Technology adoption is the best solution for banks to win competition

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For highly regulated banks, collaboration or partnership with unregulated FinTech operators may not be a wise decision as compliance, money laundering, security and margin pressure are the big concerns for big banks. Bank should adopt technology in its own way.

In the today's new banking era when rapid disruption and evolving regulation provide financial institutions with no choice but to digitally transform operational and technology functions to compete in the digital economy. The question has been raised: Should collaboration or partnership between banks and FinTechs be the ultimate solution?

I don't think so. Making marriage between a male and a female coming from two different cultures may be an easy task for a match maker. But the reality is that such marriage may not keep happy them. Understanding the opportunity and being able to take action on this opportunity are not the same thing, however.

Between differing cultures, vastly different infrastructures and an ever-changing compliance playing field, collaboration between banking and FinTech is far from simple, derailing many proposed partnerships. For highly regulated

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banks, collaboration or partnership with unregulated FinTech operators may not be a wise decision as compliance, money laundering, security and margin pressure are the big concerns for big banks. From my experience, I would say that bank should adopt technology in its own way under the regulatory framework- not through partnership or collaboration with FinTech firms.

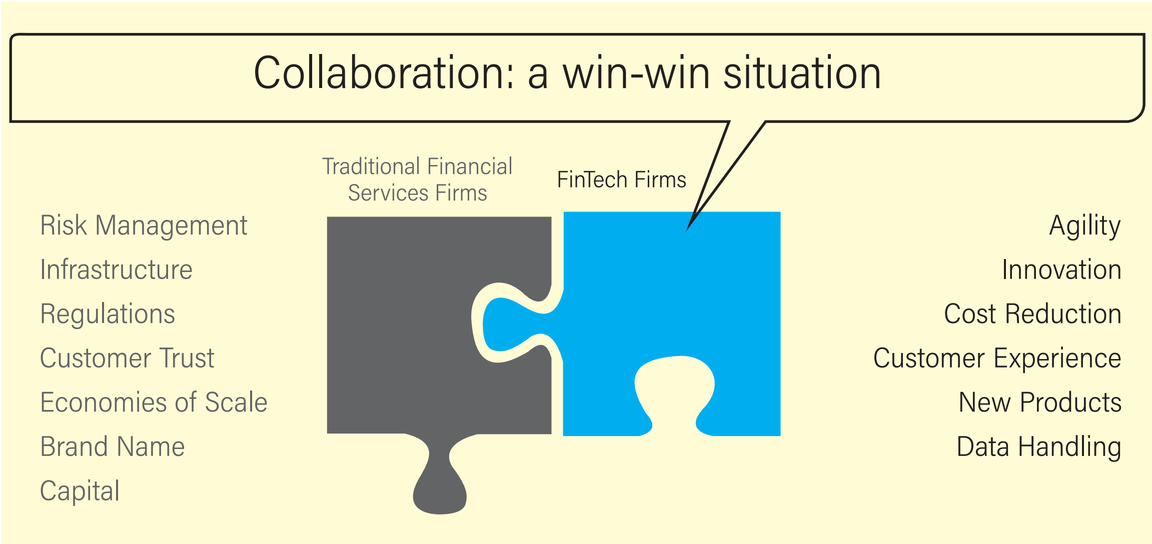
In Bangladesh, we have huge talented workforces who are working in world class FinTech firms, so banks can build their own IT team recruiting talent people rather than depending on FinTech firms born in a regime not regulated by financial regulators. Millennials and individuals with advanced technical capabilities are much more likely to want to work at financial institutions that have built a reputation for providing a collaborative and creative environment.

Now more than ever, globally organizations that are more digitally adept have the upper hand when trying to recruit the talent needed to excel in a digital economy. Banks have to improve efficiency, improve their service delivery, improve back office performance, add automation and enable smarter decision making.

Several years ago, we witnessed the "rise of the FinTechs" and many feared that it would bring about the end of traditional banking. That prediction, as we know, did not come true, but it did cause most banks to take stock of how they approach the customer experience. As a result, banks started to double-down on investing in technology to focus on improving the customer experience and to differentiate themselves in the market against FinTechs and other banks.

