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RETAIL BANKER INTERNATIONAL

2021 FORECASTS

RETAIL BANKING EXPERTS ANALYSE THE MAJOR TALKING POINTS OF 2020 AND LOOK AHEAD

FEATURE

Retail banks walk a tightrope with surveillance technology

ANALYSIS

Rapid evolution of deep fake technology poses a threat to banking

INSIGHT

Negative interest rates: How banks can keep pace with fast-moving regulation

THIS MONTH

NEWS

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ANALYSIS

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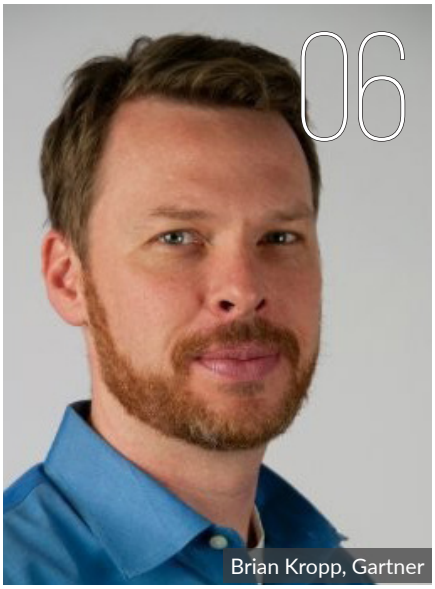


Brian Kropp, Gartner

INDUSTRY INSIGHT

Nanda Kumar, SunTec

EDITOR'S LETTER
PNC, HUNTINGTON DEALS SHAKE UP US REGIONAL RANKINGS

Douglas Blakey, Editor

First off, many thanks to all readers that contributed 2021 forecasts (see pages 10-33).

A number of themes emerged such as the prospects for renewed M&A activity. The BB&T/SunTrust deal to form Truist, announced last February and concluded with final regulatory approval in November 2019, was expected to kick off a fresh wave of M&A activity in the US in 2020. And then came the pandemic. Deal making was dead.

Q2 2020 M&A activity dead

Goldman Sachs reported that M&A activity at the conclusion of the second quarter was down 51% year-over-year across all sectors.

Bank M&A is hard enough at the best of times, but under lockdown conditions, best left to another day.

On a personal note, BBVA US has been a joy to cover. It is one of the most innovative US retail banks, enjoying a strong reputation for customer centricity and an excellent record for product innovation and boasts a strong mobile banking offering. Its senior executives, much like BBVA in its Spanish domestic market, are also unfailingly helpful to the banking media.

With $104bn in assets and 637 branches across Texas, Alabama, Arizona, California, Colorado and New Mexico, BBVA represents a major challenge for PNC to execute the deal and achieve the projected synergies.

For example, PNC expects to achieve cost savings in excess of $900m, or 35% of BBVA USA's 2022 estimated annual non-interest expense through operational and administrative efficiency improvements.

That is not impossible but will require management discipline and a fair wind to achieve. It is a challenging acquisition at the best of times - against the backdrop of the pandemic, it is even trickier.

US: LARGEST BANKS RANKED BY BRANCHES	
Wells Fargo	5,413
Chase	4,980
Bank of America	4,254
Truist	2,921
PNC plus BBVA	2,844
US Bank	2,774
Regions	1,400
Huntington plus TCF	1,314
Toronto Dominion	1,227
Fifth Third	1,137

Huntington: a top 10 regional retail bank

And then, as this issue goes to press, news emerges of Huntington acquiring TCF to create a top 10 US regional retail bank. Combining Huntington's 839 branches with TCF's 475 creates at least for now, the 8th largest US bank by branches. By snapping up TCF, Huntington expands its branch network to include Minnesota, Colorado, Wisconsin and South Dakota and strengthens in presence in Chicago.

The all-stock Huntington Bank/TCF deal is valued at around $6bn and will result in the TCF brand being dropped. Huntington plus TCF will have approximately $168bn in assets, $117bn in loans and $134bn in deposits. That means that as ranked by deposits, the newly enlarged Huntington will rank as the 18th largest US bank and the 10th largest regional retail bank.

Some welcome Christmas cheer

Not before time and just in time for press day, comes the welcome news that UK banks can resume paying dividends. The Prudential Regulation Authority at the Bank of England has rightly concluded that the banks' capital buffers are strong and that banks have made adequate provisions for Covid-related losses.

The banks have kept to their side of the bargain, imposed when dividends were suspended back in March. The largest five UK banks' 3Q20 results showed resilient asset quality.

Doubtless, dividends will be modest in the new year but the return of dividends is at least a positive way to end a horrid year. ■

GET IN TOUCH WITH THE EDITOR AT: **DOUGLAS.BLAKEY@VERDICT.CO.UK**

RETAIL BANKS WALK TIGHTROPE WITH SURVEILLANCE TECH

Employee monitoring technology is on the rise and retail banks are walking a fine line between protecting their interests and avoiding a backlash over Big Brother's ever-watchful gaze. *Jane Cooper* reports

Bank employees are accustomed to being monitored, whether it is recording calls for 'quality and training purposes' or video cameras watching over tellers.

Now, however, the technology is becoming so sophisticated and pervasive that employees may not realise the extent of the surveillance — even their bathroom breaks could potentially be included in a performance review.

"The pandemic has accelerated the future to the present," says Brian Kropp, group vice president and chief of HR research at Gartner. Companies were already planning to support remote working, he says, and Covid has brought forward the use of employee monitoring technology by about five years. "The technology is developing quickly, but the ethics are evolving much more slowly," he says, adding that the question is not about whether to use the technology, but rather how it should be managed."

A case in point is Barclays, which is currently being investigated by the Information Commissioner's Office (ICO) over its employee monitoring.

The investigation is reportedly linked to the use of software by Sapience Analytics that measures productivity. When contacted by Retail Banker International, the ICO confirmed the investigation is ongoing, but its exact nature was not disclosed. However, an ICO spokesperson did state: "People expect that they can keep their personal lives private and that they are also entitled to a degree of privacy in the workplace. If organisations wish to monitor their employees, they should be clear about its purpose and that it brings real benefits. Organisations also need to make employees aware of the nature, extent and reasons for any monitoring."

Barclays in hot water

This isn't the first time Barclays has been in hot water over its surveillance technology. In 2017, the bank's use of OccupEye sensors hit the news. OccupEye on its website describes the technology as having the "combined purpose of creating efficient work places while optimising building usage." Barclays was quoted as saying at the time: "The sensors aren't monitoring people or their productivity; they are assessing office space usage. This sort of analysis helps us to reduce costs, for example, managing energy consumption, or identifying opportunities to further adopt flexible work environments." However, the bank faced a public backlash with media reports detailing how employees discovered the devices under their desks, which sensed if they were sitting there or not, or whether they were otherwise engaged. Barclays did not respond to an RBI request for comment.

Dominic Hook, national officer for the finance and legal sector for Unite, a workers union in the UK, comments that the use of monitoring technology in banks has become a concern, particularly for staff who work in contact centres — almost all of whom are working at home at the moment. "It's not just the level of monitoring but the lack of control that goes with it," says Hook.

Monitoring is constant

For these workers, the monitoring is constant. They enter a code into the system every time they take a break, and if, for


Brian Kropp, Gartner

example, they go over their allocated eight minutes for a toilet break their manager will soon know about it. Or, Hook gives as an example, if the worker needs to take a minute after a particularly difficult call with a customer — probably an angry and sweary one at that — they may soon have a manager telling them they have taken too long. All their calls are recorded so their performance can be reviewed, but now this 'coaching' will have a different quality with the introduction of artificial intelligence.

In the past a manager may have listened to a call if there was a complaint, but now it's moving toward a system where AI constantly monitors the language used and tone of voice, for example, and flags for a manager to follow up. "That system is not far from being implemented," says Hook.

Banks have had to adjust to a new way of working with the pandemic, with large numbers now working remotely. For example, Deutsche Bank reportedly has 70,000 out of a staff of 90,000 working from home, whereas JPMorgan has 180,000 out of 200,000. In the UK, a spokesperson for NatWest Group, which includes the Royal Bank of Scotland and NatWest brands, told RBI: "In total around 50,000 colleagues across the whole bank have been working from home." When asked whether the bank had introduced monitoring technology because more people are working at home, they responded: "We have a range of monitoring for security purposes that we have always used, but working from home is not a reason for us to monitor our staff."

Monitoring productivity

This isn't the case with all banks, however. Hook explains there was already a trend to enable remote working for contact centre staff and banks were trialling how customer data could be handled securely.

More broadly, the pandemic has created a need for banks to monitor their employees because they no longer have a line of sight of people in an office, says Brad Miller, CEO of Awarenesss Technologies, whose InterGuard software is used to monitor employees.

Small and medium-sized banks, he says, have been asking for solutions that monitor productivity. "They are looking for some way to confirm, at a basic level, that people are actually showing up to work even though they are at home," says Miller.

The technology to monitor employees has also evolved in recent years. Kropp at Gartner explains that in the past, large companies — such as major banks — would get an understanding of their employees through a large-scale survey. That started to change between five and seven years ago, he explains, and now other methods are used. This includes monitoring geolocation data from company mobile devices or scanning email communications. In the case of knowing an employee's location, Kropp explains that a bank could know where their staff are, where they are going, who they are meeting, and deduce whether they are meeting customers or competitors. This doesn't have to be sinister: the technology could be useful, for example, in knowing where people are and suggesting an ideal meeting place that is convenient for everyone.

Kropp gives other, more extreme examples, such as a laptop camera taking pictures to detect whether an employee is stressed. Or perhaps the speed at which they type could be measured. "The most extreme thing we heard was a product that was monitoring what employees were streaming when they are working and there was a change in the type of music they are listening to," says Kropp. One company, he says, was trialling this and wondered if an employee, because of a new taste in music, had broken up with her boyfriend — and she had.

> "COMPANIES ACCEPT THAT EMPLOYEES USE WORK DEVICES FOR PERSONAL PURPOSES

Minority report scenario?

Email communications can also be scanned to spot potential problems. Miller at InterGuard explains that user behaviour analytics could be used to scan through emails and look for a change in psycho-linguistics. "If they see you used 'we' and now it is 'I' that could signal a move from being a team player to something has changed in your world view," says Miller.

Kropp gives an anecdotal example of a bank in Asia, which requires its staff to have their salaries paid into the accounts at the same bank, monitoring the employees accounts and mapping their behaviours at work against the assets they have.

This is primarily to detect fraud, but is it all getting a bit too much? Is this sliding into a Minority Report scenario that predicts crimes and apprehends criminals before they have even committed them?

"There is an enormous opportunity to really create ways to understand employees and find better ways to work, improve performance, and better support them," says Kropp.

The question is how to do that in a way that helps the company, and helps the employees, he adds.

Miller at InterGuard gives an example of how some companies are attempting to do this. He explains that companies accept that employees use work devices for personal purposes and they have been asking for a solution that only monitors employees during work hours and gives them privacy after a certain time.

On the privacy issues, Kropp says that even with regulations such as GDPR [General Data Protection Regulation], "you are on the company time, company equipment and network — the data that you generate it all belongs to the company," says Kropp. "It is the company's data. What that company does with it is really up to the company — that is the legal reality," says Kropp.

However, that is different from the ethical or moral reality: "Just because it is legally OK does not mean it is the right thing to do."

When it comes to drawing the line, Hook at Unite comments that banks could do better when it comes to using monitoring technology. "I think they need to be treating people like adults. If you treat them like kids they will act like kids."

Also, he says, it feels like they are trying to catch people out, such as taking two minutes too long to have a toilet break, and not allowing any discretion in when they take it. "If you need a break, you need a break," says Hook. Banks need to get away from their staff feeling they are under total control — "that is not a good position to be in," he says, adding there is a concern about the toll this is taking on employees' mental health.

There is a consensus that working remotely is a trend that is here to stay, and banks will have to offer working at home as an option to their employees.

In this brave new world, however, they need to find the balance in how they use monitoring technology.

The question for this brave new world, says Kropp: "How do we navigate it now that we are here?" ■

RAPID EVOLUTION OF DEEP FAKES POSES BANKING THREAT

Deep fake technology — which creates realistic audio and video footage of a person, even though it's fake — is becoming increasingly sophisticated and criminals are using it to target retail banks. So far, many are not fully aware of the threat it poses. *Jane Cooper* reports

It looked like Obama, it sounded like Obama, but it wasn't actually Obama. It was, in fact, a deep fake — a video that was created by BuzzFeed in April 2018 — that had Barack Obama speaking words he had never said. The words belonged to the actor Jordan Peele, whose mouth had been merged with real footage of Obama, like a video and audio Photoshop job that was powered by artificial intelligence.

In the world of politics, fake news and misinformation, such technology is becoming commonplace. For retail banks, the threat is approaching rapidly.

Avivah Litan, vice president and distinguished analyst at Gartner, predicts that in three years' time deep fake technology will be used in one out of five account takeover attacks. "Right now, it might seem like a far-away problem, but in less than three years it will be right in front of us," she says.

The technology is already sophisticated, and free versions — such as the ReFace app — are easily available. Users can upload their selfie and have their image superimposed into classic movie scenes or music videos. Other positive uses of the technology have also been developed: footballer David Beckham was able to speak nine languages in an April 2019 'Malaria Must Die' campaign video, and other celebrities have been edited into old movies for fun. There are sinister uses, however, such as superimposing famous people into pornographic films.

Account authentication, brand protection

At the moment, deep fakes are a big issue in political disinformation and pornography, says Litan. The largest use of it is in 'revenge porn', where an image of an ex can be merged with the body of a star in the adult movie business and circulated for revenge. For retail banks, the largest threats are in account authentication — either authenticating an individual at the onboarding stage, or in gaining access to an account — and also with brand protection. A bank CEO, for example, could feature in a video saying words they have never said — which if racist, sexist, or offensive in another way — could be catastrophic for the bank's reputation and share price.

Deep fakes are also being used in more sophisticated versions of the classic phishing scam. In one publicised case, an executive at a UK energy company wired over $200,000 to a bank account after being told to do so by the group CEO.

But it wasn't the CEO they were speaking to, and it wasn't a company account — criminals soon dispersed the funds across a network of accounts, with the money disappearing without a trace. Deep fakes in this case used artificial intelligence to learn the sound of the voice, accent, tone and cadence.

With natural language processing and natural language generation, the bot was able to have a real conversation with the executive. On a mass scale, this could be developed so that bots like this call contact centres and access accounts on behalf of retail bank customers — changing their details or wiring money to other accounts.

Potential threat to digital onboarding

Another major risk for retail banking is with money laundering, where deep fakes could be used to open accounts on behalf of unknowing customers. Andrew Bud, founder and CEO of iProov, comments that this is a problem where it is possible to do remote onboarding of customers. In Germany, for example, it is possible to open an account purely online with just a video call to authenticate the customer — the retail bank staff do not need to see the customer in the flesh to check if they are a genuine person. The risk with deep fakes, says Bud, is that they could make video call onboarding "dangerously obsolete".

Fake identities could be used to open bank accounts for fraud or terror financing, says Philipp Pointner, chief product officer at Jumio. In the past, he explains, a government-issued identity document, such as a driver's licence or passport, would have been enough to open an account online.

The ID could be stolen, or an image of a driver's licence could be found on the internet, and that would be enough. If the document was checked against a national database, it would be verified because it was a genuine document — there wouldn't have been a check that the person applying for the account was the same as that on the ID.

Pointner explains that it then became necessary to check the face of the applicant and the face in the photo ID is the same. "Then we found that is not enough — we need to make sure that it is a live person," he says, by asking them via video to move their face to the right and to the left, for example, to see that it is a live, moving person.

However, deep fakes have overcome this security hurdle: the image of the person on the ID could be superimposed onto the body of the criminal, who is following the instructions to prove they are a live person. One way to counter such attacks, Pointner explains, is to ensure that it is not possible to insert videos that haven't been made on the device that is being used for verification. Jumio's authentication solution, for example, caters for this and means it is not possible for another video to be inserted into the stream when a new customer is being onboarded.

iProov proprietary solution

Bud's company iProov has a proprietary solution to counter such deep fake attacks. It assures that there is a genuine presence, which Bud explains is different from liveness. "It is not just is this the right person, but whether they are a real person and they are here right now," he says. The solution uses a proprietary 'flashmark' that is sent from iProov's servers to the user's device, which illuminates their face with a random one-time sequence of colours. This is then analysed in a video of the user's

face, to confirm that the sequence being reflected is the same as the one generated by iProov. The solution is also convenient: the user does not have to do anything aside from letting the colours be reflected on their face.

