



Transformation In Banking



Banking in the Future

New Expectations from a New Generation of Customers

In 2030, 70% of Banking Customers will be Gene Y



Social Media



Digital / Online

Generation Y



Unfaithful



Easily Bored

But!

If you think

That's what I

will talk about...

You are

WRONG



PURE CHANGE IS NOT ENOUGH, WE NEED...

METAMORPHOSIS

A PRESENTATION BY M. ASKIN DOLASTIR

ROME, NOVEMBER 2016

A Brief History of Time

Executives and Technology were not always Best Friends...



Technology as a Blackbox

Technology was a blackbox whose sole responsible was the CIO



Infrastructural Improvements

Banks usually preferred to grow rapidly, postponing the infrastructural improvements to set up a solid system necessary for audit, risk and IT.



Board Buy-in

It was hard to convince the executives for technological investments especially because the ROI was vague



Human Factor

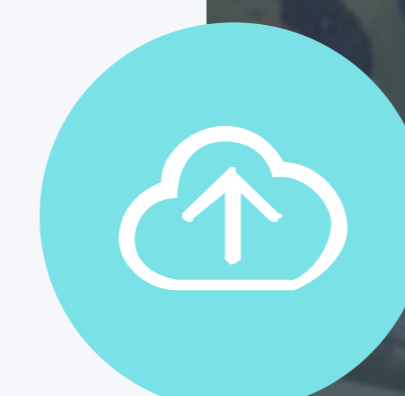
People are reluctant to use the new technologies because:

- * They are worried that they will replace them
- * They do not trust them
- * They don't know how to use them



Technology as a Blackbox

As it stands, technology is increasingly driven by business model changes so now all the board members have to possess a broad, strategic view of technological needs, opportunities and investments.



Infrastructural Improvements

Many banks are beginning to address their infrastructure and updating their legacy systems pieced together over years of mergers and acquisitions.



Board Buy-in

As technology becomes increasingly central to strategic considerations, boards have to adopt a strategic approach to transformation.



Human Factor

It is true that new technologies enable automation thus reducing the required human resource to run simple processes but also with the use of new technologies, new areas of employment emerge (such as data scientists)

Regulations

Forcing banks to renew their back office systems in order to strengthen their data capture and data feed.

Require significant amount of granular data, and most of the time, the use of advanced analytics

Can also set back the use of new technologies for banks. Cloud technologies can be a good example for that kind of technological restrictions.

Delivery time of complex reports as early as D+5 makes it impossible to prepare different reports and consolidate them. The solution is designing consolidated datamarts and automating report making processes; which also provide libraries accommodating «off-the-shelf» reports

■ **BASEL I-II-III**

Reduces the ability of banks to damage the economy by taking on excess risk

■ **Consumer Protection Law**

Ensure the rights of consumers as well as fair trade, competition and accurate information in the marketplace

■ **Competition Law**

Seeks to maintain market competition by regulating anti-competitive conduct by companies.

■ **Volcker Rule**

Restricts making speculative investments that may jeopardize the interests of the customers.

■ **GDPR**

Intends to strengthen and unify data protection for individuals within the European Union

■ **BCBS 239**

Although submitted by the Basel Committee for «effective risk data aggregation and risk reporting», it includes principles for data governance and might be adopted for general data management purposes

■ **IFRS**

Ensures that the financial statements are transparent, accountable, efficient and comparable

Competition

Sometimes it is OK that you do not invent the wheel yourself; but you cannot continue the way on foot once it is invented...

Non-bank Challengers

Challengers like fintechs which are built for continuous innovation. They are focused, so they are more agile and efficient. They can also operate at a higher level of productivity (e.g. PayPal, WU)

Also industries like Telco, with the increased rate of digitalisation, developed the technological abilities to provide the services that previously only banks could give...

Other Banks

Other big players of the financial institutions ecosystem are considering the same things you do, at the same time you do. Or maybe more?

How to Compete?

While fintechs have the advantage of agility, big banks have the advantage of whealy data sources and trust.

The best way to stay competitive is to engage with different players to develop new solutions. Partner with / hire fintechs in order to take advantage of the digital advances.

The Recipee

Use platforms like «hackathon» to provide innovative ideas from startups



Choose the most promising projects for your strategies



Require a simulation



Introduce the simulations to your Affluent customers to turn them into «Angel investors» for these startups



Repeat as necessary to build an innovative ecosystem that all parties benefit

Emerging Technologies

While regulations and market conditions force the executives to invest in analytical technologies, new advancements ensure that these technologies prove themselves.

■ Big Data

New storage and querying techniques for higher volumes and extended varieties of data

■ Real-time Analytics

For instant alert-mechanisms or increased customer satisfaction via personalized marketing methods.

