcomes such as reduced costs, faster time to market, de-risked operations, and improved efficiency
- An innovation focus that is generally on the individual application/system layers with the resulting value focused on the digitization of the individual application/system

HFS' core banking modernization value chain, 2024

HFS defines core banking modernization as the process of updating core banking applications, such as lending, payments, and deposits, with cloud-native technologies leveraging microservices and open APIs. Our modernization definition considers legacy modernization as well as new builds leveraging cloud-native applications and architecture.

Discovery and Design	Decompose and Modernize	Operate and Transform	Optimize and Support
<ul style="list-style-type: none">• Discover core banking in production• Business case and benefit realization plan• Re-think business, operating models, and technology architecture• Holistic system design optimized around workloads and aligned to business component architecture• Business and IT readiness• Core modernization governance plan• Target operating model blueprint• Execution approach with minimum disruption• Decommissioning strategy• Deployment plan• Data migration strategy• Education and awareness• Resource reallocation	<ul style="list-style-type: none">• Create business model components• Identify coexistence control points• Deconstructing the complex legacy systems into fundamental architectural building blocks• Separate migration and coexistence• Decouple and segment applications and systems into modules• Modularize technology architecture—data, business logic, business rules, process model, enterprise services, channels, and core product engines• Surround legacy infrastructure with modern technology layers• Modification of legacy codes to coexist• Build data layers• Migrate applications, data stores, and mainframe operations to a new platform or cloud	<ul style="list-style-type: none">• Modernize legacy assets on a case-by-case basis• Accommodate business-as-usual initiatives in transformation• Post M&A integration• Build critical functional enablers• Test each phase of the software development effort• Security and compliance• Advocate change management• Implement DevOps practice• Enable API-integration• Data management lifecycle	<ul style="list-style-type: none">• Technical monitoring and quality assurance• Benefit-realization tracking and measurement• New architecture/infrastructure maintenance• Application development support• Support model for outsourcing and managed services on new banking core

The HFS core banking modernization value chain defined

- This study focuses on how service providers help banking clients through the complex journey of transitioning to a modular core, offer continuous improvement through the journey, and once you get there, operate from it and ultimately seize value. The focus is less on the chosen modernization approach (progressive modernization, full core replacement, or greenfield new build) and more on the transformation that enables new operating models, platforms, applications, architecture, and infrastructure.
- Core modernization is always progressive, treated as a journey rather than a fixed end-state. Yet, the ultimate goal of a modern core is to establish an architecture that is nimble to support banks' new business models, new functions, offerings, and products and respond to changing priorities.
- A complete modular architecture upon which banks build, launch, and operate their platforms, products, applications, analytics, services, and channels. Against this background, we want to better understand how service providers help clients establish this modularity and composability. **How do they transform IT and business to a modular state? And, what are you solving for by transforming the banks to a composable state? How do service providers deliver innovation in the process? How is the security and compliance framework evolving and supporting the transformation?**

The study seeks to address multiple themes

Transformation focus

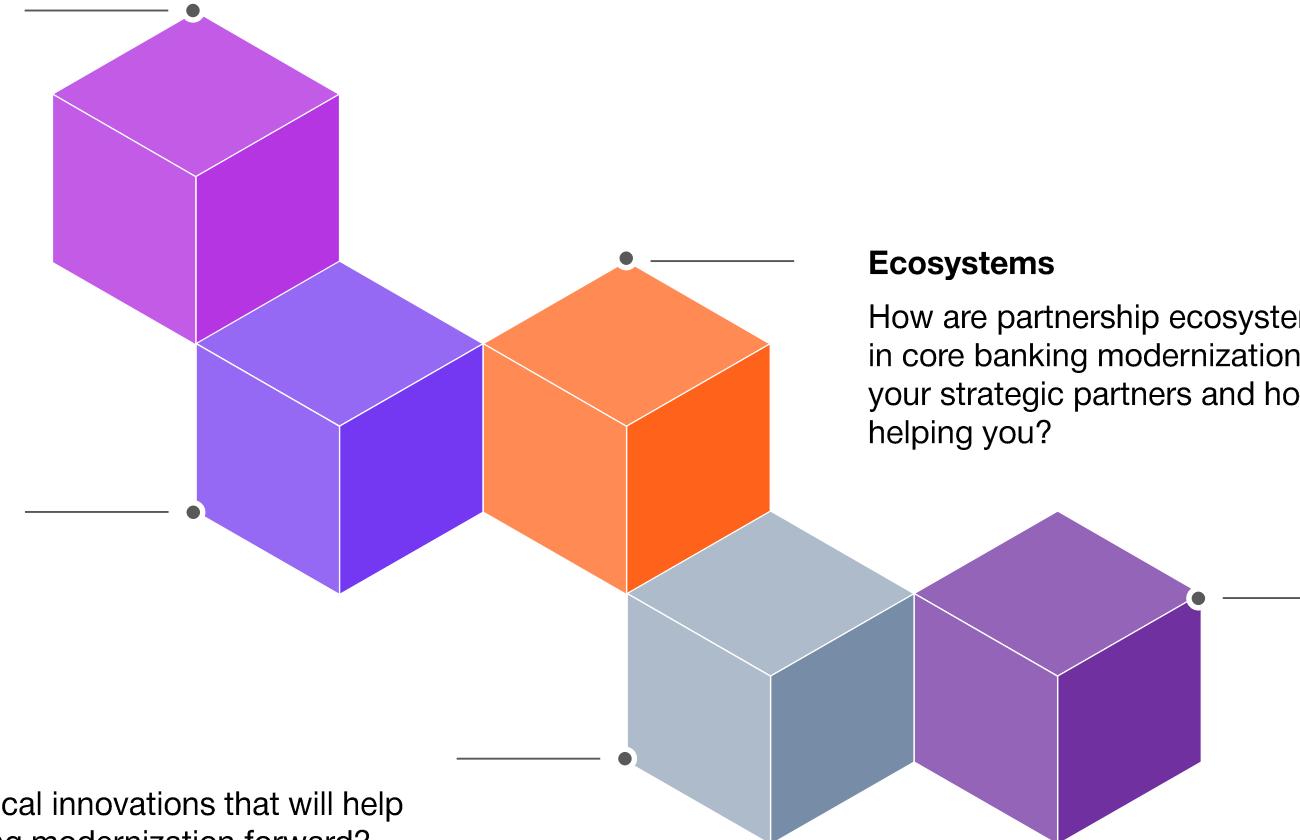
What are you solving for through core modernization? What does end-to-end state look like and how are you enabling banks to operate on the new modern core?

Modernization approaches

The why, what, how, and so what of the chosen path for modernization—progressive modernization, full core replacement, or greenfield new build?

Innovation

What are the critical innovations that will help drive core banking modernization forward? How are you harnessing and integrating differentiated technologies in the process?



Ecosystems

How are partnership ecosystems evolving in core banking modernization? Who are your strategic partners and how are they helping you?

Outcomes

What are the key outcomes, and benefits delivered by the modernization efforts?

2

Research methodology

The 18 service providers covered in this report



Note: All service providers are listed alphabetically

Sources of data

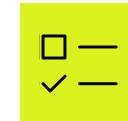
This Horizons research report relies on myriad data sources to support our methodology and help HFS obtain a well-rounded perspective on service capabilities of the participating organizations our study covers. Sources are as follows:



Briefings and information gathering

HFS conducted detailed **briefings** with core banking modernization leadership from each vendor.

Each participant submitted a specific set of **supporting information** aligned to the assessment methodology.



Reference checks

We conducted reference checks with **28 active clients and 25 active partners** of the study participants via survey-based and telephone interviews.



HFS Pulse

Each year, HFS fields multiple demand-side surveys, which include detailed vendor rating questions. For this study, we leveraged our fresh-from-the-field HFS Pulse Study data, which features **111 service provider ratings from banks and payment providers**.



Other data sources

Public information such as news releases and websites.

Ongoing interactions, briefings, virtual events, etc., with in-scope vendors and their clients and partners.

