

Future of Banking

A SPECIAL 2-PAGE REPORT



Tom Melville, chief executive of CubeMatch: 'We identified a key area of interest to us'

Remaking the monolith

Banks need not be held back by legacy systems and, with the right partner, can drive modernisation without disruption. **Jason Walsh** reports

Digital transformation is upending every industry under the sun, but as new players come onto the market, established businesses can find themselves frozen, deer-like, in the headlights, despite their large customer bases and other inherent advantages.

Will digital transformation mean abandoning systems that have worked well for decades? Will the change process disrupt the core business? What if a large IT project fails?

Naturally, these questions are being asked both inside and outside an industry that finds itself challenged by and collaborating with the financial technology (fintech) sector.

"In fact, these are the key questions," Tom Melville, chief executive of CubeMatch, said.

A global change and transformation partner, CubeMatch works with financial services organisations to modernise not only systems, but essential business processes. In short, it helps banks meet the disruptors head on, without allowing the change process itself to become a disruption.

"We identified a key area of interest to us: banks are excellent at strategy and high-level planning, but often lack the breadth of skillsets to deliver large transformation projects. When I was working as head of change in a bank, what I didn't have was a change partner who could support me," Melville said.

As a result, CubeMatch sees it as its job to bring its clients from an initial high-level vision to a solid plan and, finally, a functioning system by bringing in consultants with strong domain and technological experience.

Partnering with banks as a

consultant, CubeMatch delivers bespoke strategies because, while all banks face similar challenges, they each have unique business profiles and even IT architectures that often demand particular attention.

They also may – once you get past high-level questions like how to embrace the future – each have very different long-term goals. This can even have an impact on how any particular bank works with partners.

"All banks have different resourcing strategies, and what we believe works best is when they engage with a trusted partner like CubeMatch to deliver. We can either embed specialist consultants into their teams or can provide a complete change team to deliver the project," said Melville.

Founded back in 2002, CubeMatch now operates in countries including Ireland, Britain, the Netherlands,

Germany, India and Singapore – something Melville said adds to the company's value proposition, as it is able to respond to forces operating both locally and across the sector internationally.

"You can have a global team with local experience [so] you're not constrained by location," he said.

Today, a key issue for banking is how to respond to customer demand for speed and flexibility that legacy batch processing systems were never meant to deliver. At the same time, the stability of banking systems, capable of processing millions of transactions and with uptimes measured in decades, cannot simply be cast aside. There is an answer to this conundrum, though, he said.

"We've seen the pitfalls and know the challenges. We bring in the right team and bridge the business-to-IT gap. You need to get rid of that chasm between IT and the business including banking operations," he said.

For Melville, then, while the core technical challenge is real, the deeper issue is one of meeting business needs, which is the ultimate function of IT, after all.

In practical terms, this means that the IT systems should be subservient to the business, and the business of banking is centred around data. This allows new and flexible systems to be married to existing legacy investments in infrastructure. "If you've got a good core legacy system with open APIs, the data can be standardised. Without

that standardisation, you can't get the data in and out fast enough," Melville said.

New front-ends can deliver the expected customer experience and standardised data means that core banking can continue. The result of this is that banks can be enabled to deliver a level of services that can easily match new competitors without jettisoning other important business processes.

Regulatory developments such as PSD2 have already pushed banks to open data and, at the same time, double down on both compliance and security.

"It has opened up an opportunity for the banks to work with fintechs, so you get a really good fintech front-end linking into a really solid core," Melville said.

This solid core is the jewel in the crown for the banks. In fact, some of the positive customer experiences with neo-banks are a result not only of their restricted product offerings, but also the fact that they do run the kind of complex back-end services a large bank is required to.

"The customer doesn't think about what's running in the background as long as it works [and] people underestimate what it takes to run a fully functional end-to-end banking system," he said.

Legacy systems do not have to run in perpetuity, though, and CubeMatch develops migration strategies that take the pain out of the process by deploying new systems that meet today's expectations.

"You keep what's good about what you have, the banking, the infrastructure, the payment systems, and you move away from the things that hold you back," said Melville.

