MD. MEHMOOD HUSAIN, THE MANAGING DIRECTOR AND CEO OF NRB BANK LIMITED IS A VISIONARY BANKER WHO MADE MANY EXAMPLES OF SUCCESS IN HIS 35 YEARS' OF BANKING CAREER. PRIOR TO HIS JOINING NRB BANK, HE WAS THE PRESIDENT AND MANAGING DIRECTOR OF BANK ASIA & ADDITIONAL MANAGING DIRECTOR OF PRIME BANK LTD. HE ATTENDED NUMEROUS PROFESSIONAL TRAININGS, WORKSHOPS AND SEMINARS AT HOME AND ABROAD AND ASSOCIATED WITH VARIOUS SOCIAL ORGANIZATI ONS.

There is no sense in spending good money after bad

Md. Mehmood Husain
Managing Director & CEO NRB BANK

EDITOR's Note
When I entered into the CEO suit of NRB ....
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Before talking about banking, I would remind you the famous Andreessen Horowitz quote from 2014 about banking and fintech:"We have a chance to rebuild the system ... You shouldn't need 100,000 people and prime Manhattan real estate and giant data centers full of mainframe computers from the 1970s to give you the ability to do an online payment."

Since then, the rumors of fintech startups single-handedly "smashing" banking giants have been put to rest and more and more famous partnerships have been announced. Both institutions are making huge steps forward for the financial industry. And a new way to stir up the partnership fire has emerged from the ashes of the economical crisis.

But some questions have already hit the industry people: Should a bank take a fintech as a partner? Or a vendor?Are the opportunities

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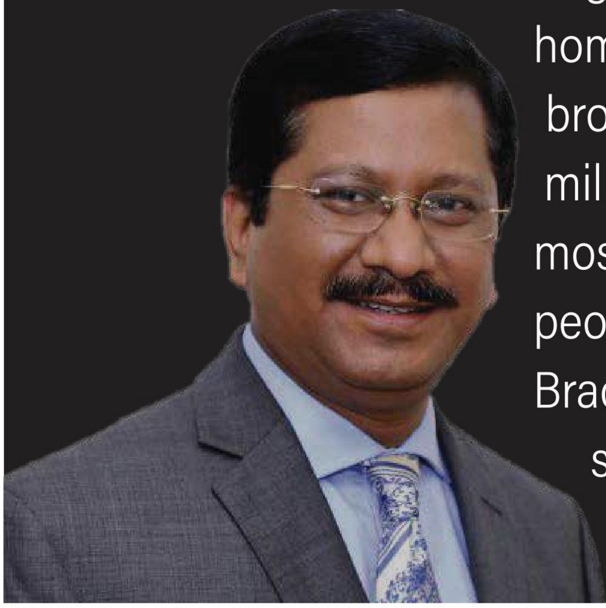

bigger in disruption or collaboration? And finally, the key note speaker of this dialogue has asked the bankers: Does collaboration a confusion or a win-win situation? Where are the biggest opportunities in the market?

I think collaboration is not a confusion. It is imperative for both bank and fintech to survive in the evolving financial markets. The bright example is at our home. bKash has brought more than 30 million customers mostly unbanked people for its partner Brac Bank within a span of time thanks to enabling technology that meets needs of customers and proactive regulatory environment. So, bank fintech collaboration, in whichever form, is imperative and clearly more beneficial to both sides for future long-term growth, including customer satisfaction and retention.

Several years ago we witnessed the "rise of the fintechs" and the foreboding that it would bring about the end of traditional banking as we knew it. 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.

And we are seeing with these partnerships is primarily banks leveraging fintechs to offer solutions that would be hard for banks to replicate themselves, and in turn fintechs get rapid access to volumes of customers that otherwise would take them years to acquire.So, banks will 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 (aka "the 4th Industrial Revolution).

What matters most is the customer experience. When banks and FinTechs pair together, you get the best of both worlds and customers can get the new innovative services they crave from a trusted partner.Big Data, artificial intelligence, complex algorithms, mobile, and cloud computing, AdTech – it is all combining to create a revolution in the financial services sector. After this revolution financial services will be available to far more people than currently, in many more markets, be more affordable, be far better tailored to the individual consumer, and be an infinitely better, smoother, more convenient experience for customers. — Oleg Boyko, Finstartup. As a result, fintech contribution is surging significantly.

Data shows that the share of FinTechs with B2B offerings has increased from 34% in 2011 to almost 50% in 2016. Why is this significant? It means that startups are slowly moving away from purely providing B2C products to partnering and offering products or services to established banks who continue to control the relationship with the end customer. In corporate and investment banking, B2B FinTech offerings are as high as 66%. Estimates also suggest that less than 12% of FinTechs are actually aiming for disruption and the disintermediation of client relationships.

Research indicates that banking customers value the security and safety of transactions as the highest priority with their primary financial institution (PFI), but aspects related to innovation are also ranked highly. Banks clearly value – and demand – the absolute necessity for security in their work, but also recognize that the innovations fintech companies can offer is important. Ultimately, the ability of fintechs and incumbent banks to collaborate and bear fruit relies solely on ensuring all customer and business needs are met, including the proper blend of security and innovation. But regulations only punish banks as fintechs are out of purview.

In Bangladesh, bank fintech partnership is gaining ground. But lack of talents and knowledge gaps are two big barriers in the way of this collaboration. If banks take fintech as vendors, the punishment comes more severely from fintech. In my experience, I have seen many banks faced some unwanted hassles due to poor performance of fintech products and after testing period, the cost of service goes too high. Banks have to play the game played by fintechs.So, the concern is how bank can leverage benefits from fintech partner which exists purely to disrupt and compete against banks and other traditional financial institutions?

There is no single answer as to how to engage FinTechs. In recent years, we've seen tremendous efforts placed into the working relationships and direct partnerships between financial institutions and fintechs. Some have been more successful than others. With the rapid rate of change in financial services, driven by the paramount need to meet customer experience expectations, circumstances require institutions to seek out innovation and differentiation via fintech solutions. While the business opportunities for collaboration are self-evident, accomplishing the actual integration, maximizing your return on investment (ROI) in these endeavours, and successfully going to market takes quantifiable effort between two typically very different development / operating models and cultures.

The differences between banks and fintechs are manifested in areas such as development methods/practices, technology stack adoption and skillsets, leadership styles and personalities, and cultural risk appetites. So, unless banks and FinTech firms get better at working together, neither will reap the full benefits of innovation.we've seen, not all partnerships are created equal. Regulations should cover fintech responsibility to customers as well as their bank partners.

Banks should look to FinTechs to drive innovation, and whatever route they choose to engage, all too often banks struggle to implement new and innovative technology successfully. The sooner innovation is embraced at all levels of the organization, the faster sustainable change will occur. Banks should carefully evaluate various engagement models and choose a mix that supports their innovation model and long-term growth strategy.

First, we'll cut to the chase. Both banks and fintechs should build a company culture and choose partnerships where the involved parties value each other, and are eager to work through any differences to impact beneficial change. Ensure all customer and business needs are met via the collaborative efforts. This includes delivering capabilities with a proper blend of security and innovation. Equally important is to clearly define and delineate areas of responsibility and accountability. Focus should be on digital channels to expand the depth and breadth of the bank's solution offerings.

And last but not least, banks should monitor the situation and be proactive. This includes adapting and improving as you move forward together to optimize progress. Besides, if the collaboration is not mutually beneficial, take steps to terminate the collaboration and move forward. There is no sense in spending good money after bad.