Horizons assessment methodology—the best service providers for core banking modernization, 2024

The HFS Horizons: The Best Service Providers for Core Banking Modernization, 2024 report evaluates the capabilities of service providers across a range of dimensions to understand the why, what, how, and so what of their service offerings to support core modernization efforts of financial institution clients. Our assessment is based on inputs from clients, partners, and augmented with analyst perspectives. The following illustrates how we will assess provider capabilities:

Distinguishing supplier characteristics				
Assessment dimension	Assessment sub-dimension	Horizon 1 service providers	Horizon 2 service providers	Horizon 3 service providers
Value proposition: The Why? (25%)	What value are you helping financial services firms achieve with core banking modernization?	<ul style="list-style-type: none"> The ability to modernize individual core banking functions to deliver outcomes such as reduced costs, faster time to market, de-risked operations, and improved efficiency 	<ul style="list-style-type: none"> Horizon 1 + Enablement of the OneOffice™ model of end-to-end transformation across the front, middle, and back offices to drive unmatched stakeholder experience (EX, PX, CX, regulators) 	<ul style="list-style-type: none"> Horizon 2 + Ability to drive OneEcosystem™ impact via collaboration across multiple organizations with common objectives around driving completely new sources of value
	Core banking modernization offerings aligned to banks' challenges			
	Differentiators—Why should financial institutions embarking on core banking modernization work with you?			
Execution and innovation capabilities: The What? (25%)	Breadth and depth of services across the core banking modernization value chain and associated delivery capabilities	<ul style="list-style-type: none"> Domain knowledge and transformation skills to execute core banking modernization Talent enabling core banking modernization through domain, tech, or business transformation skills Focused partnerships with vendors serving core modernization and strong PX Limited IP and investments in innovation vehicles supporting core banking modernization 	<ul style="list-style-type: none"> Domain knowledge, business transformation skills, technical expertise in banking systems and platforms, and real-world experience to execute core banking modernization Strong talent pool across domains, business transformation skills, core banking systems/platforms, and operations Range of partnerships with cloud providers, software and platform providers, ISVs, fintech, etc., and overall strong PX Strong IP and investments in innovation vehicles serving and accelerating core banking modernization 	<ul style="list-style-type: none"> Domain knowledge, business transformation skills, technical expertise in core banking systems and platforms, and extensive real-world experience to support core banking modernization Strong talent pool across consulting, domains, business transformation, core banking systems/platforms, and operations Comprehensive partnerships with cloud providers, software and platform providers, ISVs, fintech, etc., and overall strong PX Strong IP+ JVs
	Strength of talent supporting core banking modernization—hiring, training, and ongoing development			
	Approach to and strength of partner ecosystem			
	IPs and investments in innovation vehicles to serve core banking modernization			
Go-to-market strategy: The How? (25%)	Nature of investments in your core banking modernization capabilities (M&A, non-M&A, R&D)	<ul style="list-style-type: none"> Investments aligned to functional digital optimization outcomes Optimization and point solutions Target-focused roles and personas, mid-tier focus, geo-specific 	<ul style="list-style-type: none"> Horizon 1 + investments aligned to enterprise experience and modernization Optimization and end-to-end transformation Target range of roles and personas, tiers 1 and 2, broad geo coverage 	<ul style="list-style-type: none"> Investments aligned to Horizons 1, 2 and ecosystem enablement and impact Horizon 1, 2 + co-creation with customers and partners Horizon 1, 2 + new value creation C-Suite coverage across roles, personas, and geos for tiers 1 and 2
	Co-innovation and collaboration approaches with customers and partners including creative commercial models			
	Customer targeting approach—roles, segmentation, geography			
Market impact: The So What? (25%)	Scale of core banking modernization business—revenue, clients, and headcount	<ul style="list-style-type: none"> Proven scale and growth driven by modernizing individual mission-critical applications/systems Top CX and PX marks as a banking application/system transformation partner 	<ul style="list-style-type: none"> Proven scale and growth driven by Horizon 1 + stakeholder experience Top CX and PX marks as an end-to-end transformation partner emphasizing stakeholder experience 	<ul style="list-style-type: none"> Proven scale and growth driven by H2 + ecosystem impact Top CX and PX marks as a global growth partner driving new business and operating models
	Growth of core banking modernization business—revenue, clients, and headcount			
	Proven outcomes delivered from core banking modernization transformation			
	Voice of the customer			

3

Executive summary and core banking modernization market dynamics

Executive summary

1	Horizon 3 service providers revealed	We assessed 18 service providers across their value propositions (the why), execution and innovation capabilities (the what), go-to-market strategy (the how), and market impact criteria (the so what). There are six (6) Horizon 3 leaders . They are, in alphabetical order, Accenture, Deloitte, EY, IBM, Infosys, and TCS. These service providers have demonstrated their ability to support banks across the journey from functional digital transformation to enterprise-wide modernization to creating new value through ecosystems. These leaders' shared characteristics include deep industry expertise across the core banking modernization value chain, a full-service approach across consulting, IT, and operations, a strong focus on innovation, strategic partnerships with core banking vendors and other industry players, co-innovation with clients and partners, and proven impact and outcomes for banks around the world.
2	What banks need from service providers	Horizons model aligns closely with enterprise maturity. We asked the bank leaders we interviewed as references for this study to comment on the primary value their IT and business service provider partners deliver today and are expected to deliver in two years. Respondents indicated that the value realized today is largely Horizon 1 —functional digital transformation focused on digital and optimization outcomes (64%). It will mostly remain that way in two years, but there is a slight shift in focus on using service providers to help achieve enterprise transformation (39%) and a tepid emphasis on driving growth and new value creation through ecosystem transformation (11%). Banks should select their partners based on the value they seek. Incumbents may be the easy choice, but ensure they deliver updated and relevant value.
3	How service providers are meeting the needs of banks	As banks evolve and mature across the Horizons, service providers are on point to support these ever-changing needs. In our study, we found strong alignment between banks' push to Horizon 2—enterprise transformation and the fastest-growing service offerings from providers. Providers are prioritizing modernization to establish interoperability and composability. Modernization is a necessary pathway to meet changing customer needs, develop new business models, and effectively participate in the ecosystem play. The traditional banking business has been struggling due to low interest rates and flat interest spreads, and the recent increase in interest rates presents an opportunity for banks to improve their digital positioning with clients, and service providers are helping unlock these opportunities. IT services lead in the spending category, underpinning the need for tech-enabled transformation.
4	Voice of the customer (VOC)	We surveyed 28 banks as part of our VOC research for this study. The data points to banking leaders as creatures of habit, selecting their partners based on existing relationships or business knowledge coupled with skills and quality. They use their providers for modernization initiatives around application development and tech integration. Banks are largely satisfied with providers for innovation and execution , averaging 9.4 out of 10 for CSAT, and the feedback on the delivery of outcomes reveals high satisfaction with growth-enabling initiatives. Service partners need to show their commitment and win trust through meaningful investments!
5	Voice of the partners	Service providers work with a range of partners , especially varied categories of core banking vendors to meet the needs of their banking clients, they complement the core banking partnerships with hyperscalers, industry-skinned and industry-specific ISVs. Satisfaction is generally strong from a partner experience standpoint, which bodes well for downstream client impact. However, partners are lukewarm on IP and R&D solution development . Partners want their solutions to be part of service provider solutions.

The top 5 things we learned from this study (1/2)

1

Not a one-size-fits-all approach

Thanks to massive advances in core banking technology including the maturity of DevOps, containerization, hybrid cloud, microservices, and event streaming technology, [several pathways have opened](#) to approach core modernization. The choice of approach depends on factors such as the existing complexity of the technology estate, business requirements, risk appetite, funding constraints, and desired outcomes. Service partners play a major role in enabling banks to embrace one or more approaches based on the strongest alignment of business needs with modernization efforts. Incremental or progressive modernization is the most lobbied and common pathway adopted by service providers. It allows for the gradual development of capabilities, thoughtful re-architecting of technology, and the ability to 'test-and-learn' which widens the margin of error.

