



Modernizing deposit systems is a bank imperative

Getting core deposits right is central to everything a bank offers.

There are many core systems central to running a bank, but none more critical than core deposits. Because customers view deposits as a fundamental service, and often an entry point to the relationship, banks must get this imperative right—meaning securely transacted with an optimal customer experience—in order to thrive as a future-ready bank.

However, outside of routine maintenance and required enhancements, most banks have not touched their deposit platforms or other core systems for years. Recent market share loss to nonbanks has brought heightened pressures for core modernization.



Prioritizing core deposits transformation

There's no silver bullet that solves all modernization efforts. The approach, as with all massive overhauls, is to prioritize and sequence the work. Of the approximately 15 core modernization components that could be addressed, deposit systems have received particular attention. This is because deposits encompass the majority of bank customers and provide a stable source of funds for lending.

The world has dramatically changed since most existing core deposits were implemented more than 30 years ago. The systems of that era cannot compete with the pace of innovation needed today—nor with the growing regulatory requirements or the data and security needs of banking customers.

Because core deposits can be a source of customer loyalty, predictable cost, and competitive advantage, it's the system many frequently target as the starting point for core modernization. If deposits is not the starting point, channels and originations capabilities are often considered to drive a digital experience and growth – both of which still require extreme integration capabilities with the current and future deposits core.



The risks and rewards

Before any discussions around upgrading the deposit infrastructure occur, the first determination should be around desired business outcomes. There are multiple trade-offs to be considered around cost, features, and the burden of tech legacy baggage in that equation. Many banks have already undertaken this deposit system modernization effort, and it would be wise to assess the obstacles and opportunities that have arisen in their respective transformations.

Just about everything is impacted when core deposit systems are replaced: staffing, operations, processes, how teams are organized, and legacy applications, etc. It is not simply a "technology trade." The modernization effort will be a multiyear journey—and the rewards are deserving of that time and effort. This is because an upgraded core deposit system responds to customer demands of real-time offerings and capabilities, as well as supports future digital banking investments.

A bank's critical systems need to align with heightened consumer expectations, integration requirements, and ever-evolving regulatory demands. The modernization of core deposits is essential for that alignment.

For more on how to be the future-ready bank your customers want, listen to the [companion podcast](#), and learn more at [Visit.kpmg.us/connectedbanking](https://www.kpmg.us/connectedbanking).

Contact us



Anand Shah
Principal, Financial Services
KPMG LLP
T: 404-222-7386
E: ananddshah@kpmg.com



Celeste Diana
Principal, Corporate Strategy
KPMG LLP
T: 516-456-1863
E: cdiana@kpmg.com



Mark Shank
Principal, Advisory
Digital Enablement
KPMG LLP
T: 410-949-2795
E: mshank@kpmg.com

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