



# The Future Challenges Of Banking



NUCORO



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# 01 Introduction

**THIS WHITEPAPER WILL EXPLORE THE WAYS TECHNOLOGY IS ENHANCING HOW BANKS CAN RE-ENGAGE CLIENTS, DIVERSIFY THEIR OFFERINGS AND IMPROVE THEIR INTERNAL SYSTEMS.**

## **LESS RISK, MORE ACCESS**

Following the global financial crisis in 2008, the face and landscape of the banking industry in the UK, Ireland and across the world was shaken to its roots. The impossibility of failure and the concept of the untouchability of banks was replaced with a shared belief amongst many that new values, service standards and a sense of accountability both in regulation and in data security were the new normal. It was an industry-wide cultural change for the better – and one that triggered the movement we now know as the Fintech industry.

As the industry disruptors began to grow and establish themselves – we have reached a stage where becoming digital does not fundamentally require changing the essence of the banking business model itself. The most effective applications of technology have either supplemented an existing service or streamlined the infrastructure that powers that service.

This kind of targeted enhancement can come in the form of automation within areas of a service that are historically slow, or admin-heavy like KYC or Customer Onboarding. Additionally, the ability to add new offerings quickly, with full functionality from the start, as part of a wider product range will prove to be a great tool in providing a more holistic experience to you clients whilst also improving customer stickiness and attracting new potential clients to your brand.

**HOW BANKS RESPOND TO THE THREAT OF FINTECH – CHOOSING TO COMPETE OR COLLABORATE WILL BE A DECISION THAT DEFINES THE COURSE FOR THE FUTURE.**



## 02 A Transformed Industry

Keeping up with innovation has been a difficult reality for established banks. The banking industry is also one of the most advanced in terms of the disruption we've seen across finance. Several digital banks – Monzo, Starling and Revolut – being some of the best known in the UK and Irish markets, have seen significant success for their lower fees, increased access via digital portals and the added benefit of moving away from the traditional delivery of established products that have existed for decades. The shift towards the modern reimaginings of these products, both from consumers and the success of challengers, shows the clear and urgent need for established banks to adopt new tools that can really push their offerings into the next age of technologically-enhanced finance.

Technology has the ability to revitalise the delivery and execution of these same products – retaining what makes banks successful now, while introducing new diverse capabilities that will help them thrive in the future.

### A UNIQUE OPPORTUNITY

As the benefits of technology are well-proven through the rise of challengers, where digital access, personalisation and engagement have separated them from a crowd of largely traditional, established incumbent competitors. Banking is structured particularly well to benefit from similar "convenience-based" benefits.

For the established players in the market, the options remain to either consider this an existential threat to what they do, or a vast opportunity to rediscover their roots and begin to acquire the kind of tools and services that allow them to behave and compete like challengers in their own industries.





## 03 Compete or Collaborate

**BANKING PRODUCTS AND PROCESSES FOR SAVINGS, LENDING, AND BUSINESS SERVICES ARE WELL PLACED TO BE DIGITISED DUE, IN NO SMALL PART, TO THEIR STRAIGHT-FORWARD STRUCTURES. THE MAJORITY OF FINANCIAL SECTOR EXECUTIVES (73%) SEE CONSUMER BANKING AS MOST LIKELY TO BE DISRUPTED BY FINTECH, ACCORDING TO PWC RESEARCH.**

**What banks are not able to currently offer became the blueprints for the digital challenger – simple, highly-targeted routes to addressing underserved areas of the banking sector in areas like customer experience and accessibility. It is more than coincidence that fintechs have been very specific in their approach to applying digital tools. The best (and least complicated) way to start digitising, for many established banks at least, would be by adopting market-ready platforms, as opposed to – for example – attempting to overhaul the entire back-office of their existing product range.**

The threat of losing business to technically-capable competitors has been felt in many industries and has led several large incumbents to spend sizeable amounts on launching digitisation projects to the tune of many millions over the last decade. It's also why finding options that extend your product range, through services like investment and automated saving, can be a great option – without disrupting the core of your model.

The banking industry has the advantage of being able to easily add digital wealth management to an offering, without disturbing many of its existing services, unlike other firms that are revamping their central speciality as a business – attempting to change a car's tyres while still driving it, if you will.

Many businesses have turned to digital wealth management across central Europe, engaging a large, existing client base and helping them to centralise their presence in supporting a client's entire financial profile.

Robo-advice capabilities offer a particular benefit of enhancing scalability for banks as a way of engaging their customers with new services. They can achieve this with a minimal increase in headcount while enabling existing staff to focus on growing and managing core banking product sales.



As banks, relationships can vary with customers, from the high-touch needs of those often interacting with a current account, to the more low-touch clients with pensions or savings, only interacting with the bank every now and then. Maintaining an effective and available system of access to customers on those occasions when they do need to engage with you is key – and a major reason why digital tools can have such a great impact. When you can add a digital service that truly brings value, you can re-engage with all kinds of customers, who all might have very varied relationships with your bank.

What's exciting about that prospect is that there is a huge opportunity to be had here: engaging a generation of people who are approaching financial services with different needs and expectations, across the board.