2

Several business imperative

Core modernization is much more than improving the technology plumbing of the bank, it has broad-level consequences and directly impacts the revenue and reputation of the bank. There is a combination of [reasons why banks embark on core modernization](#)—poor legacy technology and architecture to meet CX demand and market shifts; the shrinking pool of resources to keep the legacy core operational; push from regulators who are providing the carrot and stick for the modernization impetus; and the threat of big tech firms and fintech who have built up impressive portfolios of financial products and services. In solving these imperatives, service providers first seek to understand the justification for the modernization, assess the current state, and offer a well-crafted strategy that ensures the efforts are focused, cost-effective, and designed to yield the desired outcomes.

3

Understand the technology and innovation postures of core banking vendors

Core banking software and platforms usually interface with a wide array of systems and APIs and require proper integration with legacy banking functions, therefore careful evaluation is needed. There are a [plethora of core banking vendors](#), which is why knowing their unique technology and innovation posture directly affects banks' ability to stay competitive in changing markets. Factors include whether the system adopts an open or closed architecture; its integration capabilities with emerging technologies such as AI, data analytics, and ML to the core banking stack; the number of APIs they offer and how they are managed, the security standards and whether the solution is regulatory compliant, and feasibility of the offering. The core vendor landscape is in flux with no clear and obvious choices, and service providers play a lead role in technology evaluation and recommendation and extensively use core banking vendor products to add functionalities to their solutions' environment. Core vendors are actively updating their product portfolio.

The top 5 things we learned from this study (2/2)

4

Modular equals modernized

Legacy modernization [is breaking down the monolithic](#), unshackling the applications from the mothership, and segregating the business capabilities into discrete functional components. The Banking Industry Architecture Network (BIAN) is used extensively by service providers to arrive at the de-componentized view of the core applications. The componentized business functions are rearranged to provide intended business outcomes because of a composable architecture, and APIs are adopted to integrate many interfaces. The independent service domain — microservices established through the BIAN architecture helps seamlessly integrate with third parties and deploy best-of-breed core providers. Finally, the cloud enablement of the core brings the capability for instant scalability and reduced operational costs.

5

Fierce competition between traditional banks and non-banks

Non-banking companies have made serious competitive inroads in re-inventing all parts of the traditional bank's value chain through their technology prowess and agile and lean business model. These new waves of digital disruptive banking models have made traditional banks vulnerable to losing market share as more of their services become commoditized. Traditional banks realize they cannot afford to waste any more time making changes that merely optimize existing practices and are partnering with service providers to modernize their core and establish an offensive business model to compete effectively.

Top 4 approaches to core banking modernization

The archetype chosen will depend on the size of the bank, the complexity of the existing technology estate, and what best fits the bank's needs and strategic goals – service providers support across these pathways



Interoperability and composability through digital wrappers

- Establish modularity that partitions into a cohesive set of components
- Composition to connect complex transactions/processes through APIs, managed interfaces, or other technical means and ecosystem players
- Autonomous and self-sufficient, however, dependencies continue with the legacy technology stack
- Designed and set with semantic clarity to be accessible to business rules



Builds ability to respond to CX demand quickly without the risk and cost of changing the underlying technology stack



Core banking optimization

- Expanding the lifespan of the existing legacy systems by filling skill gaps and mitigating risk
- Keep existing systems, update current applications, upgrade functionality, and include workload migration under a compute downsizing strategy
- Upgrade the codebase from legacy to a modern codebase (e.g., Cobalt to Java) to improve readability and maintenance
- Rehosting and migrating business services and core banking systems in the cloud, eventually implementing modern architecture and enabling cloud capabilities



Simplify and downsize the mainframe to generate efficiencies, cost reduction, and minimize vendor lock-in, with some technical and functional improvements



Parallel core (dual-core, sidecar, and hollowing out the core)

- Decouple and implement a new core platform alongside the existing legacy platform and run both the new digital core and the existing legacy core simultaneously; perpetuates within shared legacy infrastructure and capabilities
- New core can be set up on the edge to minimize system overlap and allow for custom development of new products on the digital core while maintaining existing products on the legacy core
- Simplifying the core system by externalizing processes and applications through API integration and employing microservices and associated architecture



Enables custom development of new products and services on the digital core while maintaining existing products on the legacy core



Greenfield tech stack

- Establishing a new banking entity or tech stack from scratch
- Neo banks, digital banks, or challenger banks are supported by a cloud-native and microservices architecture, which will enable scalability and flexibility
- The new core, front-end, processes, and business capabilities often operate under a separate legal entity and banking charter



Enable quick delivery of services and rapid entry into markets. Provides the ability to deliver the most compelling experience to clients

There are three camps of core banking technology partners

Core banking vendor categories reflect the diverse landscape, each offering unique capabilities with varying degrees of limitations. Service providers play a LEAD role in the evaluation, recommendation, and extensive implementation of the best fit-for-purpose core vendors to add functionalities to their solutions' environment

Legacy core banking vendors (Generation One)



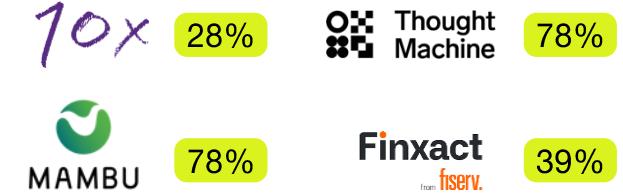
- Monolithic architecture and batch-driven
- Heavily customization
- Home-grown and vendor-based systems
- Complex legacy systems that lead to slow product release cycles
- High maintenance, driving up costs and risks for seemingly minor changes and upgrades
- Often running on mainframe

Next-Generation Core banking (Generation Two)



- Established core banking solutions that have been around for the last 15 to 20 years
- Developed to address the limitations of legacy systems and widely adopted by banks seeking more modern—yet stable—core banking platforms
- Increased digital transactions in real time
- More customer-focused products are centered around single customer file
- Not cloud native but cloud ready

New-Generation Core banking (Generation Three)



- Cloud-native architecture focused on flexibility and scalability
- Each microservice is granular, reusable, traceable, and accessed via APIs
- Integrating and coexisting with legacy systems can be complex
- Limited customization and configuration abilities and available for limited business and product lines
- The institutions currently implementing new-generation core are typically digital-only neobanks or financial institutions with very clear focus points

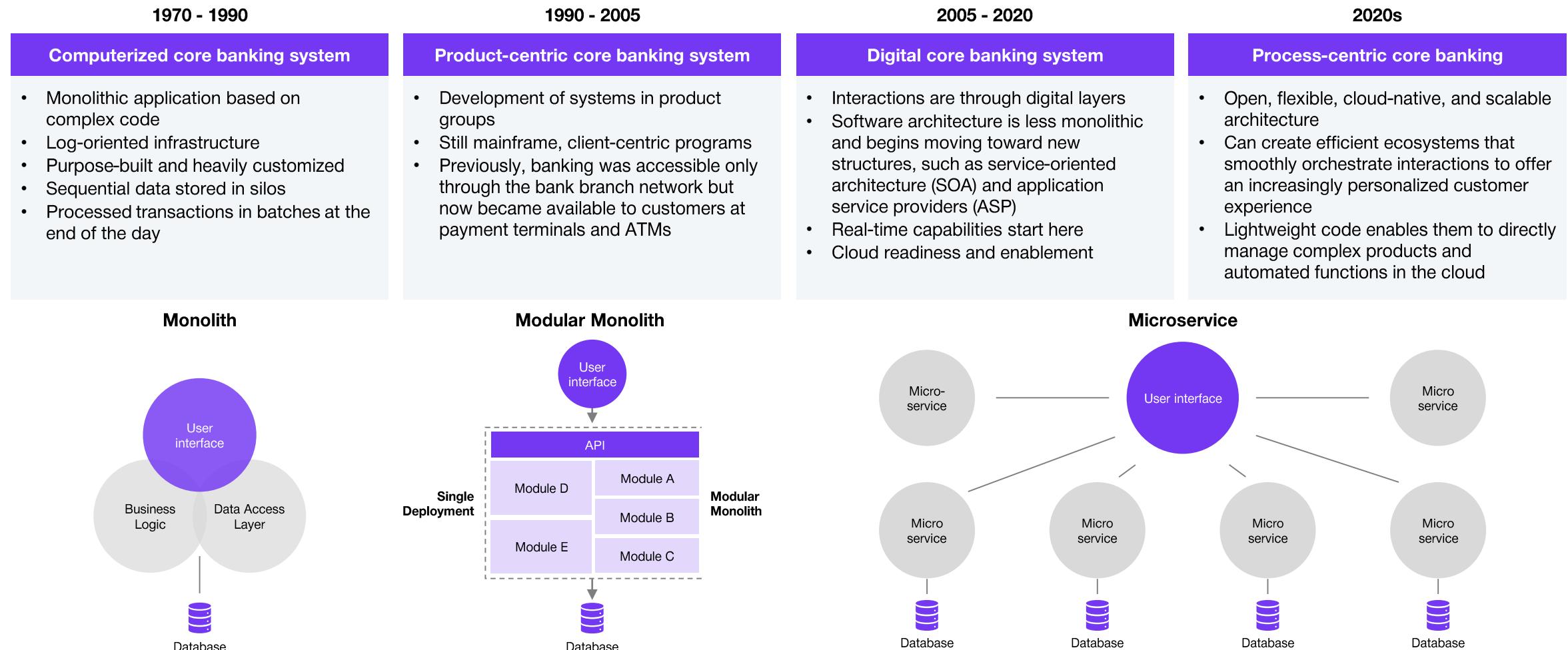
Sample: Sample: N = 18 providers of services to Core banking modernization clients
Source: HFS Research, 2024