Such solutions are necessary now that deep fakes are becoming increasingly sophisticated. Jumio's Pointner says: "If you look at the quality of the deep fake, it looks real — to the human eye it is very difficult to see that something has been manipulated." For the banking industry, Litan at Gartner comments: "This is definitely going to be a problem because deep fakes are getting easier to make." And it is possible to order something quite professional — such as a bespoke request of a friend doing something in a particular situation — for a few hundred dollars or less.

Avivah Litan, Gartner

Bud has been on the receiving end of such technology as a prank. At his company's weekly meeting, which is held over video conference, he explains: "Four people turned up as me. It was very spooky. The face was me, but the expressions were them." He adds that this was created with free open source deep fakes, which are available online. "They are primitive but very good," he says. "Deep fakes are getting better and better very quickly."

Deep fakes — a term that merges deep learning with fakes — use artificial intelligence to constantly improve their quality. They use a generative adversarial network (GAN) where a generator and discriminator constantly feed off each other to learn and improve.

The generator creates the deep fake, the discriminator assesses if it is genuine or not. If the discriminator identifies that it is fake, this information feeds back to the generator so it gets better at creating the fake. And vice versa: when the generator gets better at making a fake, the discriminator gets better at identifying it.

This rapidly advancing technology does not bode well for the retail banking industry. Pointner at Jumio comments that the challenger banks are aware of the threats; they have been born digitially and so from the outset have had to face these sorts of issues. Of the big institutions that have been forced to move online quickly by comparison. "This stuff is not on their radar," says Pointner.

Regional variations

"A growing number of banks understand the risk with account opening," says Bud. He adds there are regional differences in the response of banks to deep fakes. He notes that the Netherlands is the most advanced — (the Financial Times reported in September 2020 that a number of Dutch institutions, Rabobank, ING and Knab, are using iProov's solution) — and also South Africa and Singapore are aware of the threat of deep fake technology.

Retail banks are reluctant to talk about their security arrangements and when contacted by Retail Banker International did not want to comment. A spokesperson for Rabobank, for example, responded that it cannot comment on "security and attack issues," but did say, "Rabobank continuously monitors and anticipates various forms of threats; we keep a close eye on developments. And of course, we continuously monitor the security of our systems."

Of the response by retail banks to this threat, Litan says: "I do not think it is a big issue for them yet. It is coming." She adds, "They are aware they need to know about it — in the UK more so than the US," she says, putting this down to more facial recognition technology being used in the UK. At the moment, however, Litan says that "the bad guys do not need to do this yet" as they are able to be effective with even less sophisticated methods. "They can get away with cheap fakes," she jokes. ■

2020 FORECASTS: VIEWS FROM THE TOP

Experts from the retail banking sector look back at the major talking points of 2020, and discuss with *Douglas Blakey* and *Evie Rusman* the prospects and key priorities for the sector in 2021

VIKAS SRIVASTAVA, INTEGRAL

Changing consumer behaviour pushes banks to rethink FX infrastructure

Digital transformation is happening across every sector, and banks in particular are beginning to recognise a digital framework that allows their services to be accessed from anywhere will be key going forward.

For banks of all sizes, implementing a digital-first infrastructure is top of mind as the latest Covid lockdowns underscore a lasting remote environment.

As businesses and individuals continue to adapt to working from home, digital advancements have penetrated areas that previously have remained reluctant to technological change.

As we approach the end of 2020 banks are looking at how the digital push will begin to shape their evolution. Already, in other areas banks have seen individuals seeking out new digital capabilities, such as mobile deposits instead of visiting a branch in-person or sending money abroad to family members via online banking portals.

Modern payment technology

The push for banks to implement modern payment technology infrastructure is upon us. Whether banks opt to build out their own updated technology frameworks, or work with a technology provider to do that work at scale for a lower cost, their customers will increasingly assume that their banking partners are undergoing this alteration to meet their changing needs.

Goldman Sachs has just debuted a new application programming interface (API) that allows users to integrate Goldman's services with their own products, to help facilitate cross-border payments.

The software allows clients' programmers to build on top of the bank's platform, providing that customisable layer that customers are increasingly asking for.

While Goldman, as a banking giant in its own right, is making moves to facilitate better cross-border payment infrastructure for clients, many players will likely turn to trusted providers in order to leverage scalable technology to continue on with digital transformation.

A 2020 Innovation in Retail Banking report found that 73% of banks believe identifying the right partner is a roadblock to achieving their business goals. Likewise, 75% of those surveyed noted that digital banking transformation was their top priority moving into 2021.

For small and mid-sized banks, updating payment infrastructure could be a costly endeavour to undertake during the current volatile market climate. Instead, leveraging a provider helps to minimise cost while still capitalising on the ability to offer clients modern technology solutions that fit their digital needs.

For many banks, legacy payment infrastructure has not been updated as consistently as other areas of the business that often take circumstantial precedence, such as regulatory reporting tech or client onboarding solutions.

However, as more clients demand a digital-first banking partner, the more important it becomes for banks to prioritise their payments infrastructure and partner with the correct providers to make these infrastructure needs a reality.

While many unknowns loom on the horizon, it's clear that digital transformation, and specifically payments technology with flexible FX infrastructure, is a top priority for banks.

In today's world where technology is accessible everywhere we go, it's no wonder that the changing nature of the consumer is shaping how banks and the sell side not only cater to their customers, but also how they organise their back-office infrastructure. ■

KIRILL SOKOLOV, CHIEF ECONOMIST, SOVCOMBANK

We see several major trends in retail banking that accelerated in 2020 due to the Covid-19 pandemic. We expect these trends to dominate the sector in 2021 as well.

Firstly, there is a global tendency of falling rates. The global recession due to the pandemic has caused a sharp decline in key rates to record lows not only in developed but also in developing countries.

Thus, the Bank of Russia has cut its key rate to a historic low of 4.25%. Ultra-soft monetary policy put pressure on the banking sector's interest margins. In addition, the decrease in deposit rates has led to a sharp increase in the interest of individuals in alternative investments (stock market, real estate, gold, cryptocurrencies).

To support earnings, we see banks striving to increase the fee and commission component of income.

Financial organisations are actively developing areas such as card business, brokerage services, delivery services, expanding non-banking areas, building ecosystems, and intensifying competition with technology companies.

Banks are trying to expand the area of customer communication to other non-banking areas of life, relying on their customer base.

In 2020, the digital transformation of banking and the transition to online has become a critical element of survival and maintaining competitiveness.

The Covid-19 pandemic has accelerated this process and required banks, employees and customers to quickly adapt to change. To improve efficiency, financial institutions are actively developing and implementing the use of artificial intelligence and machine learnings. ■

JAMES REDFERN, EMEA AT ZAFIN

As the year comes to a conclusion, one thing is clear: 2020 has been a year like no other. At the time of this writing, the coronavirus pandemic continues to wreak havoc on communities and economies around the world.

While 2020 has been a particularly challenging year for all industries, banks have responded to this global crisis in three clear ways.

First, banks have looked inwards by re-vamping their internal operations and technology to empower employees through remote work. Second, banks kept consumers and communities at the very heart of all their responses, demonstrating considerable agility in how they responded to daily changes that impacted their customers' lives.

Thirdly, banks are accelerating their digital programmes to transform every aspect of their business. In short, banks demonstrated considerable resilience, flexibility and empathy in a time of unprecedented challenges and unknowns.

With this unusual year almost behind us, what can we expect from the banking industry in 2021? At Zafin, we expect to see the following five key trends taking a hold next year.

End-to-End Digitisation

Although every industry was already on some kind of flight path to end-to-end digitisation, the conversation is no longer about the feasibility and advisability of full-scale digitisation. Instead, banks are embracing the digitisation imperative and committing to the type of technological investments that will transform both critical back-office and front-end experiences to streamline consumer journeys.

Cost Optimisation

Banks will likely pay close attention to their bottom line moving into next year, focusing their attention on cost optimisation efforts. Such efforts may include branch rationalisation, improved use of technology for efficiency and simplification, and the increased use of automation tools and intelligence to process and analyse unstructured data types.

Greater Use of AI/ML

As both end-to-end digitisation and cost optimisation efforts take hold, banks will increasingly adopt AI and bots to process and analyse unstructured data types. The increased use of AI and ML will not replace human interaction but enhance interactions so that banks can focus their efforts on delivering meaningful customer experiences and managing risk in a rapidly digitising world.

Banking on the Cloud

Cloud computing is no longer an "if" discussion, but instead a more urgent discussion of "how." Banks will accelerate the migration of core applications to the cloud, beyond the previous focus on moving non-critical applications alone.

Greater Integration with fintechs

There will be a broader acceptance of fintechs into the banking ecosystem as banks will look to leverage the skills and expertise of more agile financial technology solutions to improve their processes, connect with customers, and grow profitability.. ■

JAMES MALINS, AMOBEE

A common New Year's resolution for consumers is to focus on saving money and being more fiscally responsible, however, that momentum slowly dissipates over the course of the year. Over 2020, Covid-19 has actually reversed this trend. We've seen financial customers spending more this year — and with social distancing orders still in place, we expect this trend to continue throughout 2021.

This makes it a prime environment for financial advertisers and brands alike, and as such, we'll see them continue to increase their investments for campaigns post-pandemic, mainly for platforms like Connected TV (CTV) and video to meet financial customers at home. ■

JOSEP ALVAREZ, NTT DATA UK & EVERIS

2021 banking and fintech trends

In 2021, there will be many different factors and trends which will influence the financial sector, but there are two major ones to note: the Covid-19 pandemic, and Brexit.

The Coronavirus pandemic has seen a further push for digitalisation across all financial sectors.

As a result, I expect more pressure in reducing physical branches in 2021, as banks continue to increase their online presence.

Investment and interest will shift towards how banks can enhance their current digital experience with customers, with more focus placed on developing secure mobile apps and chatbots.

A rise in digital payments

With digitalisation in banking on the rise, I expect digital payments will continue to increase in 2021 as well, as the pandemic has accelerated the transition to a cashless economy.

Even before the pandemic, the UK was already well on its way to becoming cashless – with contactless means (e.g. cards, Apple Pay, Samsung Pay and even payment rings) – and Covid-19 has only caused an even bigger drop in cash transactions.

The use of ATMs in the UK has seen a fall of more than 60% since the start of the pandemic, which highlights the speed at which we are moving away from hard fiat currency.

In any case, we shouldn't leave behind all the unbanked people without access to a bank account - 1.3 million UK adults as of 2019.

An increase in digital assets

This push to digitalisation will not only affect how we pay for things, but also how we are represented online and even how assets are transferred.

Many agreements, such as mortgages, building deeds or loans, still require an in-person meeting to sign documents and transfer assets.

This is where the financial sector can look towards the benefits of Digital Assets with blockchain technology – value transfer without an intermediary, with double-spending prevented through distributed consensus.

This technology could allow for the creation of platforms for the transferral of digital assets, automating the clearing and settlement process, which could transform the way we bank and invest in the future.

The adoption of digital identities

As part of the digital transformation of the way we bank, we must also improve our digital identities.

The European Commission recently launched a public consultation on the revision of the rules for electronic identification and trust services for electronic transactions in the internal market - the eIDAS Regulation (transposed in the UK as UK eIDAS Regulations2).

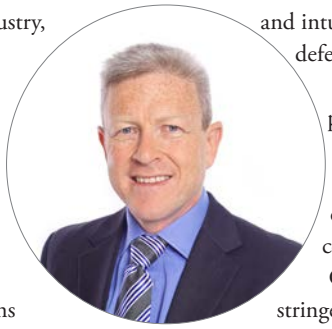
The regulation aims to facilitate access to public services using electronic identification (e.g. for onboarding or e-signatures), with the vision to improve its effectiveness and extend its benefits into the private sector. ■

MATTHIEU LEMERLE, MCKINSEY LONDON

The scale of severity and hardship of the economic impact of this pandemic without the banking industry is unthinkable, but in providing this role to society, the impact on banks themselves has been severe. Answers are available for each of the problems banks will face in the coming 'long winter' of 0% rates continuing to reduce net interest margins, pushing incumbents to rethink their risk-intermediation-based business models; the need to re-build capital buffers and the inflation of risk-weighted assets. We see opportunities on both the numerator and denominator of ROE: banks can use new ideas to improve productivity significantly and can simultaneously improve capital accuracy. ■

MARK GAZIT, THETARAY

I predict that AI will become even more important to the financial industry, especially during the current global health crisis.



The ability of banks to know and identify their customers has become more difficult.

It has become incredibly challenging to create rules and build automation-based systems when customer behaviour has changed so drastically.

Banks now require computers that can take the place of very senior, experienced bankers and investigators.

Criminals are increasingly using AI to commit financial cybercrime, so banks need an advanced level of Artificial Intelligence and intuition to detect and defeat them.

The world of international payments is also changing before our eyes.

Due to the global health crisis, international travel has come to a near-standstill.

Cash is being controlled more stringently all over the world, and some countries have even banned its use.

However, global payments are crucial, and bank customers need new solutions.

The correspondent banking system is historically the most effective method of connecting developing economies to the global financial system, but criminals are increasingly using it to launder funds related to narco-trafficking, terrorist funding and human trafficking.

I predict that 2021 will find banks investing in advanced AI technologies that can detect criminal activity hidden within complex correspondent banking transactions and stop the money laundering crisis for good.

Finally, I believe we will see the government developing stronger controls on money movement to make sure national aid payments get where they are supposed to go and aren't stolen and laundered by criminal organizations or nation-states." ■

LAURA CROZIER, FINANCIAL SERVICES AT SOFTWARE AG

Rebirth of reputations

Unlike with the global financial crisis, banks have been able to step up as "the good guy" this time around. Banks across the globe pulled out the stops to integrate and adapt systems and processes to offer accommodations in loans, assist governments with the distribution of financial relief, and support consumers by upping contactless spending limits and virtual deposits.

In 2021, banks will risk losing that rosy glow as economic circumstances drive them to deal with non-performing loans, mortgage foreclosures, layoffs etc. Beyond their role in society as providers of capital and liquidity, banks will invest to sustain their reputations as trusted and good corporate citizens and use their power to persuade their customers and providers to adopt higher environmental and ethical standards.

This will be in the areas of bank carbon-neutrality, sustainable financing, serving the unbanked, diversity and gender equality (as the number of women running a major global bank will double from one (Jane Fraser at Citi) to two). It's a start.

Coming to age in the way of working

Back in Q1, when bank employees cranked up their laptops on the dining room table, banks that were strategically undertaking business transformation accelerated their efforts, and those that were tactical, or on the fence, now understand with painful clarity that this work must be undertaken strategically. Cracks in process and the resulting risks can be crippling.

Especially from a back-office perspective, it is not sufficient to rely on "organisational memory" and collegial proximity for work to get done right. Advanced banks pushed the boundaries of remote work, and the proof of concept was successful. So they're doubling down on developing digital twins and moving to the cloud. They're adopting the hybrid office/WFM approach to reduce health risks and reduce cost permanently. The watercooler will never be the same.

The death of cash

Ok, maybe the rumours of the death are a bit exaggerated since there will always be the need for cash (and to some extent cheques – the US, for example cannot seem to live without them). But the pandemic has permanently changed the way that consumers and small businesses bank, and the demotion of cash has been accelerated by a decade by the pandemic.

For example, the Norwegian central bank said that cash payments in that country plummeted to just 4% of transactions since March.

Implications? It will be critical to continue to evolve payments to be smart, safe and flexible to compete in new world, in both retail and commercial banking. As well, the permanent change in the mix of channels will see banks' face to customers fade. Branches aren't going to go away entirely – but they will be reserved for high value activities – by appointment only. To compensate, the personal touch has to be delivered digitally and intelligently.

The role of the bank as the "financial wellness partner" will be born. Banks will use customers' data not just to personalise and differentiate experiences, but to make recommendations for products and services from across their ecosystem that serve their customers well. Just as customers own their cash (physical or digital), in the future customers will demand that they own their data and can share it with whom they choose. ■

MARC MURPHY, CEO, FENERGO

The main trend we've seen from financial institutions is the acceleration to digital and cloud. There is a real sense that the industry went to bed in March 2020 and woke up in 2030, realising that digital is the way forward.

The previous inhibitors have been removed and we see a big acceleration in spend to support this area, aggressive timelines set out by FIs to get to the point of full digital solutions. The prevalence of disruptors such as Revolut, Starling, and N26 in the market, and the experience that we each have with services like Amazon and Expedia transforming how we book and order goods, means that FIs have a lot of catch up to deliver a comparable experience. That enhanced customer experience comes through automation, human-less workflows, every participant being a digital actor on any device at any time, and really accelerating the move to true digital enablement.

FIs need to ring fence regulatory compliance and ensure that the bank is safe, while also pushing the acceleration to digital. The aim should be to reduce the cost to serve and enabling greater competition with the new disrupters in the market.

