

## **Monitoring Report on Computer System Integration/Replacement**

### **[Introduction]**

Recent years have seen numerous examples of large projects involving, for example, fundamental overhauls of core computer systems ahead of the timing of replacements of system devices and the integration of systems as a result of strategic mergers. The Financial Services Agency (FSA) conducts monitoring by investigating and discussing in detail matters that could easily become problems, and encourages financial institutions to notice issues and voluntarily take steps to address them.

Against this backdrop, we have decided to publish examples of issues that, through our monitoring, we have deemed could easily occur at financial institutions when they are tackling large-scale and complex projects that they have hardly any experience of, and we hope these examples can serve as a useful reference.

### **[Overview of issues that should be considered]**

#### **(1) Issues relating to involvement by senior management**

We found multiple cases where senior management relied excessively on, for example, the IT department, and their involvement in projects was inadequate. For example, there were cases where no structure was in place to allow senior management to accurately gauge progress.

Because of this, it is necessary to determine and understand in advance what senior management should specifically check and make judgements about as well as to train and secure personnel who can perform risk management in conjunction with systems integration.

#### **(2) Issues relating to project management**

We found multiple cases where financial institutions were not systematically managing progress and quality, and were therefore overlooking delays in making progress or were being slow in discovering quality-related problems.

Because of this, it is necessary to properly establish project management structures by, for example, determining rules etc. for progress management and quality management, and to train and secure project-management personnel.

#### **(3) Issues relating to migration decisions**

We found cases where decisions were not being made carefully due to a lack of

experience in making migration decisions. For example, migration decisions had just become formalities, being seen merely as extensions of progress confirmation.

Because of this, it is necessary to make migration decisions after establishing specific criteria for making migration decisions and specifying methods for making migration decisions that also involve senior management.

#### **(4) Issues relating to bank administration**

We found cases where the management of bank administration was inadequate, because project management was centered on IT system work. For example, bank administration was left to branches or the degree of mastery acquired through training was not properly verified.

Because of this, it is necessary to recognize the importance of bank administration in the case of projects, such as by not leaving the management of administrative mastery to branches.

#### **(5) Issues relating to computer system integration/replacement practice**

We found cases where system development was not being properly managed because, for example, system integration/replacement practice was regarded as merely an extension of conventional small-scale systems development projects and therefore test planning was inadequate.

At financial institutions that entirely outsourced systems development, in particular, there tends to be an overreliance on the outsourcees.

Because of this, it is necessary to clarify approaches to testing in the case of systems integration/replacement as well as the testing environment, methods, etc. Furthermore, when systems development is outsourced, it is necessary to clarify the work that the outsourcer per se should perform.

#### **(6) Issues relating to response to unforeseen circumstances**

We found cases where scenarios and countermeasures concerning unforeseen circumstances that could occur around the time of migration work were inadequate and cases where measures connected with changes in, for example, important sites had not been adequately considered.

Because of this, it is necessary to formulate a contingency plan after giving adequate consideration to scenarios for unforeseen circumstances and to properly consider what action should be taken in the event of important sites being affected by disasters.

#### **(7) Issues relating to audits**

We found cases where the involvement of the internal audit department in projects was inadequate and cases where there was insufficient knowhow regarding project audits.

Because of this, it is necessary to enhance the sophistication of audit techniques and to train and secure personnel so as to ensure that audits are conducted effectively in light of risks.

**[Future action by the FSA]**

With respect to financial institutions that are planning to integrate, replace, etc. IT systems, the FSA will continue to conduct on- and off-site monitoring in an effective and efficient manner. We also plan to engage in dialog whenever appropriate, since approaches to large-scale system replacements based on business models and strategies as well as systems integration in conjunction with corporate merger policies are also important issues for dialog.