FinTechs that are creating a buzz with their innovative offerings has now begun to realize that customer acquisition, compliance, security, and brand recognition are not as easy to achieve as they envisioned in their business plans. As a result, banks are positioning themselves to become less reliant on FinTech collaborations. Some banks are getting good at attracting technologists themselves, and actively reinventing their culture to be innovation driven, with a focus on digital channels to expand the depth and breadth of their bank's solution offerings. As such their partnerships with FinTechs – viewed as strategic only a few years ago – are now considered important but not necessarily essential for the bank's survival and growth.

Conditions are changing, and thus the collaborations between banks and FinTechs are likely to change too. Factors impacting the market outlook include regulations, which requires banks to allow FinTechs access to customer data on behalf of the customer. We'll need to monitor the situation carefully to ensure the banks invest wisely in a working model that will yield a sound ROI and ensure the banks move forward into the



new digital age of banking-the 4th Industrial Revolution. As financial institutions work to digitally transform their business, there is a need to go beyond simply buying new technology or deploying new solutions. To succeed, retail banking leaders must build a culture supportive of meeting consumers' rapidly increasing expectations.

Banks and financial institutions are shy to collaborate with FinTech due to their historical operational models. Business lines and branches are often commercially competitive and as a result operate within Chinese walls. Often the most painful processes of onboarding is customer due diligence (CDD), a necessary evil for know-your-customer (KYC) and anti-money-laundering (AML) compliance. Every financial institution knows that streamlining this process can significantly improve the customer experience across the entire relationship lifecycle, thus, increasing the lifetime value of the client. There was a time when banks could afford to experiment with new technologies in parts of the business, but that time is now fast moving behind us. The time for digital experimentation is over. They need to digitise their entire enterprise, from operating models to core technology.

The questions are: How could a bank find the balance between touch and technology? Where are the biggest opportunities in the market?

I think, smart phone technology is the ultimate solution and banks should adopt this tool in their business model. Today, a smart phone is now a bank branch. It reduces cost, delivers fast and cover more customers that branch officials never could imagined before. Because every bank customer has a smart phone where they can deposit money, lend money and spend money to buy anything from shops transparent way. For example, Rupali Bank with its MFS service-SURE CASH has covered more than one crore people across the country over the year disbursing stipends to 1.23 students every year that helps the government to save 2500 crore excess expenses made in the past through 30 lakh fake accounts. Mobile financial services (MFS) has become a game changer for financially excluded people. MFS has also changed the relationship between the banks and the consumers. So, banks should focus on mobile banking and adopt this technology in their business model axing costly bank branches.

The banking industry has changed in the last few years. Financial technology companies (FinTechs) have begun disrupting the market with technology innovations like MFS, cryptocurrency, bitcoin, blockchain, and more. Banks have responded to these market disruptions by expanding their in-house capabilities. Some banks have partnered with FinTechs to develop new digital offerings. And some simply acquired their competitors. In the United Kingdom, a new breed of banks called "challenger banks" have emerged, focusing on delivering digital-only services and exceptional customer interactions. In the United Kingdom alone, there are currently more than 20 challenger banks.

The evolution of technology is going at a lightning pace and collaboration model between bank and FinTech has come in the discussion to face the challenges. Because, consumers have become more quality conscious, they have a world of banking options available at a tap of their phone – and they are ready to change banks if they don't get the experience they desire.

Keeping on top of what customers want is clearly crucial to acquiring a new customer and retaining existing ones in an environment of high switching and low loyalty. Less loyal to their banking partners than previous generations, these customers are ready to switch banks at any time if provided with what they consider to be a better offer (better product, pricing, service, or a better online or mobile application, etc.). When financial institutions understand what their customers really want, banks and customers both win. A FinTech partner or a vendor may not understand the reality.

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Banking has to work when and where you need it.
The best advice and the best service in
financia services happens in real time
and is based on customer behavior,
using principles of Big Data, mobility,
and gamification.

-Brett King