This is achieved through operational efficiencies, using automation to build a leaner operating model and at the same time bringing customer experience to the fore, to align it with the experiences we are familiar with in our day to day lives from other industries. ■

BENOIT GRANGÉ, CHIEF TECHNOLOGY EVANGELIST, ONESPAN

Banks will invest in roles dedicated to enabling data-driven decision making.

We will see a rise in the creation of specific and dedicated roles within banks, such as the chief data officer (CDO), who will be responsible for the execution and delivery of the data-driven strategy within the organisation. Chief Data Officers will play a critical role in the next normal that follows, as there's never been such a vital time for CDOs to provide banks with timely and accurate data. These data leaders will help break down data silos in digital transformation teams to secure buy in from the C-suite and the entire organisation.

The future of the banking sector is in the usage of more AI, machine learning, and biometrics and less passwords

A massive transformation is occurring across digital and mobile channels in how banks engage with their customers and use AI. Banks will combine machine learning with biometrics to provide new experiences, such as facial and fingerprint verification instead of passwords.

One example we're already seeing is banks leveraging machine learning to detect and read physical passports to allow for ID scanning. Customers use their smartphones to scan a government-issued ID and then take a selfie. The banks then leverage biometric facial comparison technologies with liveness detection to verify that ID is authentic and unaltered, confirming the individual's identity.

Digital Identity based on Self-sovereign identity leveraging blockchain will emerge

The development of a decentralised or self-sovereign identity will bring a complete evolution to the digital identity space. We'll see the development of digital ID fully under the control of the user securely stored in mobile devices within digital wallet. The complete ecosystem available for both public and private sector will leverage Distributed ledger technology as source of trust. We will also see the development of a standard protocol for issuing, ordering and verifying digital identities. By combining blockchain technology with standardisation that can be made by regulators, self-sovereign identities will become the future of what today is a physical identity document. ■

SIMON JONES, CLEARBANK

Open Banking: from read-only to read-write

Open Banking adoption accelerated in 2020 driven by Covid-19. In the wake of the pandemic and resulting recession, consumers and businesses consolidated accounts to better understand their finances and more easily compare offerings to get the best deals.

While increased adoption is good, Open Banking still isn't driving the innovation it was built for.

Today 99% of Open Banking messages are driven by AISPs and involve access to a customer account.

Read-only if you will. Just 1% were from PISPs driving transactions from those accounts. Read-write.

In 2020, the Covid-19 pandemic accelerated digital payments online with e-wallets and offline with contactless cards.

In 2021, expect to see Open Banking providers partner with payment gateways to facilitate B2P (business to person) and P2P (person to person) to drive account-based payments outside card scheme networks. 2021 will see Open Banking shift from read-only to read-write as it finally delivers on its promise.

The re-bundling battle of the super apps

2021 will see the fintech sector come full circle. Over the last decade, fintech's early success was taking the discrete services that formed part of incumbents' universal banking offerings and using technology to deliver a better UX at a lower price point.

From loans to payments to savings, fintechs have seen success through specialism.

As we look ahead to the next decade, we'll see these disparate services become re-bundled into 'super apps'. Spurred by Open Banking, which makes it easier to connect different services to a single platform, in 2021 banks and fintechs will vie with each other to attract the very best of fintech to their platforms and re-bundle these services in the battle of the super apps.

Asset management incumbents fight back

This year, Covid-19 drove significant disruption in the asset management industry. On one hand customers pursued emerging asset classes like crypto in the pursuit of returns as interest rates remain low.

And on the other hand, they gravitated towards digital native offerings that offered better functionality and transparency than analogue rivals.

The result has been a frenzy of activity as wealthtech companies drew a staggering $1.5bn billion in funding across 62 deals in Q3 2020.

In 2021, we can expect this trend to continue and intensify as existing asset management and investment platforms reinvent themselves to deliver a much more mobile-centric, real-time investment process that rivals the digital natives.

Fintech comes of age in 2021

Fintech was born from the 2008 financial crisis and has since become an engine room of growth for the UK, creating new business opportunities and transforming the UK's established financial institutions along the way.

The strength of the UK's fintech sector not only attracts investment, creating jobs and wealth, but makes the UK more resilient.

Fintech has grown to serve millions of customers and handle hundreds of millions of transactions. It has become part of the fabric of financial services.

In 2020, that scale coupled with recent scandals and the pandemic revealed gaps in governance and compliance that threaten the sector's reputation.

As fintech comes of age in 2021, the industry and its regulators need to work hand in hand to ensure regulation can move at the speed of technology and fortify not just fintech's future but UK plc's too. ■

SIMON AXON, TERADATA

Continued progression of BigTech into the Financial Services marketplace

Should you bank with Google? It's not that banking is where the money is, but rather where the data is. Big tech has grown significantly by monetising data. Recent activity like Apple's new credit card and Google's current accounts, in addition to partnering with banks both GooglePay and ApplePay are providing a digital layer.

This will continue to be the model short-term to minimise regulatory oversight and doesn't require a banking licence. Banks will need to improve their customer experience to match BigTech and move from being product-focused to being more customer-centric.

Accelerated closure of physical assets (branches, ATMs, offices etc.)

The majority of banks are looking to shed office space and close other physical assets such as ATMs and regional branches. Recent examples of this include the Post Office announcing plans to close a third of their ATMs in the UK and TSB looking to close a third of its branches. This move towards accelerated closure is in an effort to reduce operational costs and further drive digital transformation efforts. This trend further supports the move towards digital banking with customer behaviour changing throughout Covid-19, and demanding a more digital and personalised banking experience. Financial service companies must optimise costs to offset the severe impact of Covid-19 on vulnerable customers and new market entrants.

Greater intervention from regulators (e.g. access to cash, banking services for vulnerable)

With the global financial crisis having an immense impact, we need greater intervention from regulators to enable easier access to capital and to liquidity. Financial services also need to extend their data breadth by implementing new regulations around access to customer data, which are an input into models – for example, if lending to a hotel changes, they need to be able to collect data on how many rooms it has and make smarter and faster business decisions.

Consolidation of banks

As the financial crisis is putting bank's balance sheets under pressure, the stronger banks will look to consolidate at scale and will drive opportunities for improved profitability. Recent examples of this include CaixaBank's merger with Bankia and Intesa Sanpaolo's €5bn bid for Italian rival UBI Banca.

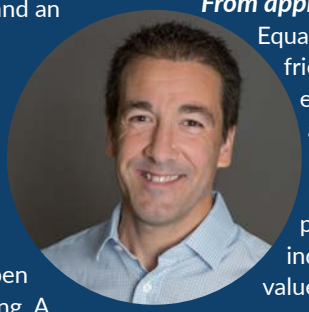
Accelerated move towards Cloud to enable business agility and digital transformation

The Cloud will continue to become a significant technical enabler for businesses, by enabling the development of an orchestrated data platform to automate end-to-end data processes. The implementation of the Cloud accelerates innovation and agility within a banking ecosystem for a better customer experience, and is a key foundation towards digital transformation. ■

SIMON CURETON, FUNDING OPTIONS

2020 has been a seismic year for all businesses, but in particular SMEs who are inherently more vulnerable to swift economic change. The SME lending sector has had to demonstrate incredible agility to respond to this, alongside the Government's intervention with the introduction of the CBIL and BBL schemes.

To a reassuring extent, the industry has stood up to the pressure, with a huge number of loan approvals and an acceleration in the digital agenda. But it has also highlighted the level of fragmentation in the sector - with high street banks, challengers, neo banks, alt-lenders and fintechs all vying for market share.



I think we will see the ecosystem working more closely together in 2021, as digital tools, open banking, open accounting and the prospect of open finance, combine to enable faster and safer lending. A technology first approach will be a big part of this, as SMEs have seen the value from digital business services that have helped them address challenges this year.

As a marketplace, our focus has remained on the box of tools we've developed to assist the entire sector in the distribution of capital. While demand for loans has remained consistently high this year - particularly so from March onwards - it's been both fascinating and daunting to witness the ebb and flow of the supply-side dynamics, as our panel of more than 120 lenders grappled with their respective risk appetites.

Throughout the turmoil our priority has been to advance the technology on which our platform is built and our commitment to open banking and auto-decisioning is evidently the right one. We're not alone by any means, but the shift in sentiment is towards all players now realising they must develop this proposition, and it is clear this is where the ecosystem is going in 2021.

From application to approval in under 3 minutes

Equally, business owners will now demand a frictionless and efficient digital journey. For example, the speed with which we can take a customer from application to approval has reduced dramatically to under three minutes. This is in no small part thanks to the partnerships we have in place and the lending industry as a whole will undoubtedly recognise the value of deeper collaboration in 2021.

UK based SMEs will face a host of challenges next year, whether we have a Brexit deal or not, and providing fast and reliable support will be key to a sector that is crucial for recovery. We expect to see more of the UK's lending ecosystem entrust the process of due diligence to technology through open banking, open accounting and credit referencing. Dispensing with a laborious manual approach is essential to keep vital capital flowing into the businesses that will help our economy build back better.

The scars will heal and SMEs - bolstered by a supportive, agile lending industry that invests in innovation - will drive that recovery. ■

ANDY MIELCZAREK, CEO OF CHETWOOD FINANCIAL

It's a cliché to say that 2020 has been unprecedented. At the start of the year during "Lockdown 1", our focus was very much on looking after our customers and keeping the bank safe. We proactively contacted our loans customers to offer payment holidays and saw a reasonable take up. Happily, the vast majority of those customers have now got back on track.

During the summer, I was a strong proponent of a "V" shaped economic recovery due to encouraging signs around vacancies and payroll numbers stabilising. The latest lockdown will clearly impact business and consumer confidence and put more pressure on those businesses forced to close.

Hopefully, the Chancellor's extension of the Furlough scheme and other support schemes will continue to cushion potential unemployment as we move into 2021.

Running in parallel to this, however, has been the extraordinary levels of savings building across the economy for those fortunate enough to be in work. As a result, we are seeing improving collections performance and even seeing some customers overpaying their loans, which is great.

Looking ahead, the recent news on vaccine performance and the government's plans to rapidly roll this out should build confidence across the economy. This, in turn, should hopefully see a return to a "V-shaped" rapid recovery in the first half of 2021, as consumers and businesses start to put their cash piles to work.

Chetwood Financial launches BetterBorrow

From a business perspective, we've been fortunate that as a digital bank operating on the latest cloud technology, we have been able to continue trading, lending 24/7 throughout the year. We also launched our second lending product, BetterBorrow and have an exciting new product ready to launch in early 2021. And, as a team, we've grown through lockdown, welcoming over 30 new staff and continuing to build innovative products whilst working remotely, which has been an amazing achievement.

Overall, like many I'll be glad to say goodbye to 2020, however I am excited about the UK economic prospects in 2021. ■

LUDRÉ STEVENS, INBOTIQA

How will AI shape Banking Operations in 2021?

The Covid-19 global pandemic created a lot of dislocation in the business world, but it also highlighted opportunities to optimise and increase efficiency.

In addition, it challenged entrenched views, such as that letting workforces work remotely reduces productivity or that certain processes can't be automated.

All of this went out the window when lockdowns were imposed, staff were forced to work remotely, and processes had to be changed. This sudden shift exposed opportunities to eliminate, optimise or automate using AI (artificial intelligence), DPA (digital process automation) and RPA (robotic process automation).

We can expect to hear these buzzwords more in 2021, as the business world really wakes up to their potential.

The power of combining technologies

The widespread adoption of AI with DPA and RPA in concert is long overdue.

AI is fantastic for analysing and learning from complex processes and data, and for identifying opportunities for automation. Using AI in combination with DPA and RPA (i.e. letting bots handle repetitive and mundane actions) can free up expensive knowledge workers for more value-add tasks. Essentially, utilising AI to analyse and identify opportunities for automation.

DPA can be used to orchestrate that work (manage the flow of work across human, robot and system-based tasks) and build a complete application.Use cases are abundant, from loan origination to new account opening processes.

RPA is used for processing rule-based small tasks, in order to reduce repetitive work and its time to completion. It decreases errors and can be used for use cases such as journal entries, submitting expenses or invoice generation.

Citizen developers

Implementing these integrated technologies does not have to require multi-million-dollar projects and armies of software engineers. There is a surge in out-of-the-box automation tools, such as the MS Power Automate platform, that enables 'citizen developers' to automate business processes from the bottom up.

What is a citizen developer? Someone in your team with no development experience but who is able to automate processes, for example invoice handing, utilising such tools. This bottom-up approach, enabling teams to automate repetitive tasks themselves, means you can get a fast ROI.

Existing teams can drive the 3 Es of digital transformation: efficiency, effectiveness and their experience. This allows workflow apps to be built faster and insights gained from your data using AI and ML, in turn allowing more automation and optimisation.

Integration in action

As an example, an integrated AI, RPA and DPA process can be applied to everyday email case management.

An RPA bot fetches an email from an inbox; the AI module parses the content of the email and identifies the actions needed from it, based on having learned from previous data; it is then passed to the DPA process to execute the various actions.

Examples of the process in action range from reading an email containing invoice attachments and requiring journal entries and payment instructions, to reading trade confirmations or account opening application forms.

The pandemic has caused many headaches, but it has also created fertile ground for optimisation through automation.

We can expect to see more management attention on these new technologies and techniques, and it doesn't have to be big tech.

The business world is waking up to the possibilities of the citizen-developer option, with its bottom-up nature and rapid ROI. ■

NICK BOTHA, AUTOREK

As we reflect on 2020, the first word that comes to mind is 'unpredictable'. I am not sure many organisations could have predicted the severity of the 2020 financial crisis. Through furlough schemes, retrenchment, declining bottom lines and remote working to name a few, 2020 has tested all firms' abilities to respond to the difficulties presented and come out the other side as strong as before. I prefer not to dwell too much on what has happened but to shift the focus to what the future could potentially look like.

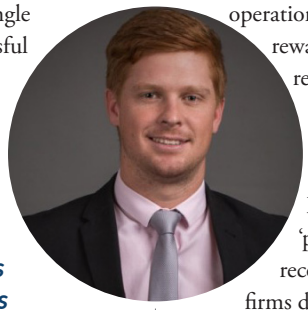
Operational resilience

In trying times, we have seen regulators come together and work incredibly hard with players across the sector to ensure financial services firms are resilient to future disruptions in the market. This crisis is no different. The key buzzword and main theme we can expect in the foreseeable future is 'Operational Resilience'. If you haven't heard this phrase by now you have probably been hiding under a rock!

However, for those that have managed to avoid the noise, the FCA is taking it seriously and have defined operational resilience as 'the ability of firms and FMIs and the financial sector as a whole to prevent, adapt, respond to, recover and learn from operational disruptions.'

When forecasting for 2021 and beyond, operational resilience is going to be key for firms to not only comply with regulatory requirements, but it is also crucial that they consider the correct systems and procedures, technology, people and partnerships to remain flexible and able to adjust in real time to potential challenges that may arise.

I don't believe there is one single correct answer to what a successful firm will look like in years to come and there are a number of different ways to achieve a sense of operational resilience within your firm.



The top five themes across the Banking and Payments sector include:

1. Reviewing legacy systems that can be performed through technology or partnerships with fintechs;
2. Ensuring systems and procedures remain flexible to combat the ongoing changes in regulation and increased uncertainty of expectations;
3. An increase in cloud technology and SaaS models and the associated focus on data protection and cyber security;
4. Learning about how technologies, such as machine learning and artificial intelligence, can be used to reduce costs and increase efficiency, and introducing these technologies within your organisation's ecosystem, and
5. Having a back-up deployment model that allows your workforce to pivot to a remote working scenario quickly and without any bumps.

I believe the foundation for success will be built in the next couple of years and the firms who take the necessary steps to creating operational resilience now, will reap the rewards once the economy has fully recovered thereafter.

How to do this remains the question. However, a good starting point is to use the FCA's definition above to 'prevent, adapt, respond to, recover and learn from' our own firms disruptions as well as those disruptions experienced by other players in the industry and more importantly, to share the steps taken to overcome the challenges faced.

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ADE STURLEY, BANKING SOLUTIONS AT FIS

Open banking is no longer on the horizon – it's very much here. More than two million Brits are using open banking products.

With the audience in place, banks need to shift from simply offering existing products based on top of this architecture to developing more sophisticated ways of enhancing the customer experience and driving loyalty. Financial advice is an excellent example.

Banks need to have multiple customer touchpoints, so customers are shadowed by an invisible army of 'digital advisors' that guide their daily financial decision making. Tools that allow financial institutions to bridge the digital and physical such as AR, VR and mixed reality – along with voice response – will be a core component of these systems.

Next generation cognitive technology

We are currently seeing the next generation of 'cognitive technology' being developed and deployed.

These applications work across a bank's entire technology stack and use multiple services to provide more intuitive experiences to customers.