%

Who are your key partners supporting your core banking modernization clients?
(Open-ended question, percentage of respondents)

Numerous banks are still hamstrung by old, inflexible tech, which makes them rigid and unresponsive; it is unlikely they will completely replace their monoliths with new technology in a few years

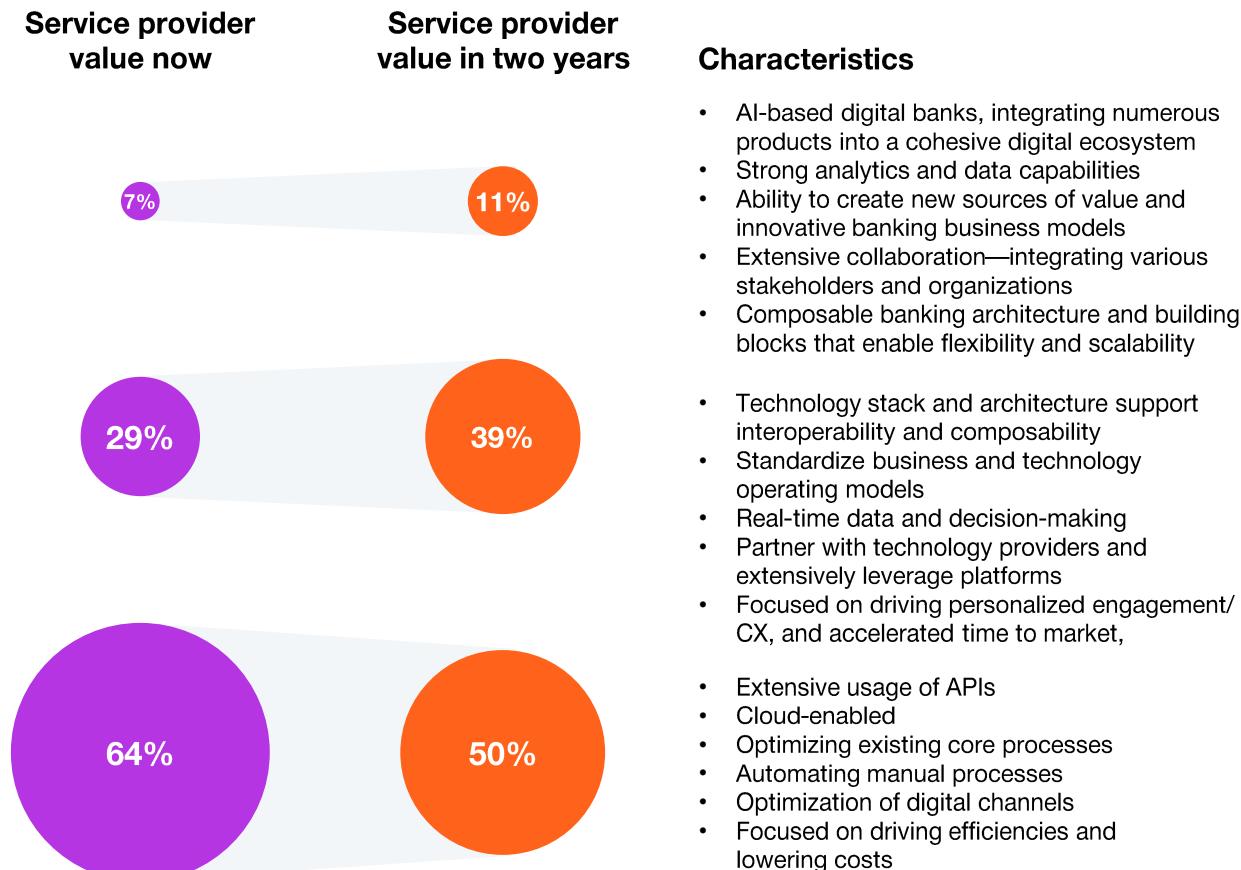
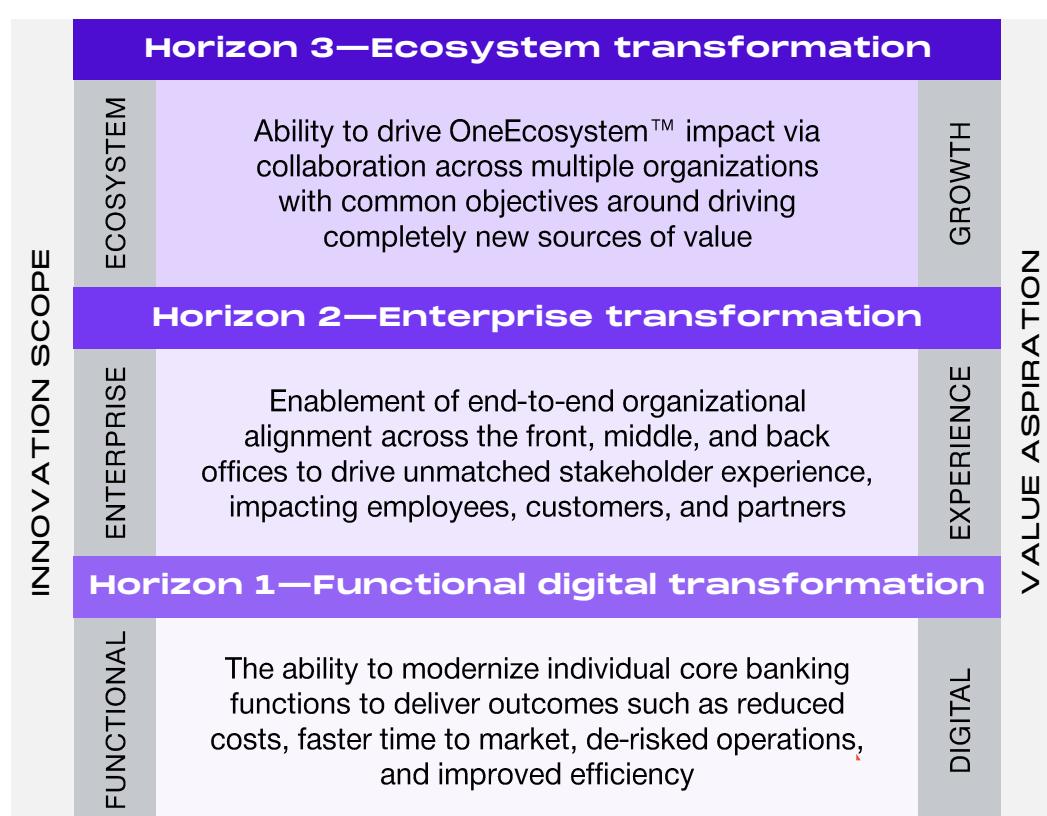
The industry needs to pivot from monolithic, highly customized, vendor-dependent systems to more modular, flexible, and cloud-based solutions that better meet customer experience needs



Despite the availability of tech, banks tend to repair and upgrade rather than chop up their core in a big bang, leaving them in a digital wrappers' purgatory

Which of the following statements best represents the primary value delivered by your service provider today? And in the next two years?

