Banks must choose partnership or perish

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At first, I would like to appreciate the initiative of this dialogue, which is an opportunity for industry people involved in banking- now changing with evolving technology and being disrupted by FinTech entity with quick, easy and low-cost services. As a result, consumer behaviors and expectations are shifting in ways that are forcing banks to both redefine their priorities and transform their distribution models.In fact, FinTech firms arevirtually pressuring banks to become more consumer-friendly when banks are not equipped to adapt to the rapidly changing expectations of the modern consumer. So, bank-FinTech collaboration has come in this industry discussion.

And the big question has been raised: Does bank-FinTech collaboration a confusion or a win-win situation? My straight answer is banks must choose the one- partnership or perish. Collaboration is imperative for both of them. Collaboration and augmentation are the foundational principles of innovation which is fairlydifficultwithin a bank. Because, we have a lot of regulationand require a lot of approvals. It requires trial and error. So, collaborating with FinTechs is a great model for banks—that way

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they canreduce their cycle time and reducethe risk of innovation. Startups are more hungry for innovation. So, it's a great model for banks to collaborate with FinTechs.

One thing is clear to all that the way people manage their money has shifted dramatically – and that's not about to stop anytime soon. Tech giants such as Facebook, Amazon, and Google will be having a greater part to play in the transactions without much consent from the banks. For survival, service quality is the ultimate option for banks as customers have no reservations about switching when they receive frustratingly opaque fines and fees or their bank fails to solve their problems. More big disruptions are poised to rock the industry in the very near future. AI and machine learning technologies for banking are getting a huge amount of attention these days, and are being touted as the next-gen solution for everything from loan underwriting to digital security and customer service.

As customers expect digital innovation, so banks may need to transform their value proposition to meet distinct, emerging customer needs. And banks have no option without collaboration with FinTech. The industry already leverages IoT with mobile apps, swipe cards, ATMs, card readers, and sensors. It also provides a new opportunity for real-time asset financing. Banks should look to the growing FinTech ecosystem to accelerate innovation and deliver the business banking experiences their customers want – and deserve.

But the big concern is how should banks and credit unions adjust their priorities to respond to this transformational shift in the way consumers do their banking? So, the most strategic questions have been raised: Which value creation strategies have the best opportunities of success? How could a bank find the balance between touch and technology?

Industry experts, CEOs and policy makers are still in the discussion table to address these issues. Large global banks are utilizing a multitude of approaches to engaging with FinTechs. They hope to cut their long-term costs while protecting their market share by introducing innovative banking products for their customers. But success is mixed. The emergence of new cloud and mobile technologies is giving banks an opportunity to redefine the banking experience and firmly establish themselves at the center of their customers' financial universe.

To collaborate with FinTechs and deliver truly transformational value, banks need to be clear about the innovation model, the scope and mandate for innovation, procurement and retained technology functions. By fostering a culture of openness from the top down. And

realising the value of a centralised data strategy, banks can begin to dissolve political and operational silos. Automating client data and document collection and promoting re-use of existing client data and documentation across multiple business units and jurisdictions will make collaboration inherent. These key characteristics will form the building blocks for banks seeking to redefine business strategies for enhanced, frictionless customer journeys. Banks also need to determine how best to engage with FinTechs, given the contrasting sizes and cultures of their respective organizations.

Domestic banks should carefully evaluate various engagement models and choose a mix that supports their innovation model and long-term growth strategy. Products and services should be used after extensive test and trial. In an industry where organizational structures are often complex and opaque, and where attention spans can be short, FinTechs also need to know how to approach and navigate their way through banking organizations. To deliver value, they must focus on building credible business cases and pricing models, which can present some tough choices about what information to share with whom and when. They must maintain the highest standards of integrity.

When it comes to fostering collaboration between FinTechs and banks, regulators play an important role. This is because they set the framework, including limitations for services and products. When regulators demand innovation within financial markets, they also must provide an environment in which it can be fostered without fear. In Bangladesh, we are moving ahead thanks to pro-active policy but still far behind than others as technology is evolving faster than the pace of regulatory reform. And it creates gaps in understanding and delivery of modern financial products. I think, we should learn more from their experiences – both success and failure through workshops and other interactions. If we delay too much, we will become obsolete citizens of the global village now we have it and swimming together on it thanks to IOT.

However, regulators are setting a positive example by introducing regulatory sandboxes, allowing financial organizations to test new ideas for a limited period with live consumers and loosened regulatory restrictions. This also offers the opportunity for collaboration between incumbent financial institutions and FinTechs. Over time, I believe that regulation of FinTech firms will inevitably increase. While this is arguably necessary to protect the financial markets and the end users of finance, our hope is that the approach adopted will be pragmatic and proportionate to the risks involved. FinTech firms and their solutions — embraced and adopted intelligently — offer banks a path back toward higher ROE.