Machine learning, deep learning, natural language processing and a large number of artificial intelligence disciplines will provide new opportunities to provide value-added services for customers, providing additional support such as optimised custom products.

These products will launch into a more interconnected ecosystem that will magnify their benefits. Almost one year into the pandemic and two into open banking, we have seen innovation come from players both old and new.

With customers evaluating banking relationships and product use as a result of Covid-19, now is the right time to see how to take better advantage of the open banking framework. ■

AMBER MCCULLOUGH, VP AT ENGINE INSIGHTS

The pandemic has brought about a need for digital banking and investment options and now we see a race to build differentiated offers that resonate with a cross section of consumers.

In the future, we expect to see more consolidated, technologically backed finance offers. This could look like the Google offer that combined banking and investment options backed by Google Pay.

Or it could be the likes of robos, like Wealthfront, that started with automated investing and continues to expand its reach in banking and PFM.

Google alone has 60 million plus Google Pay customers, representing a strong prospect base to position new integrated offers. And the value proposition of tech leaders is very simple, make the interface appealing and interactions simple.

In the future, these fully integrated offers will help to serve clients in a more personalised and predictive manner. ■

JON BLAKENEY, GROUP MD I-AM

2020 review and 2021 Predictions

The pandemic has changed the way consumers think, feel and act.
They expect the brands they engage with to support them with these changes.

One example of these behavioural changes is that bank branch usage for services has declined dramatically. Hence, there is now a need to rethink the very purpose of the branch and move towards a more experiential strategy over functional and solely transactional one.

This need is also driven by developments in the broader retail high street, where the role of spaces is bifurcating. Brands now need to either offer convenience or host an experience, and for banking, convenience will increasingly shift online.

Technology, Wellbeing, Accountability and Social Reconnection

These shifts that we see are driven mainly by four macro consumer trends, which are: Technology, Wellbeing, Accountability and Social Reconnection.

These trends are already having a significant impact on the world of finance and will be the drivers of change in 2021 and beyond. As part of these changes, consumers are becoming more self and socially aware, seeking solutions that genuinely benefit their lives and those within the community. All the changes that we see connect back to the four macro trends, mentioned. The pandemic has hastened the demise of cash and accelerated the use and prevalence of contactless; this momentum will continue. It has also been a financial shock for many and recovery will require extended support and flexibility from banks.

Customers will also expect banks to have an active role in societal issues, providing transparent & fair services, enabling financial literacy.

To connect with these customer lifestyles, banks will need to consider cross-sector collaborations and partnerships to expand their offerings and services to encompass various life touchpoints.

We look towards 2021 and beyond we will see significant change within banking and a radical move away from product led relationships to a life-led strategy.

This evolution will only be possible if financial institutions are able to move closer to the centre of each individual's circle of trust. This higher level of trust will allow banks to regain their once central role within communities with a perfect blend of life led thinking. ■

JANE LEE, TRUST AND SAFETY ARCHITECT AT SIFT

Historically, fraud teams have had one responsibility - detect and prevent fraud losses. Unfortunately, far too often, this results in a trade-off between fraud and revenue, in which legitimate users are confronted with unnecessary friction. Understanding this, much of the e-commerce industry has successfully transitioned to adopting a digital trust and safety mindset to balance fraud, revenue, and the user experience, and we expect this trend to continue in the financial services industry in 2021.

One could argue that the financial services sector is a saturated market for good reason; it is incredibly lucrative. This makes it crucial for all verticals, including banking and payment providers, to prioritise facilitating customer experiences that are easy, fast and safe. Failure to do so can result in a customer switching over to a competitor.

Trust and safety teams play one of the most important roles in the user journey and it is vital they facilitate seamless experiences and eliminate friction for legitimate customers, while simultaneously preventing bad actors from committing fraud. This balance not only helps keep customers loyal, but enables trust and safety teams to play a bigger role in driving growth for organisations, while protecting the bottom line from unwanted losses.

The key to enabling trust and safety teams to seamlessly focus on both areas is through the elimination of silos that traditionally exist between product, growth, finance and fraud teams. Removing this divide will enable teams to work together to develop new ways to streamline the customer experience, while effectively mitigating fraud using the latest technologies that rely on machine learning. Machine learning has proven to be an effective solution in the ever-changing fraud space, and can aid in facilitating explosive growth within financial services in 2021, just as it has done in ecommerce. ■

ANDREW FITZGERALD, COHESITY

Financial services companies must get data management right, or risk a data breach

Financial organisations look after a large volume of sensitive information about their customers and the protection of sensitive data in line with regulations, both for banks and other financial services organisations, is currently a big challenge.

For these businesses, data backups and the ability to recover from them aren't just about getting the company up and running after a hardware failure. They are also about much more. Financial institutions are, quite rightly, subject to a huge array of regulations from those of a general nature such as General Data Protection Regulation (GDPR) to a myriad of others specific to different aspects and services, such as MIFID II. By their very nature, financial services companies need to be up and running continuously. Any unplanned breaks in service, for whatever reason, from a ransomware attack to an accident, to a systems failure, or even, potentially, state-sponsored attacks, simply must be avoided. Financial services companies just can't afford the monetary losses or the reputational damage that would result from downtime of services that allow customers to access their money.

Compliance matters for backups too

When it comes to compliance, there are requirements for backups as well as for live production systems. Consider the GDPR, for example. It requires that organisations must not keep personal data for longer than it is needed, and data must be regularly reviewed to be sure it is still needed. Individuals also have a right to ask for their personal data to be removed too. How this is done varies from application to application, but ensuring you don't re-populate an application with data that is no longer required from a backup is a necessity. There is also a requirement under GDPR to respond to individuals' requests within a month of them being made. That is a fair period of time, but issues such as ransomware attacks can leave an organisation without access to its complete data for considerable periods, and as we have seen recently, backups are not immune from attack, in fact they are now a focus for certain attack types, especially those stored on a network attached storage device.

The basics of backup and restore

In this context, the National Cyber Security Centre advises organisations to maintain recent offline backups of all their most important files and data. Still, the evidence suggests that not all organisations have the kind of backup systems in place that will allow data recovery. Sophos surveyed 5,000 IT managers in 26 countries for its The State of Ransomware 2020 report. It found that just 56% of organisations undergoing a ransomware attack got their data back via backups (26% paid the ransom, 12% used 'other means', and 6% didn't get their data back at all).The implication in all of this is that the backup is the tool of last resort. But even in that role, it isn't necessarily fulfilling its purpose. You could infer from this research that most enterprise backups are only able to do the job just over half of the time. But it doesn't have to be like this, and for financial services companies that really can't afford downtime whatever its cause, there is a strong argument that backups need to assume a much wider role.

Reimagining backups

It is perfectly possible for a backup system to analyse the production environment versus the data it holds in order to detect if any major changes have been made that could in turn signify an attack being made. A modern system can also scan VMs for open vulnerabilities even if there is no attack, to ensure threat prevention can take place.

As mentioned, to ensure a payout, cyber criminals are not just attacking the production environment now, but increasingly targeting backup data and infrastructure. This effectively hobbles the "insurance policy" organisations depend upon when disaster strikes.

The attackers are often exploiting weaknesses associated with legacy backup solutions architected before the advent of the ransomware industry. Before encrypting the production environment, sophisticated malware is known to destroy shadow copies and restore-point data.

Due to its underlying architecture these malware make legacy backup infrastructure easy prey rather than a solid defence against ransomware attacks. It might seem a little strange to suggest that financial services companies reinvent their approach to data management by paying closer attention to their backups. But it is time to realise that data backups are much more than the 'necessary evil' that you create as an insurance policy and file away, never to revisit. Especially, if these backups sit on legacy infrastructure, architected many years previous. Since the financial crisis, there has been a wave of regulation with a significant part of it aimed at ensuring banks have sufficient capital and liquidity.

Now, in 2020, backups are both a living insurance policy against the times when the worst happens (and in some shape or form it inevitably will), and a part of your data management system that is as relevant to regulatory compliance requirements as your live systems are.

These improvements to modern data management will bring financial services companies and banking systems through the Covid-19-related economic crisis in reasonable shape, and afford themselves a head start for future data-driven innovation. Let's hope it doesn't take a specific problem before the community realises this and gets its act together. ■

MARIE-CLAUDE NADEAU, MCKINSEY PARTNER

Banks will need to act quickly to return to pre-crisis ROE levels, in a far more challenging environment than the decade just past.

The period of 0% interest rates is being prolonged by the economic crisis and will reduce net interest margins, pushing incumbents to rethink their risk-intermediation-based business models. The trade-off between rebuilding capital and paying dividends will be stark, and deteriorating ratings of borrowers will lead to inflation of risk-weighted assets, which will tighten the squeeze. ■

RYAN GOSLING, COMMERCIAL DIRECTOR, CALLSIGN

Mobile behavioural biometrics

Due to masks covering the face, it causes challenges for individuals to authenticate and identity themselves using facial biometrics - when using your smartphone's facial ID for instance to log into apps and authenticate payments. Whilst some retailers and airports have implemented new innovations to authenticate customers with masks on, the current workaround means that in most instances people have to remove their masks in public to use facial biometrics or move to a more complex/less user-friendly way to authenticate themselves.

This is where mobile behavioural biometrics comes in - it uses gestures to positively identify a user – such as a swipe across the screen or entering in a One Time Passcode (OTP) – and it can be as passive or interactive as required (passively checking MI/password/swipe/pin entry). The user's behaviour creates a unique profile and can be used to positively identify them in future.

This is an ideal workaround or replacement for facial biometrics as behavioural biometrics only requires the user to have their hand available to swipe across their mobile screen or enter an OTP to authenticate themselves. Using this method, individuals can completely remove the dependency on facial biometrics – in effect reducing the need to remove the face mask in public and avoid the associated risks of Covid-19.

Building the behavioural profile

As an example, by building the behavioural profile when logging into a banking app, the biometric authentication profile can then be used in other user journeys and channels – this could include making a payment in store and authenticating a card payment online. Removing the need to take your protective Covid-19 mask off in public whilst still providing a secure and user-friendly authentication. This technology can expand to retailers for things like Click & Collect using mobile behavioural biometrics to authenticate yourself at the point of collection.

Whilst wearing masks protects us from Covid-19, the continued use of facial recognition can have a counter effect by exposing the individual in public and can cause challenges protecting our identity or security.

For businesses, it could mean a drop in customers due to the cumbersome user experience. ■

KONSTANTIN SIDOROV, LONDON TECHNOLOGY CLUB

Over the past year, we have seen an explosion in the use of digital banking services. This hardly comes as a surprise, as businesses and consumers avoid the use of cash and local branches in a bid to avoid the virus. The pandemic has also significantly accelerated the adoption of digital services amongst the older population. And amongst younger generations, consumers are increasingly adjusting to alternative forms of finance online including lending, payments and wealth management.

From an investor perspective, despite the dampened economic conditions, deal sizes have continued to grow as late-stage fintech's have seen bigger and bolder deals this year.

Particularly in London, where we have seen fintechs net a total of $3.6bn in VC investment in 2020.

Going into 2021, we will see more consolidation as big banks and institutions continue to make fintech acquisitions.

The UK is at the forefront of innovation with challenger banks and fintechs such as Revolut, Monzo, Paysend and Rezolve leading the charge.

As they start to gather more customer data, they can continue to provide unique services which are disrupting the traditional financial institutions.

Going into 2021, we are likely to see a continuation of pressure from regulators on fintech start-ups.

The failure of Telegram in the US and the recent delay of the Ant IPO in China, highlight the issues that such firms are confronted with.

Finance-as-a-service

Worldwide, we are also witnessing the emergence of "finance-as-a-service" whereby non-banks step up by providing financial services by adding fintech modules into their offerings.

With our smart phones, we can see financial services outside of the traditional banking apps, whether that's in transport, food-ordering or online shopping applications.

Big tech represents a huge threat to the incumbent banks as they continue to expand their offering into payments, savings and investment services to customers, staff and supply ecosystems.

Leveraging the deep insights provided by their huge pools of customer data, firms like Alibaba (Alipay), Apple (Apple Pay) and Google (Google Pay) are able to offer hyper-personalised financial and lifestyle services. ■

ANNE BODEN, CEO AND FOUNDER OF STARLING BANK

2020 has been a transformational year for Starling, and we're still on track to become the first digital challenger bank to break even before the end of the year.

We have ridden the wave of the pandemic by being flexible and listening harder than ever before to the needs of our customers.

Taking these two learnings into 2021 will mean that we keep up the pace, keep listening and keep evolving. ■

MARK SHILLING AND ZACHARY ARON, DELOITTE'S US BANKING & CAPITAL MARKETS PAYMENTS LEADERS

Banks will need to enhance resilience across capital, technology and talent. According to Deloitte's 2021 Banking and Capital Markets Outlook, the banking industry will confront a range of challenges in 2021, many ongoing, but also some new obstacles. Uncertainty about the effects of the pandemic will likely remain for the foreseeable future. But this should not prevent bank leaders from reimagining the future and making bold bets. They should institutionalise the lessons from the pandemic and build a new playbook by strengthening resilience now and accelerating the transformation in the post-pandemic world.

Bank leaders will likely need to make some hard decisions when it comes to talent

35% of the senior executives we have surveyed – and 46% of North American financial institutions – indicate that their firms are planning to conduct layoffs and rationalise compensation as one way to cut costs over the next 6 to 12 months. Among other actions, 33% plan to rationalise their real estate footprint, while 42% plan to implement technology that "enhances efficiency.

More than half (56%) indicate that their spending on cloud will increase over the next year. Until now, cloud migration efforts were predominantly focused on cost reduction, modernising the technology stack, and more recently, virtualising the workforce. But the real promise of cloud may lie in enabling banks to reimagine business models, foster agility, achieve scale, drive innovation, and transform customer experience. ■

ARTEM SHAGINYAN – FOUNDER / CEO – LUNU

According to the Cambridge Centre for Alternative Finance, in 2020, the number of crypto users worldwide reached an astonishing 101 million users, against only 35 million in 2018. As well as impressive growth, consumers and crypto holders began to view them as a currency that can be spent, as opposed to an investment. This has largely been driven by two factors.

First, the rise in stablecoins that can alleviate concerns around volatility that have historically prevented cryptos from being used in everyday transactions.

Second, some early adopters within the retail space took the first step and started accepting cryptocurrencies for payment, alongside means like VISA and Mastercard. One of them is, Courbet, a high-end jewellery store and TBA21, a non-profit organisation that raises awareness around ocean protection started accepting cryptocurrencies as a means of payment or donation. This is a significant development, as cryptocurrencies can't be spent if retailers don't accept them!

Central bank interest on the rise

In 2021 this trend will not just continue, it's also likely to accelerate as retailers not only adapt to new consumer behaviour and preferences but also seek to reach out to ever more consumers. We'll also see central banks increasingly regard blockchain-backed currencies as beneficial to the retail industry as a whole.

China's central bank's digital currency has already been used in no less than 4 million transactions for a total value of CNY2bn, or $300m. Other central banks, like the European Central Bank are opening public consultations on the topic. Accepting digital and crypto payments will enable retailers to widen their customer base and, through digital channels or brick and mortar, reach out to virtually more than 100 million new wealthy consumers all over the world. ■

MICHAEL MAGRATH, ONESPAN

Digital identities and remote account openings will gain traction worldwide

Regulators in Hong Kong, Pakistan, Greece, Macedonia, Mexico and Turkey approved remote bank account openings in 2020 – a clear indicator that even processes rooted in traditional face-to-face meetings in the branch are now going digital and touchless around the globe.

Open Banking will grow rapidly throughout the world

As third-party providers (TPPs) are allowed to use banking information to help consumers save money, borrow more easily and pay efficiently, banks will increasingly work with TPPs. In the US, the Consumer Financial Protection Board (CFPB) issued an Advanced Notice of Proposed Rulemaking on consumer authorised access to financial data, which could be the catalyst for Open Banking in America.

Facial recognition will drive the greatest changes to banking regulation

As banks increasingly use facial recognition technology for Identity Verification requirements, they are housing large amounts of consumer biometric data.

Standards organisations such as the National Institute of Standards and Technology (NIST) and Fast IDentity Online (FIDO) Alliance and are developing frameworks that could be adopted at the national level and would stipulate how banks protect and store their customers' biometric data.

Regulation is on the way for cryptocurrencies

As digital banking platforms have experienced massive growth, many governments and industry bodies worldwide have begun to look to Central Bank Digital Currencies (CBDCs) and cryptocurrencies in terms of what they might add to the financial sector.

This has resulted in new and refreshed conversations around the possible uses of CBDCs and cryptocurrencies. ■

WILLIAM DAVIES, COLUMBIA THREADNEEDLE INVESTMENTS

Knowns and unknowns after a tumultuous year

I see three themes dominating the investment landscape in 2021: the development of a Covid-19 vaccine; the political make-up of the US following the November election and Brexit.