(Percentage of respondents)

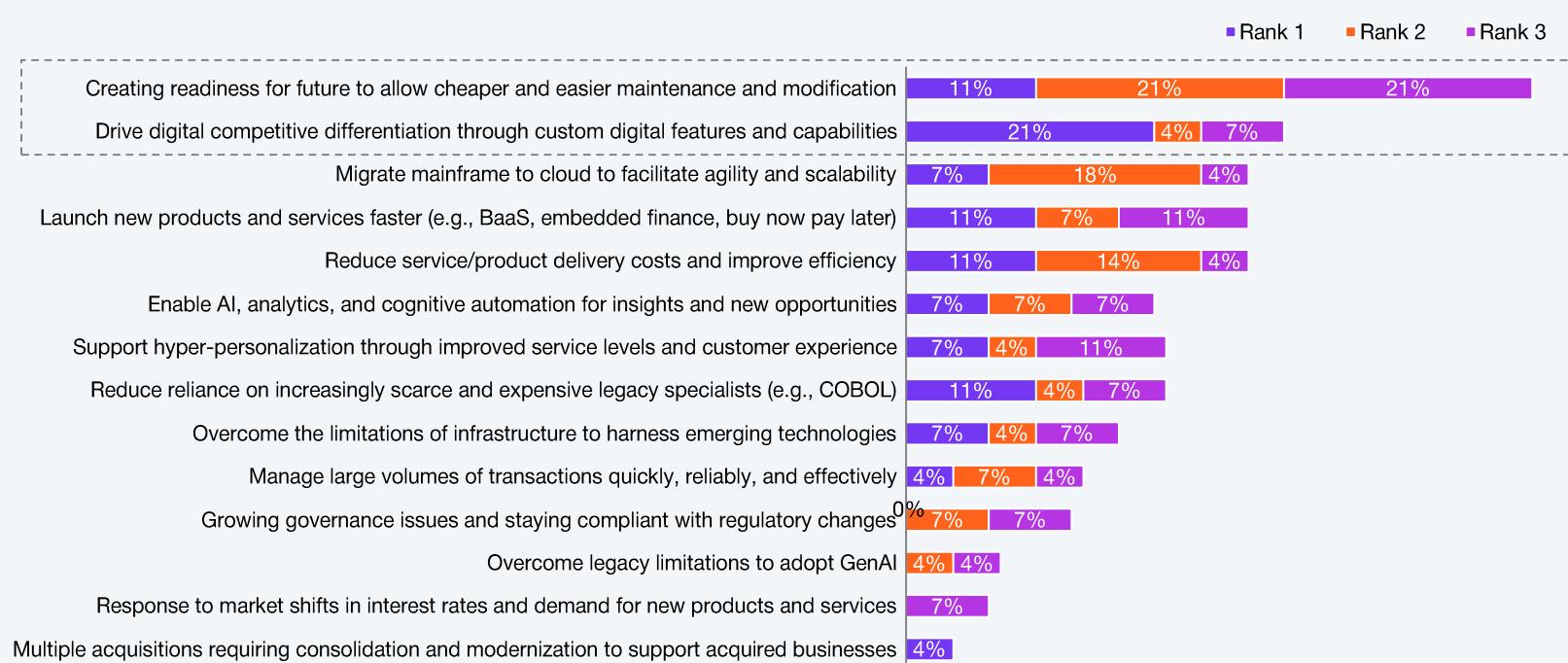


Sample: N = 28 core banking respondents

Source: HFS Research, 2024

Banks seek a lean technology stack that can change quickly and cost-effectively without major disruptions to business; digital differentiation is the top priority, which fits well with the industry's investment in digital wrappers

What are the market forces/influences, both internal and external, that are driving the decision for core banking modernization? (Please rank the top three criteria)
(% of top 3 ranks)



The importance of flexibility—along with investment for digital differentiation to address immediate and near-term needs—emphasizes the significance of foundational infrastructure technology for core banking modernization.

Sample: N = 28 core banking respondents
Source: HFS Research, 2024

Core banking modernization engagement with service partners—by the numbers

USD 23 billion is spent annually on core banking modernization services by banking enterprises, with the heaviest spending on IT services

17,049

Core banking modernization enterprise clients across 18 global service providers

6.9 years

Average tenure of relationship

\$22.8B

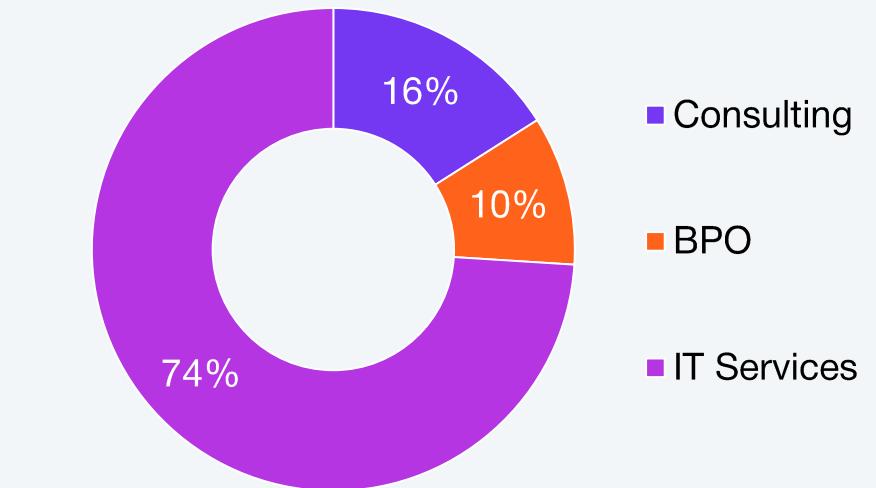
Core banking modernization enterprise services spend in 2023

Supported by

195,142

Core banking modernization specialists

Core banking modernization enterprise spend by service scope



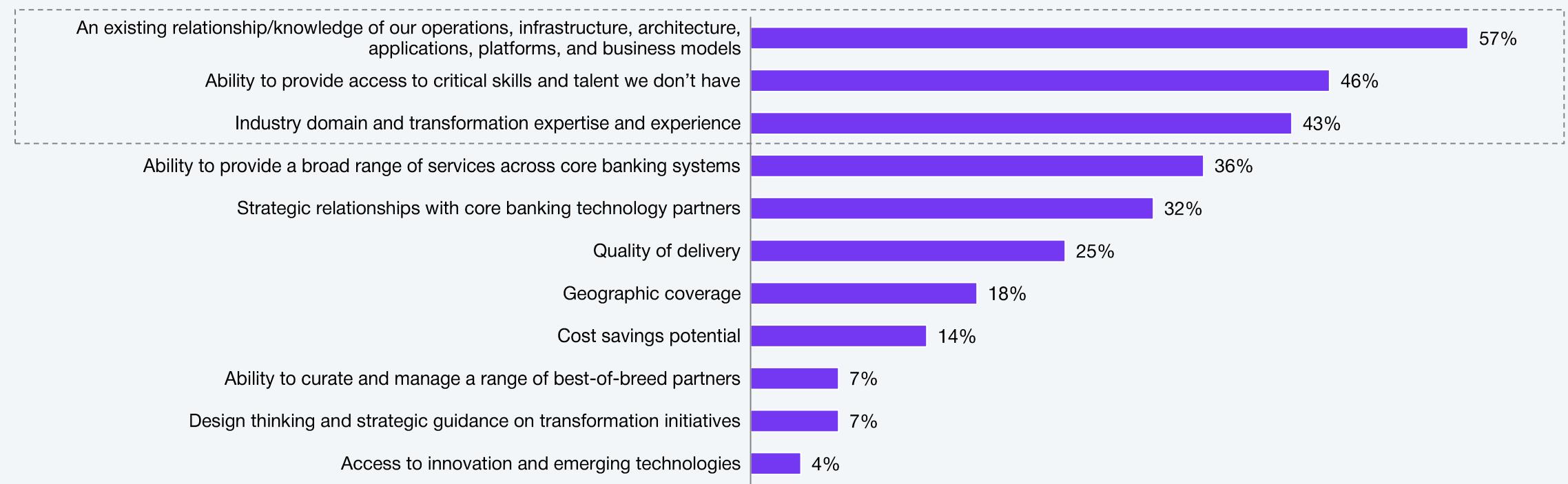
Sample: N = 18 providers of services to Core banking modernization clients, N = 28 core banking respondents, HFS estimate
Source: HFS Research, 2024

Sample: N = 14 providers of services to Core banking modernization clients
Source: HFS Research, 2024

Banks select service partners based on the knowledge of their internal technology plumbing...