That's why digital channels, and additional services like investment and saving work so well. They help to diversify offerings, re-engage with clients and significantly improve access to services, thereby building on the customisation aspects that have made digital financial products so attractive to retail clients.

**"The way banks interact with their customers has changed fundamentally – and that goes for customers of all ages. Convenience is the way to drive these services forward – and digitally capable tools are the way to provide that convenience in a really transformative and powerful way."**

**John McCann, CRO, Nucoro**





## 04 Fresh Obstacles

The regulation of banks in the UK is undertaken by three main regulators, the: Bank of England (BoE), Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Across the Irish sea, the objectives of the Central Bank with respect to the regulation of the financial sector include maintaining stability within the financial system, protecting consumers and handling resolution in credit institutions.

This system is generally effective but also difficult to manage. While UK and Irish regulation is always designed for the benefit of the consumer, it can also be considered a particularly difficult obstacle to diversifying a product offering; for a bank to add a digital arm to its service brings with it a range of regulatory obligations which need to be fulfilled. In short, keeping up to date with this additional burden is vital to a successful tech partnership.

### TWO BIRDS, ONE STONE

Like with any compliant financial business, automation of reporting (compliance, management and client-based reporting) and similar data-heavy processes have benefits to the firm in time saved, resource redistribution and a reduction in human errors. As an added benefit, companies also use automation to promote the image of a modern, engaged business that values transparency and security.

According to Boston Consulting Group report, the number of individual regulatory changes that banks must track on a global scale has more than tripled since 2011, to an average of 200 revisions per day.

PSD (2009), LPD (2011), MiFID (2004), MiFID II (2018), GDPR (2018) and the PSD2 Open banking regulation are a few of the headline-making changes which have affected and will continue to impact the industry.

For example, a CFA survey found that nearly 60% of asset managers were taking less research from banks than before MiFID II's introduction. This has affected the stock of small mid-cap specialist companies whose profiles have suffered due to loss of business, thereby reducing their stock liquidity.

Boston Consulting Group found that approximately \$321 billion had been paid in regulatory fines since the financial crash in 2008, with North American banks accounting for nearly 63% of those fines.



Technology can help insurers become something of a service hub in the customer's world – enabling them to be a business that really understands what people today need and want, without sacrificing any of the existing products they offer. For any large insurer, to reject technology is less a risk as much as a resignation in the years to come. However, the reality is that the smoothest process to becoming technologically capable – and in a sense, truly prepared for the future – will be to practice a gradual adoption of technical capability, creating less chance of friction to your everyday operations as they evolve.

**TECHNOLOGY CAN ALLOW INCUMBENT PROVIDERS TO MANAGE AN EVOLVING REGULATORY BURDEN, WHILE MAKING THEM MORE COMPETITIVE IN THE SHORT TERM (DIGITAL APP ACCESS, EXPEDITED ONBOARDING PROCESSES, ETC.) AND SATISFY THE EXPECTATIONS OF THEIR CLIENTS.**







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## Key Takeaways

- Tech solutions are able to get to the heart of what often restricts legacy banks, antiquated technology that is cumbersome to maneuver. Banks are becoming more accustomed to utilising Software-as-a-Service (SaaS) solutions offered by fintech businesses, allowing for easy integrations that move toward digital delivery, without the additional baggage of increasing operational headcount. The incorporation of APIs enables fast development of digital platforms that will add real value to a bank's proposition.
- Competition between banks and disruptive challengers can facilitate more partnering within the market. The benefits are multi-faceted and go both ways. For the incumbent banks planning their futures, the benefits of an instant new revenue stream and refreshed customer engagement are invaluable and unique to the digital tools available to you.
- Partnering and acquiring digital tools is not dissimilar to how many tech companies have innovated over the years. It is a less-complicated alternative compared to the in-house approach that many banks have attempted. To treat financial technology as something that will not become the norm in the years to come, or to see it as simply too complicated to adopt is less a risk, as it is a resignation. The introduction of technology into finance is now complete. For those with the ambition, the opportunity to become one of the challengers is there for the taking, and it will be the future of banking in the UK, Ireland and beyond.



# About Nucoro

## The Investments and Savings Innovation Platform

Our mission is to give as many people as possible access to the right investment and savings products. In such a hyper-personalised world, we believe access, control and transparency should be a fundamental part of all our financial experiences.

### A paperless, seamless experience

Our digital onboarding which includes bespoke suitability assessments can either work as a self-service option or advisor led for higher-touch relationships.

### A flexible view of your future finances

With custom dashboards our investment platform does all of this for you, so that beautiful charts and simple explanations are available for your clients and your advisors.

### Empower your clients with full visibility

The Nucoro Platform allows your clients to view their progress against their savings or investment goals, either set by themselves or in collaboration with you.

### Move money at the touch of a button

Gone are the days of mountains of form filling, your digital investment solution should allow your clients to transfer their money at the touch of a button.

## Let's chat about how tech is transforming financial services.

We are excited for the role technology can play in giving customers the tools and the services they need to secure their financial future. **Contact the team at [partnerships@nucoro.com](mailto:partnerships@nucoro.com)** to talk about a potential collaboration.



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