Following unprecedented levels of stimulus and government intervention the level of debt is going to be even greater than it was after 2009 and we will emerge into a world of low inflation, low growth and low interest rates – such a backdrop is not one where traditional value investing is likely to outperform over the longer term.

Instead, this environment will favour the type of investments that Columbia Threadneedle Investments makes: long-duration assets and durable growth companies that keep grinding higher because they have all the characteristics we look for in a business.

These include: sustainable returns driven by a sizeable moat, a high Porter's Five Forces score, strong environmental, social and governance credentials and sustainable competitive advantage.

Looking at specific equity markets, it is a question of short term versus long term. The UK is clearly cheaper than other markets around the world and may benefit if we see the recovery that we expect to see over the next 9-12 months; and Europe is in a similar position, as indeed is Japan.

Potential in the US, Asia/emerging markets

Longer term, we can see further potential in the US and Asia/emerging markets. We like an element of risk within credit, but we believe investment grade is ultimately a better home for it than high yield, where we see a greater risk from higher financial leverage, which is particularly dangerous if coupled with high operational leverage.

Joe Biden's victory in November looks to have delivered a divided US government, though there is still a run-off election in Georgia that could yet see the Democrats with marginal control of the Senate as well as the House of Representatives. The implications of this are threefold. Firstly, Biden appears to be a more stable, consistent leader and we anticipate he will more likely heal domestic divisions as well as repair international relationships.

He has talked about re-joining the Paris climate accord, for example, and this will have a positive impact on slowing climate change and aligning the US with other nations. We also expect him to continue taking a tough line on China, but with a different style to the rhetoric and a more consistent approach.

Biden will no doubt have a more constructive relationship with Europe too, and Germany and France in particular, which has deteriorated in the past four years. We also expect a continuation of the status quo (certainly with regard to tax), which is one of the reasons the market reacted so positively to recent vaccine news: as well as the positive implications this brings, investors were also parsing the fact that Biden will be unlikely to increase tax to the extent he had noted while campaigning due to the likely make-up of the legislature.

This reversed investor fears that companies might have to take a 5%-10% haircut to earnings if the tax rate were to rise. On the flipside, with a split Congress Biden's plans to inject stimulus in the form of a huge infrastructure bill also appears to be off the table, despite the fact both sides have indicated support for it in the past.

We thus find ourselves in something of a middle ground, which is a reasonably healthy position for equity and credit markets, and certainly one that benefits the likes of US utilities, consumer staples, real estate and tech, but which may have negative implications for financials, energy and health care. Financials and energy are likely beneficiaries from the recovery/vaccine, but not as much as if stimulus were greater.

Brexit: negotiations reach a climax

This is a more localised issue, but could have far broader implications, incorporating any trade relationship between the UK and the US, and with Europe. With the Brexit deadline of 31 December 2020 looming, we ought to know soon whether both sides have finally come to an agreement, failed or procrastinated sufficiently to the point where they allow each other to break the rules and extend negotiations.

The most likely outcome is that they will come to some sort of agreement – even if elements of that agreement include decisions still to be agreed. This leads me to the UK equity market, for which 2021 is hugely important. The UK has endured an extremely challenging period, buffeted by ongoing Brexit uncertainty, political upheaval and the pandemic. Companies in the UK appear cheap, which is evident in the rising number of takeovers and mergers and acquisitions. With that in mind, I believe any positive news – be that vaccine-related, Brexit or otherwise – could open the door for a stronger performance from UK equities in 2021.

Markets opportunities: quality set to endure

At the end of the global financial crisis in 2009 we saw a sugar rush within markets, specifically for a couple of quarters from March that year where economy-sensitive stocks performed very well. This is being mimicked somewhat today but, following unprecedented levels of stimulus and government intervention, the level of debt is going to be even greater than it was after 2009, so that rush of recovery is unlikely to persist. We will thus emerge into a world of low inflation, low growth and low interest rates – a repeat of the 2010s in some way. ■

OLIVER HUGHES, CEO OF TINKOFF BANK

As we look back on 2020 - a challenging and turbulent year - I'm proud of the resilience Tinkoff has shown and what we have been able to accomplish as a team. Business continued uninterrupted as we served customers' financial and lifestyleneeds through our Superapp, rolling out new services and features and onboarding millions of new customers.

Tinkoff welcomed its 12 millionth customer in the 3Q, putting us well on track to reach 20 million customers by 2023. Despite the uncertainty, we were able to meet our pre-pandemic profit targets for the year. Tinkoff remains one of the world's most profitable banks and takes pride in its commitment to innovation.

We see 2021 as a year of big opportunities. UX and customer focus will remain key to the success of any business. The digitisation of all aspects of life has accelerated, which means wider adoption of digital banking and other lifestyle services delivered via online channels.

Tinkoff is well placed to ride this wave of change and speed up growth. ■

GUY METTRICK, APPIAN

2021: Fintech Automation Gets Smarter as AI Goes Mainstream

2021 is set to be a big year for artificial intelligence (AI) in the fintech industry. Like the rest of the business world, Covid-19 has put strain on banks and financial services (FS) firms – both on back office operations with staff working remotely, and on the front-end as customer expectations shift.

In addition, firms are grappling with legislative changes, regulatory requirements, and macroeconomic uncertainty.

Now, more than ever, the benefits of AI and robotic process automation (RPA) are coming to fruition. Automation technology has freed up IT teams from mundane, time-consuming tasks, leaving them able to deliver mission-critical programmes, modernise technology infrastructure and build new applications in response to the changing situation.

For an industry traditionally slow to digitise, the financial services industry has undergone nothing short of a revolution to rise to the challenge and remain competitive in an increasingly digital world. That 'revolution' was, in part, sparked by the usual forces: a drive to grow revenue by offering a better customer experience while managing rising costs in a market rocked by challenger brands.

Operational resilience is king

2020 saw a rising focus on operational resilience, with goals of reducing inefficiencies and increasing the speed of processing requests no longer a matter of 'thriving', but just 'surviving'. Eliminating manual processes is a start but organisations need to go beyond that. The need to quickly change the way they do work in response to changing market, business and regulatory needs in ways that were not possible previously. Many FS firms turned to low-code software to accelerate their delivery of emerging technologies like AI for intelligent document processing (IDP) and RPA for fast, error-free data updates to non-API legacy systems.

This is all about moving faster and staying ahead of the competition. It is inevitable that AI will dominate even further in the new year, as the lessons learnt in 2020 become 2021's actions.

Fraud detection becomes AI-powered

Mainstream AI services, including natural language processing (NLP) and image recognition, will become even cheaper and more readily available in 2021 to meet growing customer expectations. Big tech providers will expand their AI offerings, embedding the technology in almost every software application and mobile device.

Most importantly, low-code development will continue stripping the complexity out of operationalising AI, making its business value more easily available. This will create space for midsize FS firms to build AI applications for more specific use cases, such as more sophisticated fraud detection by flagging nuances in patterns of behaviour.

Intelligent document processing (IDP) grows

The FS industry is one of the most data-intensive sectors in the global economy, with enormous amounts of customer content to process, analyse and contextualise for document-based transactions. In 2021, IDP is only set to grow, with more reliance on AI for handling complex customer documents, transactions and interactions.

That includes due diligence when onboarding new customers, running credit analysis reports, processing lending applications, and deciphering tax forms. In commercial banking, the paradigm for how firms use AI will shift to how content recognition can accelerate processing times for invoices, credit applications, and more.

Low-code takes the spotlight

Analyst firm Gartner suggests that "by 2023, over 50% of large enterprises will have adopted low-code as a strategic tool for app development." Low-code, as a method for building critical applications at speed and with minimal complexity, is finally hitting the mainstream.

Unsurprisingly, low-code shone during the pandemic when the ability to change quickly was crucial to the survival of all firms. Digital transformation timelines have been accelerated, whilst low-code has proven itself the ideal platform for delivering on automation goals, often in weeks rather than months or years.

In 2021, low-code will go from strength to strength, particularly in highly regulated firms where process speed and oversight are key. At Appian, we have been working with customers in the FS space to support regulatory changes or streamline complex reporting requirements.

There is a growing shortage of specialist developers, and IT departments are under pressure to deliver more with less in an uncertain climate. Low-code brings IT and business decision makers together, making the development and deployment process far more collaborative.

It also ensures IT teams have much-needed flexibility to add new features, functions, and modules which allow for rapid development and iterative changes that are needed to remain compliant.

2020 was the year that firms used low-code to drive transformation, fast. In 2021, and as firms look to automate processes across the enterprise, AI at the speed of low-code will be the mechanism to embed that transformation sustainably for the future. ■

CLAYTON WEIR, CHIEF STRATEGY OFFICER, FISPAN

Treasury management processes have become and will become increasingly digitised, as organisations move away from manual and paper-based processes and employees are increasingly working remotely.

Open banking represents a large opportunity for innovation- a few strong ideas will find success and gain traction in the market, consumers will start adopting the technology and open banking will take off, and there will be a proliferation of new financial services start-ups and products.

People are consuming new experiences and doing so more efficiently. Applying these new technologies can enhance all banks' capabilities and deliver on the expectations of these increasingly tech-savvy consumers.

Open banking would unlock important contextual data for small businesses and let them share it with other potential lenders. Now is the time for innovators and corporate leaders to ensure new initiatives and platformslike open banking, are supported and positioned to thrive. ■

TEODOR BLIDARUS, FINTECH OS

The next era of personalisation

It's no secret that the big tech companies—especially the 'GAFA' of Google, Amazon, Facebook and Apple—are using data to personalise and target offers to customers, and getting better returns as a result.
And their approach has spurred a wide-reaching rush to personalisation in a variety of sectors – banking included.

Your bank actually knows you as well as, if not better, than any big tech firm. Banks occupy a privileged and trusted position. Social media companies may have insight into what is attracting our attention, but banks can see what people are willing to pay for.

Yet banks haven't fully embraced personalisation. They have set up their customer base in microsegments and tailored offers to them – but this is just another layer of how a bank would normally sell to the consumer.

We've also seen plenty of customisation dressed up as personalisation. Customised payment plans, customised savings pots and even customised steel plated cards. But personalisation needs to be much more than this.

Not just a special offer but a tailored service, information, and advice, eliminating the outdated customer service and communication of the past, and replacing it with a personalised one to meet consumer needs.

Many banks have a general understanding of their customers and/or customer segments. But few have a deep understanding at the individual customer level.

In 2021, this will change for three reasons:

- Real-Time Payments – ISO20022 messages carry rich data to inform personalisation efforts. Real-time payment infrastructure will be near ubiquitous in 2021;
- Open Banking – With Open Banking institutions cannot just gain insights from their customers' accounts, but critically the other accounts they hold, and
- Digital-First Banks: digital-first incumbents and challengers are harnessing the cloud, big data and machine learning – along with organisational and cultural changes requires - to deliver personalisation at scale.

As competition for customers further intensifies, the banks that bridge the gap from customisation to personalisation will be positioned for success in 2021.

CX will no longer be a buzzword - banks will have to live by it.

We've heard the same challenge to banks for years. Banks need to move away from a transaction-based view of their customers oriented around products and services and towards a data-led view of their customers that is oriented by customer journeys.
Aside from front end digitisation of existing products and processes, little in reality has changed.

But in 2021 it will change because banks will start to lose customers by the droves due to CX. In Q3 2021, Starling and Monzo had the record net gains from customer account switching, with incumbents Halifax and Santander seeing the biggest churn.
The reason for switching? Improved online banking facilities (47%), preferable mobile banking systems (39%) and better customer service (37%). These are all CX reasons, nothing to do with products or financial terms. Rather than reacting to the journeys that consumers themselves devise, financial institutions need to shape their paths.

This is especially true in a world of unbundled services where consumers and businesses are stitching together disparate tools themselves.

In 2021 we can expect challenger banks to make even bigger net gains as the customer experience trumps everything.

Digital transformation journeys reach a cross-road

To better compete and improve operational efficiencies, financial institutions large and small have embarked on digital transformation journeys.

However, for many the journey has no clear end-goal and with limited returns to date, transformation has stagnated. Of the $1.3trn spent by institutions on digital transformation alone in 2018. IDC estimates that $900bn of the $1.3trn went to waste. You also have the 'Fintech Petting Zoos' where institutions have bought technology or partnered with fintechs only to realise they don't work with their existing infrastructure.

These failings are because institutions are not automating end-to-end business processes or establish the organisational capabilities and talent to sustain continuous development beyond initial Proof of Concepts.

The problem is that digitisation isn't a journey with a beginning, middle and an end. True digitisation requires constant change. In 2021, we will start to see major institutions break away from heavy handed, monolith digital transformation projects.

And we'll see them step towards continuous innovation by creating 100% digital native projects that start small, but think big and can scale fast. ■

RAJASHEKARA V. MAIYA, INFOSYS FINACLE

Make or break: why the financial services industry must adapt fast to thrive in 2021

As nations around the world race to create and distribute vaccines for Covid-19, the end of the crisis is slowly coming into view. Despite the positive developments of Q4 2020, the pandemic continues to cause untold disruption across practically every sector. For leadership teams in the financial services space, the immediate question is: how can the industry survive and thrive in 2021?

Liquidity and solvency: a ticking timebomb

Undoubtedly, the intersection of liquidity and solvency pressures will be one of the first risk areas to address.

In the wake of the 2008 financial crisis, global regulators implemented rigorous reforms and solvency capital controls designed to maintain a minimum safe level of liquidity in the market.

However, these measures could not have foreseen the unprecedented impact of national lockdowns on business and consumer spending.

Small and medium-sized enterprises (SMEs) with limited cash reserves are now at high risk of defaulting on their obligations to banks. Given that SMEs contribute more than 50% of GDP in most OECD countries, the precipitous drop in cash flow in a crucial—and vulnerable—segment creates major liquidity and solvency risks for the entire financial services industry. To prevent today's threats from developing into tomorrow's recessions, many banks will aim to inject cash into the SME market by sharply increasing their lending in 2021.

Digital experiences are crucial

The local and national lockdowns that swept around the world in H1 2020 will also have a lasting impact on customer engagement. If you consider that as many as half of all US bank branches that closed due to Covid-19 may never reopen, it's clear why investment in digital transformation will become an industry imperative in 2021. For some established banks, digital transformation is still a work in progress, with investment in new online and mobile channels lagging behind nimble fintech entrants.
When social distancing requirements forced banks to shut their brick-and-mortar branches, the gap between laggards and future-facing organisations became immediately clear.

Banks that had already made significant investments in digital services could respond rapidly to the demands of online-only customer services. Behind the scenes, leading banks will continue to build on these early successes, and embrace technologies such as AI and robotic process automation (RPA) to automate and streamline their manual workflows. These new ways of working will accelerate service delivery and improve cost-efficiency. For customers, digitisation will enable fast and frictionless journeys—lifting satisfaction and nurturing long-term loyalty.

Embracing cloud is a must

Achieving these goals will be complex enough without the additional burden of deploying, managing and maintaining the underlying IT infrastructure.

In 2021, we see that increasing numbers of financial services organisations will embrace the benefits of hybrid cloud architectures.

By building the optimal configuration of private, public and on-premises platforms, banks will gain the benefits of enhanced information security, reduced operational costs and ready access to top technology talent. Crucially, shifting to a hybrid model will empower the business to focus on core competencies—a key enabler of transformation success.

Building next-generation architectures

Naturally, this kind of far-reaching change doesn't happen overnight. To mitigate risk and minimise impact on business-as-usual throughout the transformation process, we predict that financial services leaders will harness composable, API-driven architectures. By deploying new capabilities in a modular way, businesses can avoid the cost, complexity and risk of ripping and replacing their heritage systems, while simultaneously creating a catalogue of reusable services that can be leveraged by teams elsewhere in the organisation.

Looking to 2021 and beyond, the transition to an API- and cloud-first approach will ultimately enable banks to productise and monetise their data and services.

By creating platform offerings that open these services to authorised external stakeholders, banks will be in a stronger position to avoid fintech disruption.

Moreover, the commercial potential is immense: of the top-ten unicorn companies in the US, eight are platform companies. Capitalising on all these opportunities will hinge on a mature and well-orchestrated digital strategy—and we see that digital transformation will be the overarching theme for the financial services industry throughout the coming year. ■

MATT WITHEY, META PAYMENTS AT METABANK

The newest fintech innovation will be a refresh of a payments mainstay

We predict fintechs will continue to seize onto embedding debit accounts into their ecosystem as a "new" must-have, and a way to deepen customer relationships. Debit is already the most popular payment type, accounting for 55% of all card payments in 2018, and we predict fintechs will continue to leverage it to drive customer stickiness. Some companies that offer fee-free investing platforms or early access to earned wages are already doing this — they win customers with their original value proposition, and add in a debit product that can keep a customer's money more engaged with the platform on a daily basis. Debit is also being leveraged as a payment solution by some companies to get gig workers, freelancers and sales agents their payments quickly. In 2021, we forecast fintechs continue to embed debit card accounts within their ecosystems in more unique experiences to respond to consumer demand in new ways. ■

SAFI RAZA, FUSION RISK MANAGEMENT

Cybersecurity in financial services - what to expect in 2021?