How did you pick this service provider?

(% of respondents)



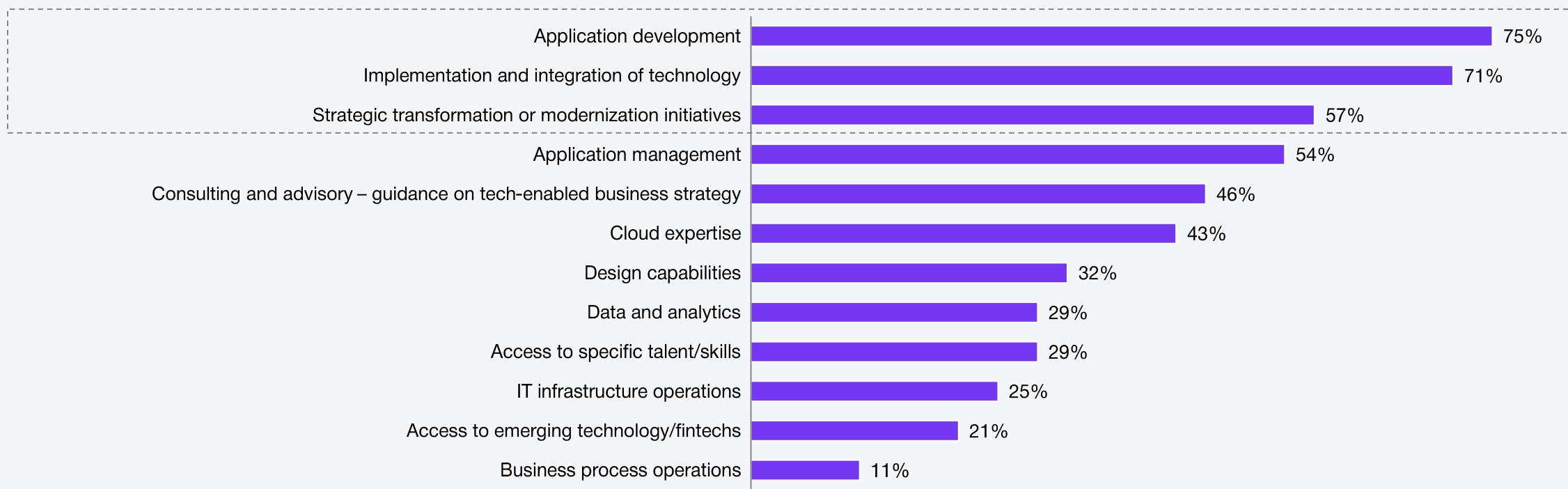
Sample: N = 28 core banking respondents

Source: HFS Research, 2024

...and rely on them for routine IT operations

What do you use this service provider for?

(% of respondents)



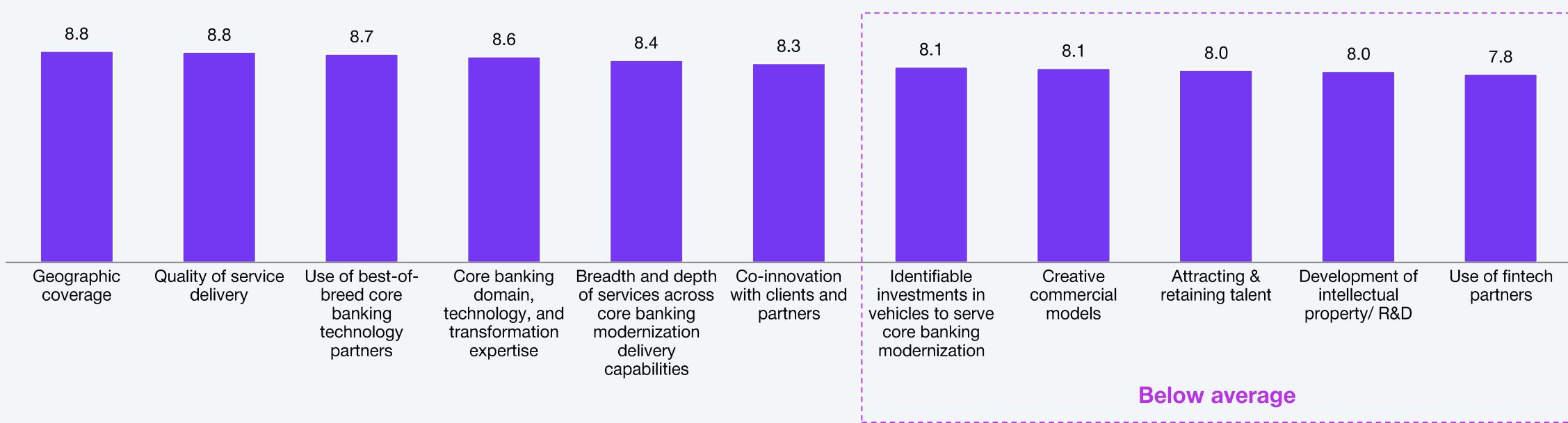
Sample: N = 28 core banking respondents

Source: HFS Research, 2024

Banks are largely satisfied with their service provider partners but desire stronger collaboration with fintech and meaningful investments in assets and accelerators to support the core modernization lifecycle

Please rate the service provider across the following innovation and execution parameters using a 1-10 scale, where 1 is poor and 10 is excellent.
(Weighted average of respondents)

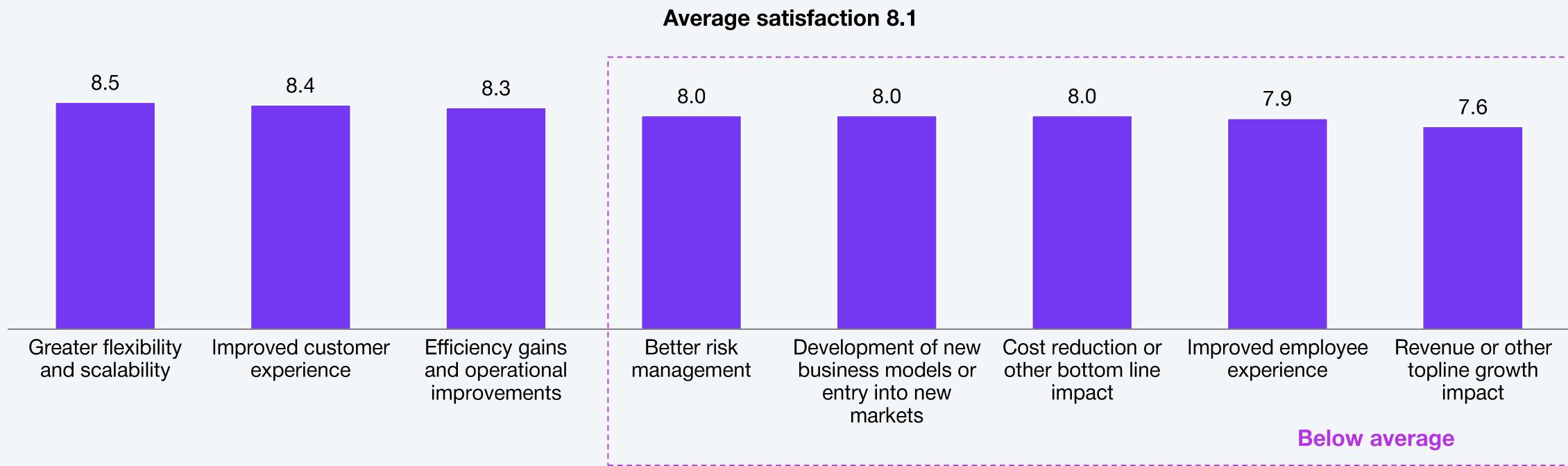
Average satisfaction 8.3



Sample: N = 28 core banking respondents
Source: HFS Research, 2024

Banks' satisfaction with overall core banking modernization outcomes is tepid, ROI in core modernization remains elusive in topline growth