Ultimately, there is no single answer, and nor should there be: solutions should fit the organisation and new systems can be deployed on a modular basis, expanding from there, rather than going for a 'big bang' approach to change and, in doing so, reducing risk.

For Melville, this kind of approach is the reality behind otherwise potentially hazy terms like digital transformation.

"People talk about digital transformation; well, 'digital' is a tool, not the answer. Getting your business strategy and processes right is the answer. Our goal is to meet the business goals as well as reducing the pain and cost of change," said Melville.

"They need to drive their own agenda, and then we will be their right arm," he said.

The value of trust

The technology for the financial industry continues to change at a rapid pace, but no matter what shape it takes, trust and faith will always be necessary

BY QUINTON O'REILLY

Since its inception, banking has stayed relatively consistent, but with the current development in technology quickly advancing, financial services have been catching up.

Much of this is seen through the growth of fintech companies such as Revolut and N26, digital wallets like Apple Pay, and major tech companies like Facebook having their eye on peer-to-peer payments. With all that and regulations like PSD2 coming into play, consumers have never had such a range of choice and options available to them before.

The change has been rapid and the pandemic has helped in its acceleration. A recent payments report from UK Finance found that 54 per cent of adults now use mobile banking, while one-quarter of adults used mobile payments in 2020, showing how ubiquitous these services are now.

Yet while consumers have become used to these concepts, the core element will always be consumer trust. No matter what type of technology will be used, trust must be assured, otherwise a financial service has no chance of gaining and keeping clients.

"It's a cliché to say we don't need banks but need banking, but it's true," said Ronit Ghose, global head of banking, fintech and digital assets for Citi Global Insights. "Banks will be needed as long as they're providing value and convenience."

Much of what we define as financial services has been broken up into smaller components such as instant payment, loans, budgeting, trading, buy now pay later models, cryptocurrency, and other services.

In short, whoever can provide the most value will benefit from this change and that's based on what consumers need in their day-to-day lives. Ghose mentions that people don't think about banking as a service, but in the context of what they need, whether it's buying

lunch, saving up for a holiday or buying a house.

To do that, there needs to be trust and reassurance. Even if it feels like the process of change is slower than expected, that's more because all financial services have to work within regulations, depending on the territory they're in.

sumer or corporate banking with Dr Prag Sharma, head of Citi's Global AI Centre of Excellence, based in Dublin, highlighting how its business clients are noticing technology-powered transformation more than ever.

"Business clients have shown an increased interest in the demand for more digital, real-time services," he said. "At a broader level, we are seeing a convergence of consumer and corporate expectations – corporate clients want to have the same digital experience they are getting at a consumer level."

Earlier this year, Citi established an Artificial Intelligence Centre of Excellence (AI CoE) in Dublin, enhancing its ability to operate within a continuously improving risk and control framework by transforming the way it works with data and new technologies.

"To address the changes we anticipate in the next few years, our Dublin office, through the AI Centre and the Innovation Lab, will focus on uniting Citi's people, processes, data and technology in unexpected ways to unlock even greater value from every human action or machine event," he said.

"Our Dublin office continues to be at the forefront of exploring these emerging trends. The focus of our innovation activities in Dublin has a three-pronged approach – supporting revenue growth, supporting the acceleration of digitisation and new emerging technologies, and client experience."

Whatever the result of this transformation, Ghose sees a future where the type of financial services available will be as varied as the technology running them. There won't be a clear winner from one area, but a restructuring of new and existing institutions.

"It's not that fintech will win and banks won't. Some fintechs will win, some banks will win, and some big tech companies will win," he said. "We're in a new paradigm which is the information age, and just like the industrial age where you had banks, new banks are created for the information age or digital era."



Dr Prag Sharma, head of Citi's Global AI Centre of Excellence

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Consumers are very much attracted to choice and ease of use, said Ghose, and a financial service that offers one or both will be very attractive to them.

In that case, fintech companies do have two advantages: the first is better technology to make things easier and more convenient, while the second is price point where the less it costs to transfer money or complete other services – or, in some cases, not cost the consumer anything – the better.

A similar transformation is happening across non-con-

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