Covid-19 brought sweeping changes to the way the financial organisations operate, communicate, and do business, and cyber criminals were prepared and waiting to seize any possible opportunity to exploit security weaknesses for monetary and disruptive gains. Today's cybercriminal is constantly evolving to take advantage of online behaviour and trends – the Covid-19 pandemic is no exception to this.

So, what will entice cyber criminals in 2021? How can financial organisations ensure they have the appropriate cyber security strategy in place to mitigate ever changing and evolving cyber threats?

The rising risk of remote working

Today the majority of financial organisations have a remote workforce, and some employees rely on personal devices to conduct work – but this method of working is not secure. Why?

Remote employees are sharing their home network with smart TVs, phones, tablets, and various IoT devices that are not adequately secured.

The exchange of highly sensitive, confidential, financial information that once occurred behind fortified infrastructures is now conducted from home networks.

To address this issue, CTOs and their teams are exploring avenues to help mitigate the cyber risk. In 2021, financial organisations will need to spend more time and money on endpoint security and end-user training.

AI is the future of cybersecurity

The massive and sudden increase in the number of people working from home has furthermore validated the role of artificial intelligence (AI) in the future of cybersecurity. Unlike traditional security solutions, AI does not depend on known signatures. Instead, it relies on user and attack behaviour analytics and network traffic analytics, quickly neutralising a threat before it becomes a crisis.

The implementation of AI and machine learning helps us identify attacks by being able to analyse and predict attacks in real-time. In 2021, we will see much more of this as financial organisations invest in avoiding cyber-attacks before they become a threat.

Ransomware becomes a greater threat

Cybercriminals follow the money, so ransomware cases will continue to rise. After all, criminals will use a tool for as long as it is effective. Freezing digital systems threatens the relationship between a firm and its customer, creating an urgency to pay up and recover. For as long as it is monetarily viable, ransomware will continue to be a top threat to the financial services industry for many years to come.

Social engineering - the dangers of deep fakes

Human beings are the weakest link in the cybersecurity chain. As more defensive technologies integrate with artificial intelligence, it is becoming increasingly difficult for bad actors to compromise network boundaries. Because of this, there is an increase in reliance on social engineering. Deep fakes are a newer social engineering tool in a hacker's arsenal.

'Deep fake', which is a term for audio or video recordings that combine existing information and develop it into a new image, video, or audio recording, can be pooled with existing tactics to cause maximum damage.

Deep fake tools are easily accessible online. An open-source programme named Avatarifyn superimposes someone else's face onto the user's face in real-time, during video meetings. The code is available on Github for anyone to use.

The lack of effective deep fake detection technology attracts many bad actors to use deep fakes and this threat will only become stronger in 2021.

Third party risk

Engaging with vendors offers more opportunities to streamline and increase efficiency for financial organisations, however, this also increases risks.

Financial organisations must implement an effective third-party management programme to ensure periodic validation of confidentiality, integrity, and data availability.

2021 is set to be more challenging than ever as cyber criminals adopt increasingly sophisticated ways to break into financial organisations' IT systems.

Organisations operating in the financial industry must have a holistic approach to third party risk management and add include vendor risk and third-party governance to their cybersecurity and business continuity programme.

Responding to the cyber threat

As the financial services sector is a key target for cyber criminals, how can financial firms develop a cybersecurity strategy to protect themselves?

- Educate employees – The best way to protect against cyber-attacks is to align your cybersecurity strategy with operational risk and resilience, from the C-suite down. This increases cyber risk awareness, understanding and skills, making the financial organisation more resilient with the ability to withstand sophisticated cyber-attacks.
- Integrate risk – Focus on building an integrated view of resilience, including cyber security plans. Look at operational resilience as the ability of firms and financial services as a whole to prevent, adapt, respond, recover, and learn from operational disruptions, including cyber-attacks.
- Create a comprehensive business continuity plan and follow it – Those organisations with a robust operational risk approach will prevent disruptions from happening in the first place, via operational risk management and control frameworks that incorporate resilience mitigation measures.
- Learn from your risk experience – Financial firms should learn from previous exercises, and continually monitor the horizon to identify potential issues.

In today's competitive market, financial services institutions must take proactive steps to improve the customer experience, which includes improving their cybersecurity plans. These organisations can only maintain customer loyalty by building a brand of a secure, reliable service provider.

The good news is that many financial services organisations already recognize the changing security landscape and are committed to protecting the valuable data residing in the financial services sector.

In a world with opportunistic and highly skilled criminals, these are the financial organisations thar will be able to prevent, adapt, respond to, recover and learn from cyber-attacks. ■

JAYAKUMAR VENKATARAMAN, INFOSYS CONSULTING

In 2021, we will see the rise of the digital corporate bank – a digital twin of their existing operations. This is something that has already been done successfully in retail banking.

With online banking well established, and platforms like Zoom and Microsoft Teams proving themselves effective channels for communication during the pandemic, we can expect to see a lot more of the banking interactions for the SME clients moving online.

This will mean the relationship manager will be able to initiate new relationships, open up new accounts, advise on suitable financial products and fulfil transactions remotely, predominantly via online platforms. Particularly for SMEs, access to their relationship bankers will become far easier than before. Additionally, digital corporate banking will help banks to deal with emerging competition on the provision of working capital facilities to SME clients from big tech giants and new entrants such as Amazon and Ant Group.

Additionally, we'll see bank employees amplified and augmented by AI and machine learning. This can be done in two ways. Firstly, by amplifying the individual's ability to look at more items – 50 or even 70 items, for example, being reviewed in the time it previously took to review 10 items.

Secondly, AI can pull together far more data – thousands more pieces in fact – to enrich customer insights. ■

MARK BRADBURY, ACCUITY

More mainstream adoption of Buy Now Pay Later, APIs and Neobanks

Banks and payments providers will need to act quickly to adapt to changing market trends, global payments solution provider Accuity.
Here are the four key payment trends that will drive change in the year ahead.

The point of online purchase will become increasingly crowded for payment service providers

2021 will be the year of digital payment experimentation as options to pay will increase. Large online marketplaces will expand 'embedded finance' to create branded payment infrastructures. Buy now pay later options will expand to the point where they represent a genuine alternative to bank-issued credit cards.

Payment service providers will compete to handle Strong Customer Authentication (SCA) with the least checkout friction in Europe

Merchants need to find ways to speedily get consumers through a checkout process with added security and reduced points of friction. Biometric authentication will be a way for businesses to add security but ensure consumers don't abandon items in their shopping cart because the process takes too long.

Neobanks will go niche with products targeted at customer segments

For profits should push upstart banks to focus more on business accounts, who are more used to paying account fees than retail accounts. Expect more banking products focused on children's accounts with a growing number of neobanks planning to introduce a younger generation to digital payments.
With travel restrictions set to continue, neobanks will need new features to provide value as free overseas cash withdrawals and no foreign transaction fees may continue to have limited appeal.

Traditional banks will use APIs from fintech providers to strengthen their payment services

Open banking initiatives will continue to be a driver for banks and financial services to migrate their systems and data to new cloud-hybrid architectures, with the momentum set to continue in countries that have established strong open banking initiatives in 2020.

In 2020 we have seen an acceleration in the transformation of digital payments.
The outbreak of the pandemic led to a huge decline in cash and hastened the shift towards digital payments for both consumers and businesses.

Banks and payment service providers have been forced to innovate at a much quicker rate. Technical enablers such as Banking as a Service platforms and payment APIs have lowered barriers to entry for payments. At the same time an ecosystem of financial institutions that is willing to share data via API has emerged.

For banks and payment service providers, 2021 will be another test of the industry's ability to respond to changing demand,and as the market continues to become even more saturated, it is vital for each to clearly demonstrate their unique customer value proposition. ■

ETHAN SCHWARZBACH, SBA LEAD AT OCROLUS

Come 2021, we will continue to see fintech, and big tech companies in general, make strides in the banking industry. We've already seen large technology companies, such as Apple, Amazon, Quickbooks, and Venmo, roll out a variety of credit offerings for a while now. Although the traditional definition of banking has been blurring for some time, we should expect to see large tech players expand their credit offerings in 2021.

To keep up with the rise of technology companies infiltrating the banking industry, in 2021, it will be crucial for traditional banks and lenders to focus on servicing unique products and cutting down applicant wait times. In the past, it was challenging for banks to provide niche offerings, as the financing behind the market wasn't large enough, but with the help of APIs, there is now a business play for banks to service more niche markets.

Additionally, banks will look to cut down applicant wait times in 2021 to reduce the likelihood of consumers leaving traditional banks due to it taking too long to get feedback on an application. Overall, in 2021, we will see technology continue to play a role in the banking industry as legacy brands look to compete with new banking offerings. ■

JAN BELLENS, EY

This time last year, it was clear that banks would struggle to maintain returns on equity (ROE) through 2020.But no one expected a global pandemic. And the banking industry has shown a remarkable ability to manage change in the face of an unprecedented health crisis. Globally, average returns on equity for banks were in single digits for the first half of the year, as banks shored up provisions for emerging asset quality risks.

Retail banks, alongside commercial and corporate banking businesses, suffered significantly as lending volumes fell and net interest income on deposits and lending declined in a rapidly weakening rate environment. Payment revenues have also been negatively impacted by the pandemic, as lockdowns led to a fall in consumer spending.

Banking sector displays its resilience

But the banking system has proven very resilient. Capital and liquidity have generally been strong across the industry. Within exceptionally short timeframes, large banks successfully moved most employees to homeworking.

Firms have stepped up to play a leading role helping to sustain the economy.

Institutions have effectively managed surge demand from customers seeking support and acted as pipelines for government stimulus packages.

Looking to 2021, many forecasts predict a strong economic recovery, yet the past decade shows GDP forecasts tend to be optimistic.

Interest rates will remain low for the foreseeable future – the Fed has suggested to 2023 - but after the financial crisis rates remained near zero for more than seven years. This means lending and deposit margins will remain under pressure in 2021.

And demand for credit from retail consumers may be challenged too. The crisis has highlighted the fragility of consumers' finances, and they are likely to focus on repairing personal balance sheets and building a reserve.

2021: reasons for optimism

Still, there is lots to be optimistic about for 2021. The pandemic highlights a once-in-a-generation opportunity for banks to transform themselves, using technology to improve efficiency and flexibility of the workforce and to connect more deeply with customers.

Expect banks to focus on three areas:

1. *Resilience* – especially operational resilience, learning lessons from where processes were challenged through the pandemic. We can also expect a continued focus on cybersecurity and third-party management;
2. *Cost reduction* - driven by changes in consumer behaviour (e.g. branch footprint) and investments in technology. Some institutions, especially in Europe, may look to M&A for synergies. Banks will also have to deal with the Non-Performing Loans on their books, and
3. *Customer centricity* – the pandemic has highlighted the importance of human-centred design in technology to help build deeper customer relationships. Banks also have an important role to play in strengthening consumers' personal finances.

The pandemic is driving huge change in employee and consumer behaviour, and we are watching closely which changes are here to stay.

For example, EY's Future Consumer Index highlights how the pandemic drove a huge rise in the use of credit and debit cards and online payment tools and apps. Most dramatically, nearly 60% of people were making much greater use of contactless payments.

The longer consumers are discouraged from making cash payments, and the more convenient and trusted the alternative solutions, the more likely it is that these shifts will become permanent.

Retail banks can grasp a truly unique opportunity to capture the long-term benefits from changing the way we bank.

The accelerated changes can help their bottom-line as well as their relationship and trust with their key stakeholders – employees and of course customers. ■

PHILIPPE VIGAND, MANAGING DIRECTOR AT HPS

The pandemic has accelerated the shift away from physical stores to digital shopping by roughly five years.

E-commerce is projected to grow by nearly 20% in 2020, according to data from IBM's US Retail Index. Adoption of contactless payments has also accelerated amid the pandemic, with Mastercard recording a 40% growth in contactless transactions in the first quarter of 2020 alone. This is a huge change in how people pay for goods and services – a consequence of the pandemic that will permanently alter human behaviour.

As more people shop online, life starts to become harder for those left out. Digital exclusion will be a problem society needs to reckon with in the years ahead.

When people use the digital world to work remotely, keep in touch with loved ones and shop their favourite brands, online access goes from a luxury to a necessity. More than 80 million Europeans who, according to the European Commission, do not use the Internet – either because of lack of access or unaffordability – are left vulnerable.

It's our collective duty to ensure that no one is left behind. We believe next year will be one of 'consolidation' in how people pay. Some might return to cash, but a larger percentage will settle on mobile, wearable or contactless payments. That method of payment will now be secure.

SCA comes into force

At the beginning of the year, the European Banking Authority's Strong Customer Authentication comes into force in the European Economic Area.

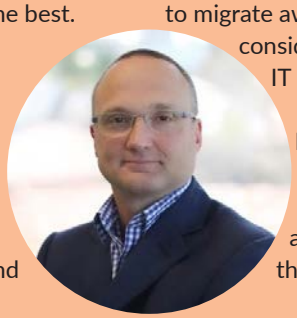
The United Kingdom joins later on 15 September. SCA will help reduce the risk of fraud for online payments and online banking and protect the confidentiality of the user's financial data, including personal data.

This is great news for consumers as spending moves away from cash. It is now vital that merchants maintain their focus on integrating 3D Secure to their purchase flows – or risk huge volumes of transactions being declined due to failed authentication. ■

JAMES WOOSTER, COO AT GLUE42

Excess baggage: Solving the problem of financial firms' legacy tech

2020 has certainly been an exceptional year marked by a global pandemic that has impacted all industries, including financial services. Many FIs have found themselves choosing between whether to innovate and embrace new technologies or stick to what they already have and hope for the best. Here's his take on what 2021 may have in store.



Legacy technology will always be with us. Some back-office and desktop applications can be in excess of 30 years old and difficult to integrate with newer software, especially during a digital transformation of a business. It has become a major problem for financial services companies and trading firms.

However, the opposite is also true. According a recent industry report, "many firms in capital markets are modernising - and loving – their legacy systems as part of a continuous digital transformation culture. Success requires finding ways to continually leverage the valuable business knowledge and insight contained in legacy technology while laying the foundations for agility and flexibility going forward." While the typical answer from software suppliers and system integrators will be that companies should bite the bullet and replace their legacy tech, with new, often cloud-based software, this may not be possible or cost-effective. Many financial firms have delayed the transition and given the highly uncertain economic outlook because of the Covid-19 pandemic, embarking now on a three to five-year IT project to migrate away from legacy applications, will probably be considered too risky for many firms and not an IT priority.

In my view an alternative, more pragmatic and cost-effective approach is to use new technology to help old software become easily accessible and hence encourage financial companies take the 'if it ain't broke, don't fix it' approach.

Legacy systems can have a second life if used appropriately. It's certainly possible with today's technologies to create hybrid environments where legacy applications are fully integrated and co-exist with modern ones.

It's time to get real about our legacy. For many financial firms, learning to live with legacy IT, connecting and streamlining it, may be the smart thing to do now and for the foreseeable future. ■

MARK CRICHTON, ONESPAN

The year the cloud is finally embraced by financial services

In today's turbulent economic climate, banks are looking to deliver secure online services at the lowest possible cost.

And this is where SaaS solutions deliver the innovation needed in the most agile way possible.

We will undoubtedly start to see banks make the shift to SaaS to remove overheads and refocus on evolving core services.

Yet the financial sector is still behind the curve in its adoption of cloud due to its ongoing fear over privacy and data control to meet the stringent standards of GDPR and PSD2.

As an industry, technology providers need to reassure banks and give them the confidence that it is possible to protect data anonymity and drive capabilities around areas including authentication, fraud and risk analysis to help them reap the rewards SaaS solutions have to offer.

Security technology has a proactive role in building the "next normal"

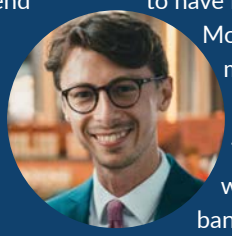
I see the transformative change of 2020 as a call to action for organisations to view security software as a business enabler. The time is right to see the positive rather than negative in security: it has the capability to drive a frictionless user experience and with it better brand engagement. But to get there we have to stop treating security as an afterthought. Institutions who set up and build security into their services from the start will empower positive user behaviour to deliver improved trust.