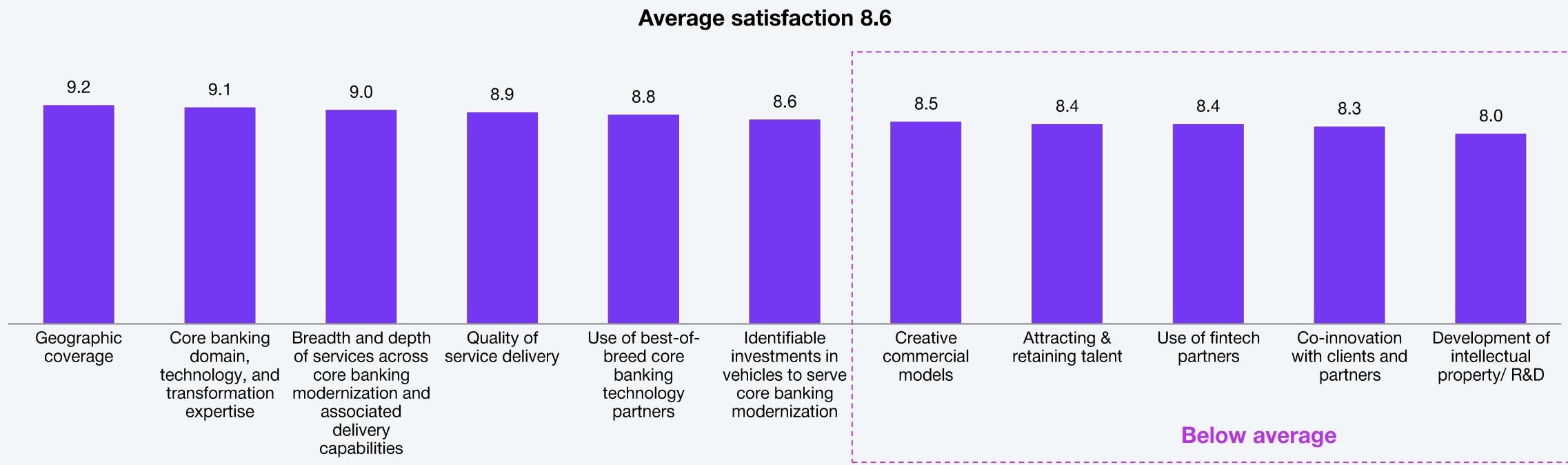
Please rate the outcomes delivered by your service provider across the following parameters using a 1–10 scale, where 1 is poor and 10 is excellent.
(Weighted average of respondents)



Sample: N = 28 core banking respondents
Source: HFS Research, 2024

The partner experience factor is lower compared to other studies; the importance of collaboration with ecosystem and alliance partners should be emphasized in the solution environment

Please rate the service provider across the following parameters using a 1-10 scale, where 1 is poor and 10 is excellent.
(Weighted average of ratings)



Sample: N = 25 core banking partner respondents
Source: HFS Research, 2024

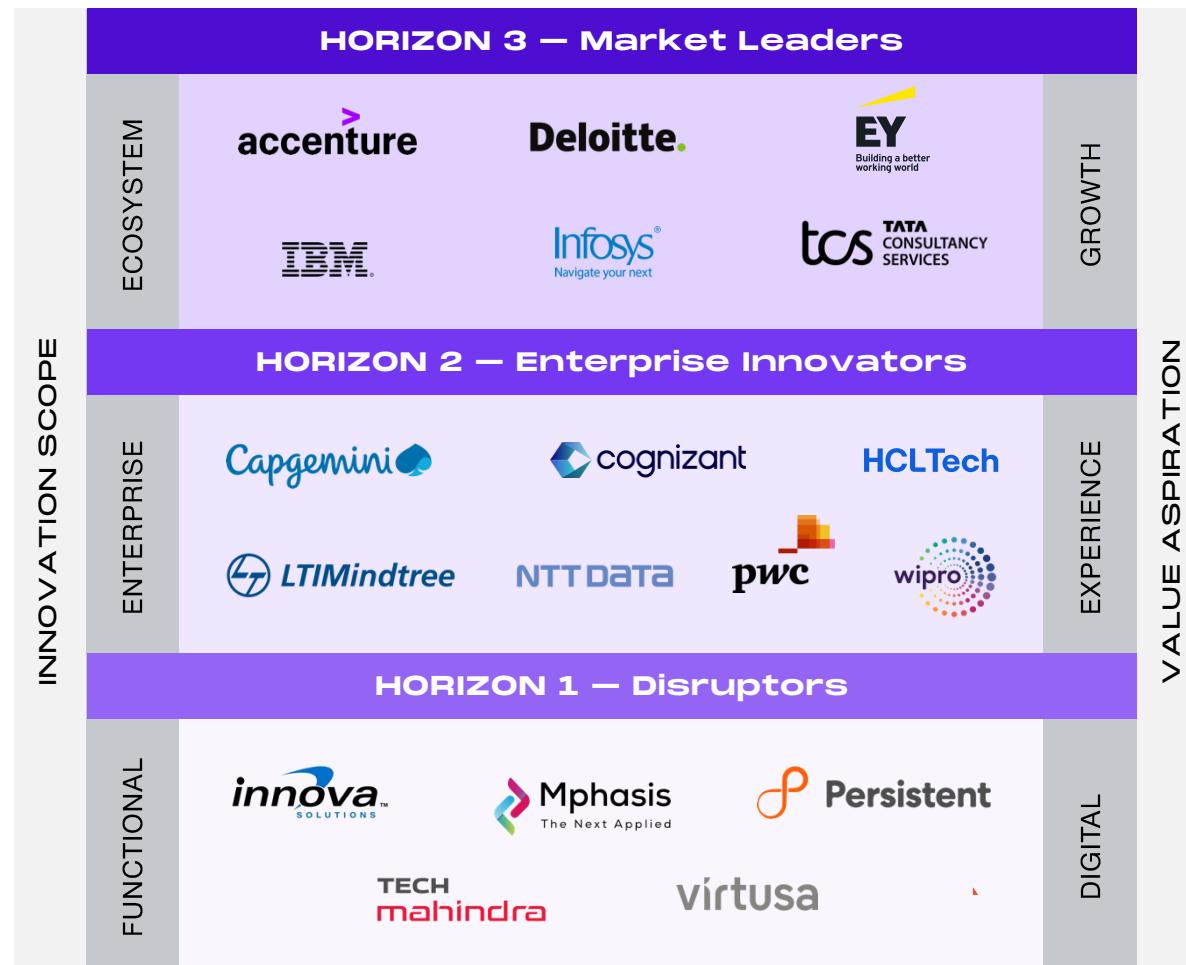
4

Horizons results: The best service providers for core banking modernization, 2024

HFS Horizons: The Best Service Providers for Core Banking Modernization, 2024—summary of providers assessed in this report

