

Back to the future 4.0 – a digital journey

The banking and financial services sector is buzzing with digital transformation noise, making it challenging for institutions to distil out what is required for their businesses to not only survive but, more importantly, thrive going forward.



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Within this sector, the post-trade world of securities settlement and clearing is dependent upon the flows of business generated through managing and growing wealth through investments in securities and funds. The participants and stakeholders in this value chain were already facing significant challenges, even before COVID-19, all of which contain some digital transformation twist to them, including:

- Cost effectively addressing an ever-increasing burden of regulatory compliance and corporate governance;
- Achieving operational efficiency in the face of more complex instruments, products and services, as

well as enhanced client interactions across digital channels;

- Establishing new sources of revenue replacing the evaporating streams of transaction fees and interest income, while embracing the shift towards advisory and performance-based fees;
- Adapting to the shift in customer demographics and behaviour. As Gen X and Y (Millennials) will inherit an estimated €8 trillion euros from their baby boomer parents over the next 5 to 10 years, their focus will move from a purely financial purpose towards a more holistic life-planning approach that includes; impact investing, education and healthcare, as well as possibly restructuring existing debt in tax efficient ways;
- Tackling the competition, presented by; GAFAs, their Chinese

and Japanese counterparts, and other non-banking challengers, that are making ever-deeper inroads into financial services.

Despite the financial crises making a dent in consumer confidence, the established banking and financial services institutions still have the advantage in brand trust, for now, over the neo-players. The key to avoiding becoming disenfranchised is to re-establish, or reinforce, the cradle-to-grave style of trusted relationship that has been the bedrock upon which the industry was built.

Money's gone

For Baby Boomers, the bank was a trusted advisor and custodian of physical assets, i.e. cash and securities. However, both cash and securities have become dematerialised, or digital, and their safe custody is about to become an entirely commoditised service on distributed ledger technology (DLT) and blockchains. Therefore, for banks and financial services providers to continue to enjoy profitable, long-lasting, relationships with Gen X and Y (Millennials), as well as their Gen Z and Alpha Gen children, reinventing

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and recreating this trusted status is the only option.

Fortunately, times have changed. The younger generations are far more comfortable with new technology and the digital delivery of products and services. A phenomenon that should be in the industry's favour. If established institutions were to attempt to re-build a trusted relationship using the traditional one-to-one, human-to-human paradigm, then the operational expense would be simply too great. However, the behavioural characteristics of the newer generations, provides these institutions with the opportunity to leverage their trusted brands and use new digital technology to cost effectively achieve the equivalent one-to-one customer experience and personalised service that their parents and grandparents valued.

So, whether a financial institution is adopting a strategy of organic business transformation, or creating a green-field entity to fast-track itself into the new digital age, at the core of the ability to transform will be the use of technology. A core platform that embraces open banking and fintech-ready APIs, which allows seamless, agile integration of the latest expert systems is key. For example, enabling the combination of the institutions own data with external big-data sources and an AI engine to derive life-event and propensity scores that allow hyper-personalisation of products and services. Equally critical are; award-winning levels of front-to-back process automation and platform agnostic technology that permit flexible deployment models, e.g. on premise or in a cloud-based SaaS model. Last, but not

least, in importance is that the supplier has credibility, in terms of depth of experience and expertise, as well as a track record of successful implementations.

For the digital journey to achieve its objectives, a return to the values of the past using the latest new technology innovations, holds the key to making a successful leap into the future. As the quote from the movie goes, "Roads? Where we're going we don't need roads!" But, we will need trust built on digital foundations. ■

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