A CAREER BANKER MASHRUR AREFIN STARTED HIS CAREER IN 1995 WITH ANZ GRINDLAYS BANK AND APPOINTED AS MD & CEO OF THE BANK IN JANUARY 2019 WITH HIS DIVERSE EXPERIENCES BOTH AT HOME & ABROAD.AT CITY BANK HE WORKED AS CHIEF OPERATING OFFICER (COO) OF THE BANK AND ALSO SERVED AS ITS BUSINESS HEAD OF SME, RETAIL BANKING, CARDS, AGENT BANKING AND DIGITAL FINANCIAL SERVICES (DFS). FROM 2007 TO 2018, HE WAS ALSO THE CHIEF COMMUNICATIONS OFFICER (CCO) OF THE BANK.BEFORE JOINING CITY BANK IN 2007, HE WAS HEAD OF CONSUMER BANKING AT EASTERN BANK LTD&SERVED CITIBANK N.A&AMERICAN EXPRESS BANK IN BANGLADESH AND STANDARD CHARTERED BANK, QATAR AND ANZ BANKING GROUP IN MELBOURNE, AUSTRALIA.

Now time is to break down the silo as customers are changing the game

MASHRUR AREFIN
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EDITOR's Note
When I entered into the CEO suit of NRB ….
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The face of the banking industry has changed in the last few years as customers are in driving seat.Embodied with technology innovations, they are changing the game for banks. They are expecting to be financially rewarded for their loyalty and taking control of their banking relationship more than ever before. So, the way in which this evolution must happen is also going to change and accelerate in the days ahead.

The reason is simple: Fintech disruption. With a digital-first and consumer-centric value proposition, fintech firms have a significantly lower cost structure than traditional banking

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organizations. This allows most fintech firms to offer services at a much lower cost and to clearly show prices up-front.They arespecialized and much better positioned to provide highly personalized and customized solutions than banks similar to what is experienced with Amazon.In recent times, fintechshave begun disrupting the market with cryptocurrency, bitcoin, blockchain, and more.

Disruption has occurred in virtually all industries in the last two decades, and it's also starting to transform the financial industry. Banks, which maintained their dominant position thanks to factors such as highly regulated environments, are seeing the emergence of new competitors that threaten to steal a substantial market share, if not displace the incumbent banks from their leadership position. So, fintech funding on both sides of the Atlantic continues to soar, with financial start-ups attracting the most investments of any sector in the US in the second quarter. They took in $5.1bn of the $28.7bn in venture capital investments, even as they executed 38 fewer deals than in the first three months of in 2019, reports Miles Kruppa in New York.

And this fintech disruption is welcomed by regulators, banks and financial institutions as it has positive impact on financial inclusion. So, fintechs areinnovating and growing also in emerging countries. In Asia, Africa and Latin America, the percentage of unbanked people exceed 60% in all cases but has been dropped over the years thanks to mobile money operations offered by fintech firms. Most people in these regions do own a mobile device and this has allowed great successes in financial inclusion. In Bangladesh, bKash is the bright example of this success with more than 30 million customers across the country.Today, more than 60 million people in Bangladesh are using mobile banking tools like City Touch, Rocket, Surecash, U-cash to pay or receive money thanks to bank-fintech collaboration. These people never imagined that one day they would be customers of a bank-Brac Bank, the partner of bKash.

In China and neighboring countries, WeChat have more than a billion users who perform all kinds of financial transactions using mobile phones with no need to open a bank account. Another Asian non-bank finance giant is Ant Financial, the financial arm of Alibaba, a high-tech company that allows hundreds of millions of users to pay immediately, borrow money in just three minutes or make investments in the world's largest monetary fund. Ant Financial is already among the 10 largest financial companies in the world by valuation, and will surely be among the top five in a very short time. And this fintech giant has already entered in Bangladesh through bKash. According to Jupitar research, mobile banking users to reach 2 billion by 2020, representing more than 1 in 3 of global adult population.

When asked why they partner with fintechs to pursue financial inclusion, banks, insurers, and payment companies often note that it would take three to four times the resources to develop the same technology in-house, and they appreciated the way fintechs enable them to engage with and learn from new technology in low-risk, low-cost ways. At the same time, there are core activities that banks undertake alone: they maintain relationships with their customers; they protect customer and transaction data; and they continue to use traditional ways of assessing risk. But they are also, through partnerships, learning new ways to leverage data, evaluate risk, and conduct relationships with customers. We are excited about the ways these insights will enable new products and services for underserved customer segments.

In fact, in today's era of digitalization, innovation is the law of tomorrow.Cloud computing and open APIs facilitate integration of systems within and between institutions, and distributed ledger technology, or blockchain, could make verifying and completing transactions faster and easier than ever before. All these technologies could significantly cut costs on financial services like credit, cross-border remittances, personto-person transactions, and business-to-person transactions, thereby opening them up to lowincome populations.In order to keep growth and explore opportunities, banks are organizing for innovation. They are developing labs to foster innovation and aggressively partnering with fintechs that offer agility and expertise in technologies that are beyond their core competencies.

The reason was explained by Financial Stability Board in a report that says,technology helps banks provide "easy to understand and convenient services, which tend to lower costs of adoption and lower barriers to access for customers and promote sustainable economic growth. But as technology is expected to have a significant and highly positive impact on financial inclusion and the current financial infrastructure, there are potential risks associated with it too. So, the questions have been raised in the dialogue: Does collaboration a confusion or a win-win situation? Where are the biggest opportunities in the market? Which value creation strategies have the best opportunities of the success?

So, bank-fintech collaboration has come in this industry discussion. Collaboration — not competition — will be the primary driver of disruption. The biggest near-term threat to most banks comes not from FinTechs but from traditional competitors better leveraging those FinTechs. The big question is: How a bank chooses to interact with fintech, its environment and the ecosystem when capital, compliance and customers are the big heart-burn for it. What approaches should be the right solution to make an effective bank-fintech collaboration?

There is no single answer as to how to engage FinTechs.Banks should carefully evaluate various engagement models and choose a mix that supports their innovation model and long-term growth strategy. A successfulpartnership depends in part on how well organized for innovation the financial institution is,starting with whether the person sourcing the partnership has the internal influence or authorityto bring along the areas of the organization that need to be on board. Bankers are risk-averse, so supportfor innovation from leadership is necessary to counteract this tendency, as change starts at thetop and permeates all the way down the chain of command.

Here, banks and financial institutions are still lagging. Large-scale corporate and institutional banks are being held back by siloed stacks of data and technologies, poor collaboration, and even conflict between departments and legacy systems.These operational silos and absence of a single customer view have a detrimental effect on the end-customer experience throughout the client lifecycle.

Now time is to break down the silo.