Providers (alphabetical order)	HFS point of view	Providers (alphabetical order)	HFS point of view
Accenture	Help establish interoperability and composability in core banking while harnessing technologies and ecosystems	LTIMindtree	Integrates elements of partnerships, technology, and platforms to achieve digital differentiation
Capgemini	Domain-led approach aided by partnerships, frameworks, and innovation to deliver front-to-back core banking modernization	Mphasis	Delivering core banking modernization through zero-cost transformation propositions
Cognizant	Leverage ecosystem and platform play to enhance CX and support end-to-end core modernization	NTT Data	Accelerating core banking modernization journeys through strong execution and delivery discipline
Deloitte	Modernizing legacy banking systems and applications for digital readiness through domain-led discovery and execution	Persistent	Enhancing customer experience through its digital engineering proposition in core banking modernization
EY	Modernizing the banking core beyond legacy refinement to unlock sustainable and new value	PwC	Integrate solutions combining consulting and industry cloud for banking to help banks scale
HCLTech	Creating digital readiness through a modern core built on engineering DNA	TCS	Strategy-led end-to-end core modernization enabling banks to be future-ready
IBM	Enabling digital readiness through a progressive core modernization and well-defined roadmap	Tech Mahindra	Transforming legacy into modern, efficient, and scalable foundation through partnerships and IP
Infosys	Helping banks move forward to a Next-Gen Core aided by partnerships, IP, and platforms	Virtusa	Delivering core banking modularity through domain-led engineering, platforms, partners,
Innova Solutions	Consultative and platform-led core modernization assuring delivery success	Wipro	Brings OneWipro to help launch, run, and change the bank through core modernization

HFS Horizons: The Best Service Providers for Core Banking Modernization, 2024



Note: All service providers within a Horizon are listed alphabetically.

Source: HFS Research, 2024

Horizon 3 is growth through ecosystem transformation

Horizon 3 service providers demonstrate Horizon 2, plus

- Horizon 2 + Ability to drive OneEcosystem impact via collaboration across multiple organizations with common objectives around driving completely new sources of value
- Innovation scope is at the ecosystem-level with the resulting value delivered focused on growth through new business and collaboration models

Horizon 2 is experience through enterprise transformation

Horizon 2 service providers demonstrate Horizon 1, plus

- Horizon 1 + Enablement of the OneOffice model of end-to-end organizational alignment across the front, middle, and back offices to drive unmatched stakeholder experience
- Innovation scope is at the end-to-end enterprise-level with the resulting value delivered focused on enhanced stakeholder experience—inclusive of customers, employees, partners, and regulators

Horizon 1 is optimization through functional digital transformation

Horizon 1 service providers demonstrate

- The ability to modernize individual core banking functions to deliver outcomes such as reduced costs, faster time to market, de-risked operations, and improved efficiency
- An innovation focus that is generally on the individual application/system layers with the resulting value focused on the digitization of the individual application/system

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EY profile: The best service providers for core banking modernization, 2024

EY: Modernizing the banking core beyond legacy refinement to unlock sustainable and new value

HORIZON 3 – Market Leader	Strengths	Development opportunities
 <p>HORIZON 2 – Enterprise Innovator</p>	<p>Strengths</p> <ul style="list-style-type: none"> Value proposition: EY mobilizes its entire franchise, which includes global multi-disciplinary teams, technology and business consulting, strategy, IT services, products, and platforms to focus on core modernization that opens to radical reinvention to find new, significant, and sustainable sources of value for banks. Growth proof points: EY's investment in the Nexus delivers pre-configured accelerators, reusable assets, IP, and partnerships that enable core modernization beyond improving technology plumbing to deliver an innovative experience. The firm-wide investment of USD 1.4 billion in AI is transforming the downstream and upstream of the core modernization journey, infusing AI for road mapping, and testing to personalization and the next best action engine. HFS notes partnerships with FIS and Finxact (a Fiserv co.) are delivering custom and high-impact outcomes. Key differentiators: EY's global presence with localized expertise enables easy cross-pollination between domains, assets, platforms, and best practices to put together impactful propositions for clients. Corraling an end-to-end capability EY can engage from the early stage of consulting to the final stages of execution and operationalizing. The firm's risk, tax, and audit pedigree ensure consideration of governance across the core modernization journey. Outcomes: EY for a midsize regional bank exacted and rationalized 70% of the core capabilities and products, from a 45-year monolithic architecture to a new modern platform. In collaboration with a consortium of large global banks developed a digital platform to manage the syndicate loan lifecycle, accelerating settlement time from weeks to days. Customer kudos: EY is appreciated for its talent, experience, and domain expertise along with its execution and delivery capabilities. 	<ul style="list-style-type: none"> What we'd like to see more of: A call out on its formal offerings to support mid-market banks on their core modernization journeys. What we'd like to see less of: While EY is a "delivery powerhouse," the firm needs to do a better job of depicting where its fit-for-purpose IPs, platforms, and assets drive the most value in the core banking modernization lifecycle. Customer critiques: A few clients seek competitive pricing and transparency in projects.
<p>HORIZON 1 – Disruptor</p>		

Key offerings	Mergers and acquisitions (2020–2024)
<p>EY's core modernization efforts span across major banking business lines, including retail, consumer, and commercial, with a greater focus on payments. The firm addresses market demands for both new builds (65%) and legacy modernization (35%), with specific offerings that include business transformation and strategy & transactions, products & platforms, technology transformation, technology solution delivery, data and analytics, digital and emerging technologies, and cybersecurity. 65% of revenue is consulting, and 35% represents technology/tech services.</p>	<p>2023: whyaye, ServiceNow platform consulting; Tallan, Microsoft cloud solution capabilities; IPQ Tecnologie, consultancy firm; Future Friendly, business transformation offering; 2022: ifb SE, finance and risk transformation consultancy; FreshWorks Studio, design and development consulting firm; 2021: PeakEPM Limited, financial planning, stress testing, and cost management consultancy</p>

Partnerships	Key clients	Global operations and resources	Flagship internal IP
<p>100+ partnerships and alliances; the most relevant, focused specifically with core banking, are: FIS, Fiserv / Finxact, Infosys, Snowflake, Microsoft</p>	<p>Number of Core Banking Modernization clients: 600+ in FY23 Key clients: EY provides consulting services to 75% of the top 100 retail banking & wealth financial institutions.</p>	<p>Core banking modernization headcount: ~27,000 dedicated practitioners and resources supporting cross-sector clients Number and location of delivery and innovation centers: 52 nearshore & offshore delivery centers: 8 SDC (USA, UK, Australia), 20 GDS (Mexico, Argentina, Spain, Poland, India, Sri Lanka, China, and The Philippines), and 24 ODC (client-dedicated delivery centers) in India and The Philippines. 50 wavespace (innovation) centers, 20 in the Americas, 23 in EMEA, and 7 in Asia Pacific</p>	<ul style="list-style-type: none"> Nexus Intelligent Core: Software product that accelerates, de-risks, and augments modern core adoption for banks Nexus Command Line Interface for Backend: Project scaffolding based on code/container templatization that reduces development time and increases speed-to-market Next-Gen Testing Platform: Software testing platform with automated testing that has demonstrated up to 3X improvement in productivity EY.ai: Global AI Transformation Program, focused on Transform Clients, Transform EY, and Transform the World

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Divya Iyer is a Practice Leader at HFS Research, leading industry analysis of banking and financial services and covering the intersection of technology, business, and financial services. Divya works closely with service providers, financial services enterprise clients, and the broader supporting ecosystem to actualize their goal to articulate the business impact and unlock value in these relationships. In her 18 years of experience, Divya has garnered expertise in IT and business services and researched emerging and established digital business models, technologies, start-ups, and business solutions suppliers.



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Niti is senior analyst at HFS Research. Her coverage areas include banking and financial services and GenAI. She also regularly contributes to competitive intelligence across IT and business process services and the HFS Market Index, a quarterly report breaking down the performance and key events of the leading service providers throughout the previous quarter.

Niti joined us with more than six years of experience in market research. Before starting the HFS journey, she worked with Kantar (leading data, insights, and consulting company). Her responsibilities included leading end-to-end research studies along with client presentations. She holds an MBA degree specializing in Finance and Marketing and B.Tech in Information Technology.

She is based out of Kolkata, India. In her spare time, she loves reading, travelling, and going for walks. On weekends she enjoys painting, spending time with her nephew and binge-watching series.

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