The arrival of mobile security is just one example of how a digital infrastructure and services will offer the frictionless banking experience the user now demands.

As more users engage on their mobiles, security is more readily received, identities more easily verified, and authentication requests accepted. ■

MARCO MOTTADELLI, HEAD OF GLOBAL BROKERAGE AT FINECOBANK

Covid-19 has changed the way we live, work and spend our money forever. When the pandemic struck and forced most of the world to work remotely, this set a new standard for the future of banking. Customer behaviour is now different.Barriers have broken and we expect 2021 to be a second revolution in the digitalisation of banking.



Yes, more people will be banking online, but they are all going to have increased expectations on the service they receive. Most of today's providers aren't able to consistently meet demand: they are either too tied to a branch model or have a limited online offering.

The future of banking is branchless and the gap will widen between digital banks and traditional banks – companies who are born digital will have a big advantage over the next few years. ■

PHIL ROLFE, CEO, P2 CONSULTING

Predicting what happened in 2020 would have been nigh on impossible for those of us who lack the requisite crystal ball skills. So, predicting 2021 is slightly risky, as we are not really in a stable position to look forward from. But we think these might be some key themes that will arise in 2021 – and we will be keeping our fingers crossed there isn't another black swan event winging its way towards us:

Global Digital Fraud

Sadly, digital fraud will remain at the top of the financial crime agenda given the money that can be made, the lower cost of investment to initiate and the global nature of potential attacks. Criminal elements have little to lose and a lot to gain.

Pushing back on Authorised Push Payment (APP) fraud reimbursement: large UK banks and building societies are trying to back away from the voluntary code to repay APP fraud victims. With the drive - by banks - to get us all online, this would be a significant retrograde step and damage consumer confidence and trust, which has been hard won following the 2008 banking crisis.

Go big or go home

Pension pots are often significant sums running into the tens and even hundreds of thousands of pounds. Fraudsters can get access to these in a single hit if they can dupe savers into moving the money into bogus schemes that look legitimate and tempt people with slightly higher returns. We have seen a massive uplift in this type of fraud, particularly during lockdown and the big banks, investment managers, pension providers and insurers are working hard to combat it.

Computer says no

With the drive to reduce cost and increase their customer base, the biggest banks are investing in automated decision making capability. This is great if you pass the regular checks, but it is likely to lead to a fast and resolute 'NO' if you do not. All it needs is one letter wrong on the post code of a former address, or a name that is similar to a real criminal and the electronic shutters will come down. Good luck navigating the 'exceptions' process – my prediction is that it will be long, painful and paper based.

Setting a higher bar

With the inevitable spike in bad debts, as mortgages, car loans and credit card repayment holidays come to an end, the mysterious world of credit control will be thrust into the limelight. In their haste to stop giving more money to those that cannot afford to pay it back, they will make it harder for all of us to move onto the property ladder, or up it. We have already seen the number of mortgages drop dramatically and the criteria for getting a mortgage go up – good luck if you hope to buy in the next two years. ■

MICHELLE PALOMERA, RIGHTPOINT

As we move into 2021, the citizen developer movement will take off. It will remind us of days gone by, when traders coded their own algorithms. However, the citizen developer trend will prevail beyond the simple automation of operational workflows — it will start to drive and power customer experiences.

The newly empowered knowledge workers that are being borne out of the workforce shift and the need for speed will be key drivers of this movement, aided by enterprise cost and efficiency directives for automation and integration. We'll continue to see no-code platforms quickly rise and become verticalised, which will add value as shift-to-cloud and as-a-service models take off and drive the need for micro-services to enable open banking models and ecosystems.

It will be critical that financial institutions have their data and analytics environments in order, as well as a firm handle on their customer journeys and patterns, to deliver superior service and capabilities in the micro — whether that means serving customers in the micro-moments, creating and providing micro-content or enabling micro-payments. We'll likely see micro-driven automated commerce driving toward auto-bundling and nearly automatic ordering in subscription models as well.

Sustainability, societal and charitable principles

Empathy and values-driven initiatives will proliferate through the fabric of banking institutions. Sustainability, societal and charitable principles will underpin strategies at institutional, corporate and consumer levels and will start to show up in a multitude of ways including loyalty programmes, investing strategies and affinity offerings.

No more baseball-bat yielding loan collectors — now, more than ever, banks will direct their focus on the consumer. However, not all banks will transition into these initiatives with grace. Those that take the time, care and effort to understand the needs of consumers (which have changed drastically over the last year) and develop strategies to address them will be the winners.

My money is on the mid-market regional banks that have strong relationships with consumers and the resources to provide multiple digital avenues for them to confidently ask questions about options available to them and set realistic expectations without the fear of judgement. This could range from positioning banking apps as learning portals, with quizzes and questionnaires that connect consumers to new financial options, to leveraging AI and machine learning to give consumers access to intelligent, humanistic interactions that simplify experiences and lower barriers of approachability.

Consumers will be able to access the latter interactions at home through assisted-service avenues, including deeper integrations with third-party applications such as Google Home, Amazon Alexa, Facebook Messenger, WeChat, etc. ■

DR. RUTH WANDHÖFER, GAUSS VENTURES

Top three trends in the fintech space to watch in 2021

Covid-19 left a devastating impact on society and economies around the world, but it also gave the fintech sector an unprecedented opportunity to prove its worth, and to demonstrate how they could support consumers at a time when banks and governments failed.

Those with business models that offered services like credit lines for small businesses, contactless payments and banking automation saw their relevance soar, delivering financial services for those under the most difficult circumstances - while also turning a profit.

Investors also continued to inject money into the sector - but with a difference to previous years. Fewer companies got any cash, but for those that did the sums were simply astronomical. According to data cited by CB Insights on the fintech space in the third quarter of 2020, 60% of all capital raised by financial technology startups came from just 25 rounds worth $100 million or more. They included mega rounds for companies like payment processing firm Stripe, financial inclusion bank Chime and investment app Robinhood.

So what can we expect in 2021?

Here are three major fintech trends to watch out for in the new year:

Cyber Security

Similar to before, cyber threat, fraud and system failures are rising exponentially. Companies fixing these risks including IT architectures that remove the honey pot element - such as more distributed networks, would help in these types of scenarios - and the demand for this support will be on the rise. Big money will also pour into the fast growing firms operating in this space - such as DarkTrace, which was founded in 2013 and now supports over 4,000 organizations worldwide to identify and automatically fight back against fast-moving and sophisticated cyber-threats. The firm will be launching an IPO on the London Stock Exchange early next year.

Automation/AI

Despite the onslaught of AI news dominating the headlines, the reality we face is an ongoing lag in adoption and implementation of artificial intelligence and deep learning technologies in big businesses - especially in global financial institutions.

There are simply too many manual processes with the associated operational risks that these bring, while the cost of integrating new AI tech is almost impossible to bear given that legacy technology and unstructured data remain a stumbling block for banks to adopt.

Once we have the right data architecture and structure in place, the application of AI will truly start bringing benefits.

2021 could very well be the time for this to take off.

Payments innovations

Technology that will continue to advance payment innovation will do extremely well in the coming year, especially in light of major debates around SEPA and the EU plan to establish a standard for electronic retail payments, as well as the role of third party providers, and the advent of central bank digital currencies and Libra.

There's also particular interest in cross-border payments in the wholesale space, where new models are currently being built to make high value transactions more efficient, both from a liquidity and balance sheet perspective and in terms of data richness, reconciliation and automated AML/CTF compliance.

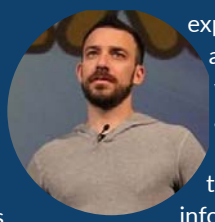
Fintech was effectively born out of the financial crisis in 2008 - and Covid-19 has sent a similar shock wave around the world. The past year has demonstrated the sector's resilience.

Fintech has also shown its agility and ability to identify areas that need new solutions and technologies, as well as develop a totally new way of managing the interests and needs of consumers.

Expect bigger and better from the greatest innovators in Fintech as they continue to create a better future of finance.

2021 will be the year that certain technologies that emerge from the industry will not only survive the crisis, but create new opportunities to disrupt and enhance banking services - while serving customers during their most critical time of need. ■

REUBEN TOZMAN, GENERAL MANAGER AT VIDYO



As we enter 2021, the velocity for transformation to digital native strategies has increased significantly.

For fintech, that transformation has additional layers of complexity due to the sensitivity of information, regulatory requirements and a well-intentioned scrutiny to change. With that said, customer service remains at the top for retaining customers and attracting new ones so ignoring market dynamics that provide people with immediate access to products and services through digital channels would be a huge disadvantage.

Look to fintech to incorporate technologies that can extend traditional banking workflows into a native digital experience, while using the highest security standards available to them. Examples of where technology will find its way in: speaking directly to advisors and account managers through secure video, training its employees on providing services through online training, providing customers with better access to information, payment gateways and merchant services.

Banking institutions that remove barriers between customers and services that help build wealth will prevail. ■

ARJUN KAKKAR, EKATA VICE PRESIDENT OF STRATEGY & OPERATIONS

Prediction: Strong Customer Authentication Will Gain Global Traction, even in the US

2021 will see a surge in methods for securely authenticating customers, such as 3-D secure (3DS). Driven by regulatory shifts in Europe, most of the online transactions in the EU will start utilising 3DS, which sends much more information to the banks along with the transaction, providing banks with more confidence that the consumer is who they say they are.

This will help the issuer banks (or the bank that provides consumers with a credit card) to more effectively analyse risk and make better decisions, leading to fewer false declines. Europe started seeing the benefit of merchants, payment processors, and issuing banks carrying out more sophisticated analytics in real-time. It won't take long for the companies that operate across the US and Europe to try to apply similar methods in the US.

Prediction: More Payments Leaders Will Become Fraud Companies

The central value proposition of a payments company is to improve the authorisation rate; the reason a payment company declines anyone is to save themselves from fraud. It follows that if they get better at detecting fraud, they can authorise more transactions and better deliver on their value proposition. Several global payments companies like Stripe, Adyen, and Worldpay are building fraud platforms.

In 2021, more payment companies will start acting like fraud prevention companies and begin selling their own fraud product platforms, creating more competition for existing providers. ■

ELLIOTT LIMB, MAMBU

A return to relationship banking

The move away from customer-centric banking was so gradual that we barely noticed it. There was a time when having a personal relationship with your local branch manager who you met with regularly, understood your finances and gave you advice was commonplace. Digital technology changed this, focusing on convenience, increasing competition and making the mobile customer experience the key differentiator. While these advancements have benefited customers in many ways, in some instances it has placed the emphasis away from the customer-centric model which once defined banking.

The emergence of Covid-19 made this increasingly apparent and highlighted that there is still a need for relationship banking, particularly for vulnerable and non-digital customers. The crisis impacted many people's financial stability and gave rise to many questions on the support available to customers. Furthermore, customers availing from banking services during this time that typically required face-to-face interaction, such as mortgages, were now moving through this process digitally.

Critical mass of new entrants

At the same time, we reached critical mass of new entrants. Banks are now faced with having to adjust and ward off competition, while also maintaining the relationship with customers who favour traditional banks and processes, as well as those who prefer digital banking.

Covid-19 has emphasised the different needs of customers depending on their situation and demonstrated the importance of focusing on bespoke and personalised services dependent upon customers' individual needs and wants. We will see a return to relationship banking in 2021 as a priority, but now combined with the convenience and benefits offered by digital banking. It's a delicate balance, but employing the right technology will be critical for banks to deal with customers in the right way, according to their expectations.

A significant increase of cloud adoption in banking

While cloud banking has been on the precipice over recent years, the perceived technology risk has prevented this from being implemented in any significant way. However, now the business risk to not implement cloud technology has overtaken this technology risk. This is primarily as a result of two elements:

1. With competition reaching critical mass in the banking industry in recent years, agility is essential in being able to compete and drive new products quickly to market. A bank can no longer decide to forgo modernisation and cloud adoption, unless they are open to the risk of becoming overtaken and obsolete.
2. Covid-19 has plunged banks into an unknown future. Banks have had to adjust processes and policies overnight in response to changing regulation and customer requirements, which legacy, on-premise systems were not built for. As the crisis continues to evolve, banks are navigating blind on how to proceed. This has emphasised the need to have a system that allows banks to pivot quickly and smoothly.

Cloud technology is essential to banks competing and surviving in this new era. While this shift was always inevitable, developments in 2021 have made this a non-negotiable and as a result, we will see widespread adoption of cloud banking in 2021.

Tactical movement on embedded finance

While we won't see big technology and non-banking players entering the banking industry in any significant way in 2021, we can expect these players to take careful, tactical movements toward establishing a notable, long-lasting presence.

Big technology and banks think differently and move at different paces, which presents challenges to both sides. Regulation is also a remaining issue for big technology companies. There are necessary steps to take in order to navigate these obstacles which non-banking players will continue to face through 2021. ■

LUC GUERIANE, MOORWAND

Open Banking starts to fulfil its promise

Despite having registered over two million users in the UK, Open Banking is still failing to meet its objectives of creating a more competitive retail banking landscape.

Open Banking's two million active monthly users is a miserly 3% of the UK population. To put the numbers into context there were 247 million cheques sent in 2019 according to Pay UK, estimating that cheques are used by over four million people.

Yes, cheques are still more popular than Open Banking.

Fintechs, however, will widen the adoption of Open Banking and help it to fulfil its promise. To date, one of the biggest problems for Open Banking is the cost and expertise required by non-bank service providers to access the necessary infrastructure.

Fintech technology providers from dedicated Open Banking players to issuers and acquirers are making this infrastructure more accessible.

In 2021, we will finally see use Open Banking use cases that go beyond account aggregation and these will be driven by fintechs not incumbent banks.

The world goes contactless crazy

The last year has undoubtedly proven that cash is more troublesome than digital payments.

For businesses cash is expensive to handle and for consumers cash is inconvenient.It takes time for banks to process cash for businesses and it takes consumers time to find cash points or bank branches.

Crucially, in an era where data is paramount to decision-making, cash contains no data and shares no insights at all.

These problems have been made more acute by the Covid-19 crisis which has pushed consumers towards contactless payment types due to health concerns around cash.

With physical stores re-opening, in the next year we can expect a wave of consumers demanding the ability to pay via contactless. Consumers will have options – they will be able to pay contactlessly via their cards, digital wallets and super-apps on their phones and even using wearable devices.

We're seeing strong adoption of the K-Ring, the world's first contactless ring, especially as it can be used contactlessly on the tube.

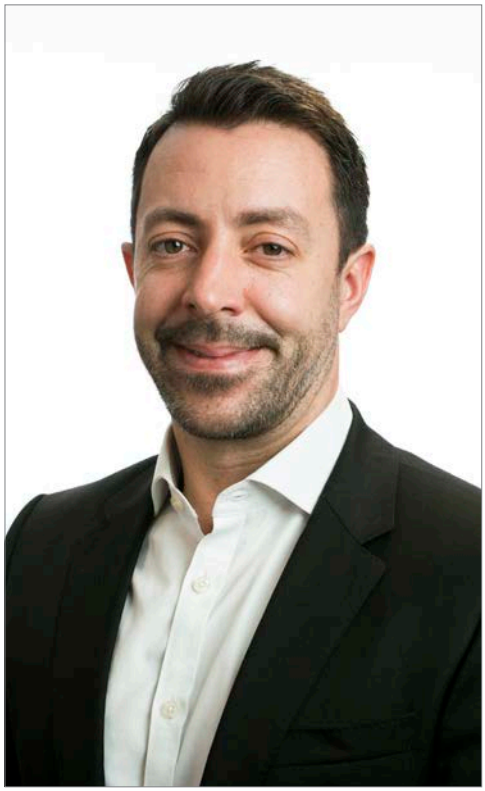
With rival options appearing such as AEKLYS by high fashion designer Philippe Starck the wearables space is hotting up. 2021 will be the year the world goes contactless crazy.

The cash-cow of travel payments is on lockdown

Travel used to be an anchor for many payment fintechs, a lucrative business that took advantage of broken FX rates.

Heavily reliant on consumer travel, these firms capitalised on a gap in the market, but now that gap has disappeared along with the margin. Combined with the mass travel-restrictions imposed due to Covid-19, the revenue opportunity in travel has all but disappeared.

Take Revolut, for example.



Revolut was initially positioned as a multi-currency Mastercard, then realising the revenue potential began marketing as a multi-currency travel app and card.

Today Revolut is now marketed as a global bank offering everything from crypto trading to subscription management.

In 2021 the market will be forced away from the "cash-cow" that was travel.

With the e-wallets like Apple Pay and Google Pay growing in dominance, payment companies need to shift from "nice to have" travel products to "must have" top of wallet cards. ■

JIM ECKENRODE, MD, DELOITTE CENTER FOR FINANCIAL SERVICES

The pandemic has clearly accelerated digital transformation, but not in equal ways across the industry. The industry's major players will shore up some of their digital weaknesses, but not all will position themselves for future growth.

Financial services leaders are placing their bets: about two-thirds of Deloitte's respondents picked one of three paths: Investing in technology for greater efficiency, investing in innovation or simply cancelling or delaying long-term tech projects.

For some of the rest, there is a repositioning afoot: while cancelling some projects, financial institutions are simultaneously directing freed-up investment in either greater efficiency or more innovation.

Still others are perhaps taking a more proactive approach, doubling down on investment for both efficiency (in the shorter term) and innovation (for future opportunity).

European firms appear to be taking a much more conservative approach to their spending, and Asian firms are much more bullish on blockchain, AI and RPA than those in other regions. Another finding from the broader survey: 80% of survey respondents agree that the pandemic revealed shortcomings in their digital capabilities, and a similar percentage cite challenges in deciding where to invest for future success. ■

JANUARY NEWS

Revolut's early salary feature for UK customers

Revolut has tapped Modulr to launch an early salary feature allowing its UK customers to access their pay cheque a day early each month.

The new feature means that Revolut's customers can access their salaries and all payments made over the Bacs payment scheme a working day earlier than usual. For instance, if they are to be paid on a Monday, people would be able to access their salaries the Friday before.

According to the challenger, this will be especially useful for customers navigating bank holiday weekends, as well as those struggling financially due to Covid-19.

Nik Storonsky, CEO and founder at Revolut, said: "Early access to salaries could be a genuine lifeline for many during these tough economic times. Our aim is always to provide Revolut customers with services they need and the best possible experience."

Storonsky said: "With Modulr we've been able to deliver better services and experiences to millions of UK customers. We're looking forward to future innovation and to launching many more exciting products for Revolut customers. Now more than ever, our customers across the globe need easily accessible tools to manage their finances proactively and successfully."

Adding to this, Myles Stephenson, CEO and founder of Modulr, said: "Revolut continues to go from strength to strength, as it asserts itself as the go-to challenger for consumers eager to have greater ease, access and control of their money. Utilising our APIs and direct access to the Bank of England, Revolut can offer their customers payments solutions fit for this new normal we find ourselves in – where payments need to be instant, flexible and reliable. ■

JAPANESE BANK BRANCHES TAKE ON A NEW LOOK

The Covid-19 pandemic is thrusting Japanese banks deeper into the digital age with the revamping of branch outlets and the planned disappearance of bank tellers.

Bank branches in Tokyo and around Japan are beginning to take on a newfangled look, focusing more on consultation, rather than traditional transactions.

This week, Sumitomo Mitsui Banking Corp., one of the nation's three megabanks, unveiled a new branch that has basically eliminated cash transaction services by bank tellers.

"Our employees in principle won't handle cash, so they can use more time to provide consultation services for customers," said Jun Izumi, general manager of the bank's channel strategy department, which oversees local branch strategies. The newest of such outlets in Yamato City, an hour south-west of Tokyo. The branch still has a counter for bank tellers, but after accepting transaction requests staff members are only able to hand out QR codes to customers.

Customers can then scan the code at an ATM to withdraw or deposit cash.

Sumitomo Mitsui says it plans to end cash exchange services by tellers at 300 branches, or about 70% of its domestic outlets, by the end of fiscal 2022.

It says bank staffers will be on hand to assist Japan's horde of senior citizens that might be unfamiliar with QR codes.

The bank is also hoping to reduce staff at outlets by making the operation more efficient. "We are trying to form a system that will be able to meet customers' needs with a smaller number of people," Izumi said. To reduce infection risks and prevent the branch from getting crowded, customers don't have to sit around and wait thanks to an email notification service that tells them when it's their turn.

Izumi said Sumitomo Mitsui had been considering a revamp of its outlets for some time, but the Covid-19 pandemic forced it to speed things up. ■

NATWEST TRIALS VIRTUAL QUEUES IN UK

NatWest has announced it is trialling a virtual queuing system across its UK branches in a bid to adhere to social distancing guidelines.

The system, which was developed in partnership with Qudini, is currently being trialled across 178 branches, with plans to be rolled out wider in 2021. It means that customers will no longer need to queue at certain branches.

Marcelino Castrillo, MD of customer engagement and distribution at NatWest, said: "When a customer visits a branch, we want to ensure two things: that they feel safe and we're providing them with a seamless, helpful service. We have introduced a new virtual queuing system, when it's required, to provide a more efficient service for our customers.

"This gives the customer flexibility and the ability to manage their time whilst visiting the branch. This, along with Banking My Way – which makes it easier for customers to tell us how they would like to be served and if they need some extra assistance – are just some of the ways that we are improving the customer experience."

To access a virtual queue, customers visiting a branch must use their smartphone to scan a QR code that will be visible in the branch.

After this, customers will be given a queue position if required and will be sent a notification when it is their turn to be seen. This means that NatWest customers are able to leave the branch while they wait. The announcement comes after NatWest recently launched a new feature called Banking My Way, which is a free service that allows customers to record information about the support or adjustments they need to make banking easier. ■

VIRGIN MONEY'S PROFIT PLUNGES 77% AS IT TAKES £501M LOAN LOSSES

In its full-year financial results Virgin Money has disclosed a 77% drop in profit, partly due to £501m ($658m) set aside to cover potential bad loans.

The Edinburgh-based bank's total credit provisions now stand at £735m.

"2020 has been a uniquely challenging year for the banking industry and our business, and this is reflected in our financial performance for the year," chief executive David Duffy said in announcing the results.

Income was 6% lower than FY19 at £1,542m, primarily reflecting the impact of the pandemic in the second half of the year and rate changes. Non-interest income declined 7% year-on-year to £191m.

This included a £16m one-off gilt sales gain during FY20, a fair value gain of £12m (vs. a £15m loss in FY19), partly offset by the absence of c.£20m of fee income earned from the Investments business.

Underlying operating expenses reduced 3% year-on-year to £917m with the cost/income ratio of 59% increasing slightly "due to the challenging operating environment and adverse Covid-19-related income impacts during the year," the bank said.

Net interest income (the difference between the interest income the bank earned from its lending activities and the interest it paid to depositors) was the key driver falling 6% versus FY19 to £1,351m.

Net interest margin (the difference between the interest income earned and the interest paid by the bank relative to its interest-earning assets like cash) was 10bps lower year-on-year at 1.56%.

The Covid-19 pandemic has had very different impacts across the bank's various lending segments, demonstrating the value of a diverse portfolio.

Total customer lending was down 0.7% in the year to £72.5bn primarily due to a reduction in the mortgage book. Given the unprecedented nature of Covid-19, the bank said, the exact economic outlook for the UK is still evolving and remains hard to predict with any high degree of certainty at present. ■

BARCLAYS TO TRACK PROGRESS TOWARDS NET ZERO

Barclays Bank has publishing a new climate dashboard designed to keep track of its progress towards a net zero portfolio.

The climate dashboard will be refreshed and expanded in line with the bank's annual ESG reporting, Barclays said in a letter to investors.

In March, the London-based bank promised to align all financing activities with the Paris Agreement and target at least £100bn green financing by 2030.

In the letter, signed by Barclays group chairman Nigel Higgins, the bank set out the work it has been undertaking in the intervening six months as well as "the work that still needs to be done".

"The journey is far from complete – and the challenges in the current pandemic have not made it easy to progress the work beyond what we indicated in March – but we have made progress and are committed to continuous improvement in our response to the climate challenge," Higgins said.

He added that the bank has continued to engage with a number of industry initiatives in this area, including the Two Degrees Investing Initiative's Paris Agreement Capital Transition Assessment (PACTA), as well as with the Partnership for Carbon Accounting Financials (PCAF).

Barclays is also a member of the 'Financing a Just Transition Alliance' led by the Grantham Research Institute at the LSE.

"This engagement has informed our own work and we are now comfortable with the detail of the methodology we have developed to measure the absolute emissions and/or emissions intensity of different types of financing activity, although this is likely to continue to evolve and be further refined over time," Higgins said.

The next update, in the first quarter of 2021, will include more information about how Barclays is supporting clients through their transition with green financing and capital markets solutions, the bank said. Barclays' announcement comes after environmental activists protested against the bank in November. ■

BANK OF QUEENSLAND CHOOSES DIGITAL STRATEGY BY FISERV

The Bank of Queensland (BOQ) Group has selected Fiserv, Inc., a global provider of payments and financial services technology solutions, to deliver a card issuing and management solution that can support multiple brands and products for BOQ and Virgin Money Australia (Virgin Money).

BOQ and Virgin Money will leverage VisionPlus from Fiserv, an end-to-end managed services solution that enables card issuing and processing with global economies of scale and integrated capabilities that span the card lifecycle.

The solution will initially be utilised by Virgin Money to support a new debit card program that will form part of the Bank's comprehensive new digital offering.

The service will be live for Virgin Money in 2020 supporting Virgin Money's marketing launch of the Digital Bank in early 2021. VisionPlus will enable streamlined card issuance and management for both physical and digital cards, as well as in-demand functionality, such as the ability for customers to add cards to their digital wallet directly from

Virgin Money's mobile banking app. Greg Boyle, CEO of Virgin Money Australia, said: "Banking is all about relationships and, increasingly, these relationships are built on a digital foundation.

"Offering seamless, end-to-end digital banking and payment services is an essential part of delivering on our commitment to making banking simple and rewarding for our customers."

Hosted in Australia and tailored for local requirements, VisionPlus supports both local and global card schemes.

For financial institutions looking for scalable and cost-effective technology and operational support as they grow, the managed service solution offers a sustainable model in competitive markets like Australia.

Kees Kwakernaak, General Manager of Fiserv in Australia and New Zealand, said: "Fiserv has a long and successful relationship with BOQ, and we are proud to help enable their digitisation strategy as they work to meet customer needs in a rapidly evolving market. ■

LTI selects Temenos to launch in the Nordics

Larsen & Toubro Infotech (LTI), a global technology consulting and digital solutions company, has partnered with Temenos to launch the Digital Banking Platform, powered by Temenos technology to modernise legacy core banking systems, in the Nordic region.

The platform enables financial institutions to be more agile and scalable while reducing operating costs. Banks will also be able to leverage the platform to launch new products and services faster.

With its comprehensive capabilities, the Digital Banking Platform provides end-to-end integration with Temenos Transact, Temenos Infinity, Temenos Payments, and Temenos Financial Crime Mitigation. It also provides fintech solutions like regulatory reporting, authentication, KYC solutions, cards services and payment solutions available on Temenos Marketplace. LTI and its fully-owned subsidiary, Syncordis Consulting, a leading Temenos expert in the European region for more than 15 years, will provide implementation and managed services.

The partnership heralds a new era for Nordic banks as it brings together LTI's expertise in the domain and its deep understanding of Temenos functionality and advanced cloud-native, cloud-agnostic, AI and API-first technology solutions, enjoyed by over 3,000 banks in over 150 countries.

Sanjay Jalona, CEO & Managing Director, LTI, said: "Through our exclusive Temenos Accelerator Toolkit, we amplify outcomes with a faster time-to-market and continue to provide outstanding banking modernisation services that empower banks to take a quantum leap in their digital transformation journey."

Max Chuard, Chief Executive Officer, Temenos, said: "Together with our partners, we are offering banks access to LTI's global banking expertise across the full Temenos' solutions applied to the specific needs of the Nordic region. ■

REVOLUT JUNIOR LAUNCHES CO-PARENT APP

Revolut Junior has today launched a Co-Parent feature enabling parents to invite a team mate to jointly manage their child's bank account.

Felix Jamestin head if premium product at Revolut, said: "We have added the Co-Parent feature to Revolut Junior so parents, guardians and carers alike can come together to teach their kids valuable skills for life. " Revolut Junior has five tips for parents and guardians to make learning about money more fun for children. These are:

The power of together – Revolut Junior recommends that parents utilise the power of joint experience and arrange a time or schedule a regular monthly meeting to sit down as a family to answer any money questions the children may have.

Set your own Goals – In order to learn the usefulness of savings, the challenger suggests parents encourage their children to set money saving Goals if they want a new toy or game. Parents can also add to the fund or children can choose to fund it from their allowances or by completing tasks. The aim is to give them financial independence.

Sharing is caring – According to Revolut Junior, parents should show their children their own banking app and how they use it to manage money.

Cherish your belongings – Revolut advises that parents get their child to put their top 10 favourite possessions in front of them and ask them to say why they picked each one. After this, parents should explain the importance of selecting items they really like instead of comparing them with what their friends have.

Money Matters – Parents should inspire their children to take some time for themselves to go through their purchases and expenditures in-app and use this time to reflect on if they still use all these items or if the buys were a good use of money.

Revolut Junior has recently launched in Australia and plans to launch the product in Singapore and Japan. ■

NEGATIVE INTEREST RATES: HOW BANKS CAN KEEP PACE WITH FAST-MOVING REGULATION

As the coronavirus pandemic continues to impact the global economy, the idea of negative interest rates has taken centre-stage. *Nanda Kumar*, founder and CEO of SunTec, shares some insights


Nanda Kumar, SunTec

Counterintuitive as it may seem, economies including Europe, Japan, Australia and the UK are considering the policy to help stimulate spending and investment throughout the economic downturn.

But are banks prepared to implement this policy if and when it's rolled out?

A large number of banks' IT systems are not configured to implement negative rates.

While core legacy systems are incredibly effective and highly efficient at processing transactions at a large scale, they could run into unexpected failures when rates go negative.

In countries that have previously implemented negative rates, banks running on legacy systems have faced multiple complications in the first few months of applying the policy.

But these teething problems now have a solution, thanks to technological advancements.

Embrace digitalisation

Digitalisation is not a nice-to-have anymore, it's an imperative. But this doesn't mean that banks need to topple over their legacy core systems just yet; they only need to think carefully and wisely about how they use these core systems to enable processes without hindering bank progression.

To successfully run these negative interest rates programmes, banks can add a digital layer above their core systems, which will enable them to design, implement and manage negative interest programmes at scale. This layer will seamlessly integrate with existing systems and segment the core systems capabilities. By doing this, banks will also be able to roll-out programmes that are more customer-centric and personalised to their customers' bespoke financial needs.

Attempt to turn the rough economic tide

Central banks use interest rates to control economic activity; they raise interest rates when their respective economies are flourishing and lower them during times of recession and deflation to avoid serious economic damage.

Negative interest is unconventional but is being given serious thought today because of the massive knock-on effect brought on by the health crisis. Yet the effective execution of the policy is more intricate than simply mandating interests on all deposits.

Keep pace

If banks are not ready to execute this policy, they are likely to erode their profitability, which would have a significant impact on their own success and growth plans.

Not implementing the negative interest rate policy on time will leave them with excess liquidity and high opportunity costs.

Many banks will want to pass these costs down to their customers but given their dependence on legacy systems—which are not built to manage and process this policy—transferring this cost to customers becomes all the more complex.

Pandemic or not, banks face significant pressures from multiple stakeholders to remain relevant to all audiences (digital natives as well as digital immigrants), deliver new features, fight competition, tighten margins, run loyalty programmes, promote financial wellness, and keep up with continual technological disruption. ■

Bancolombia hooks up with SunTec to boost customer experience

Bancolombia, the largest bank in Colombia, has chosen SunTec to streamline its strategic pricing programme. Bancolombia will leverage SunTech's customer-centric pricing solution to better personalise the customer experience, drive digital transformation and enable self-service to retain and expand its rapidly growing customer base. The bank will deploy SunTec's Xelerate platform delivered on a SaaS model to move from a product-centric to an agile, customer-first pricing model. The cloud-ready solution will help the bank, improve operational efficiency and generate new revenue streams through packaging/bundling.

Deal will help grow SunTec's presence in Latin America

More and more financial institutions like Bancolombia have realised SaaS and cloud-based solutions are the future, as they hold the answer to bank transformation and are a gamechanger for how the financial services sector will operate in future. The deployment will be designed as a phased approach to spread out investment and risk, while augmenting the bank's core system.

Delivered in partnership with TCS, the customer win helps expand SunTec's presence in the LATM market and demonstrates the growing appetite for SaaS solutions in global banks. ■

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Banking & Payments at a glance

GlobalData's **Banking & Payments Intelligence Center** is the **leading information service** that helps our clients to predict **market, competitor, customer** and **disruptor** moves

MARKETS

How fast will the market evolve? Which segments offer the greatest potential?

COMPETITORS

What are your competitors doing differently? How successful are they?

CONSUMERS

What does tomorrow's consumer look like? Which products are they likely to try and adopt?

INNOVATION

What is the critical innovation in your sector? Who are the winners and losers in a disruptive market?

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