■ Machine Learning

Self improving models for advanced / predictive and prescriptive analytics

■ IoT

Taking advantage of connected architecture people use in everyday life

■ Cloud

Shared computing resources for operational and cost efficiency

■ In-memory Analytics

With the reduced cost of hardware, new ways of using current technologies enable faster analytics.

■ ■ ■ ■ And so many more (bitcoin, blockchain, AI....)

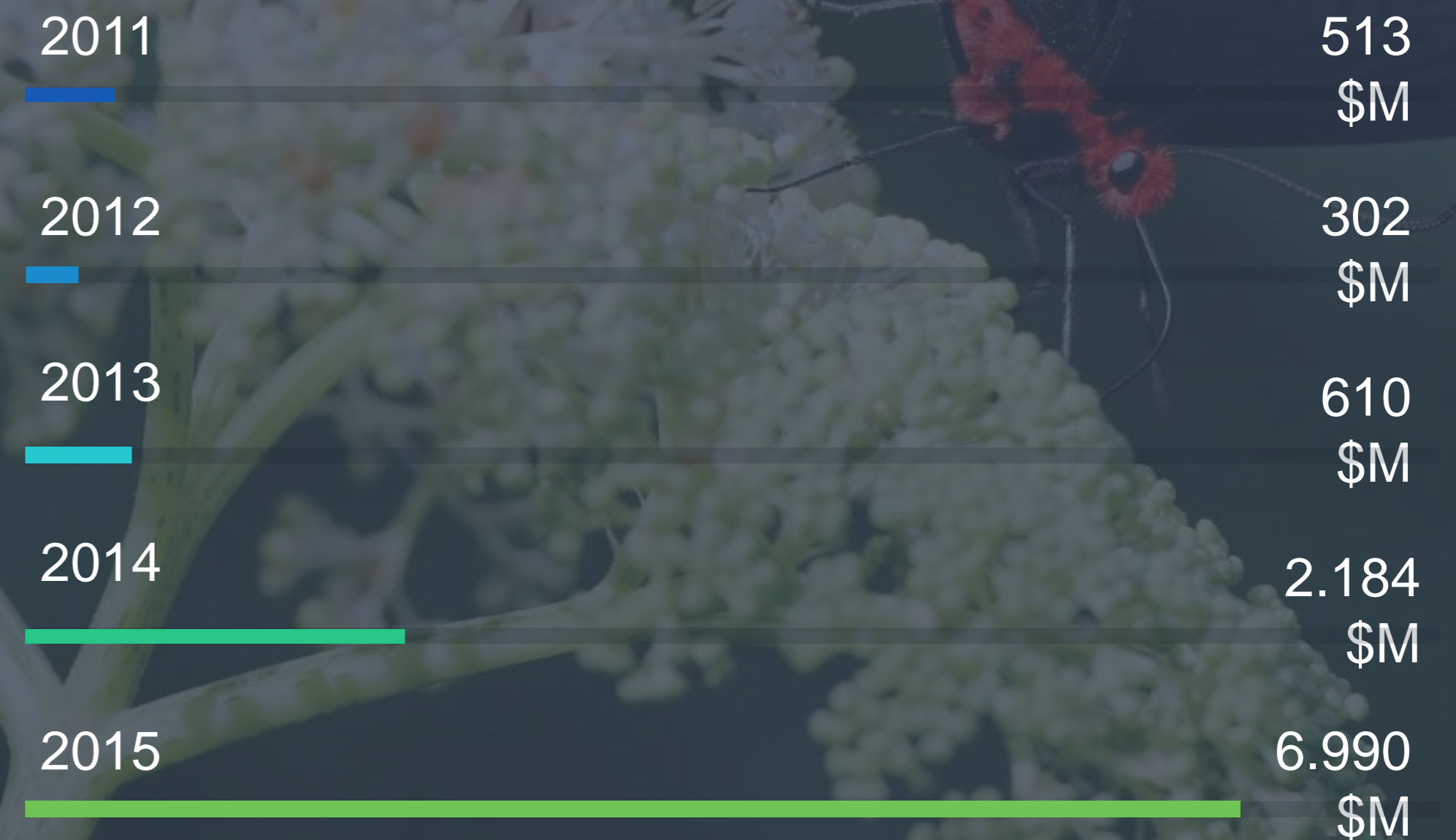
Clear Vision of Benefits

With a clearer view of the future, boards are adopting a strategic approach to transformation

The ROI expectations for analytics costs dramatically increased in the eyes of the executives. This helps them to build a broad, strategic view of technology needs, opportunities and investments

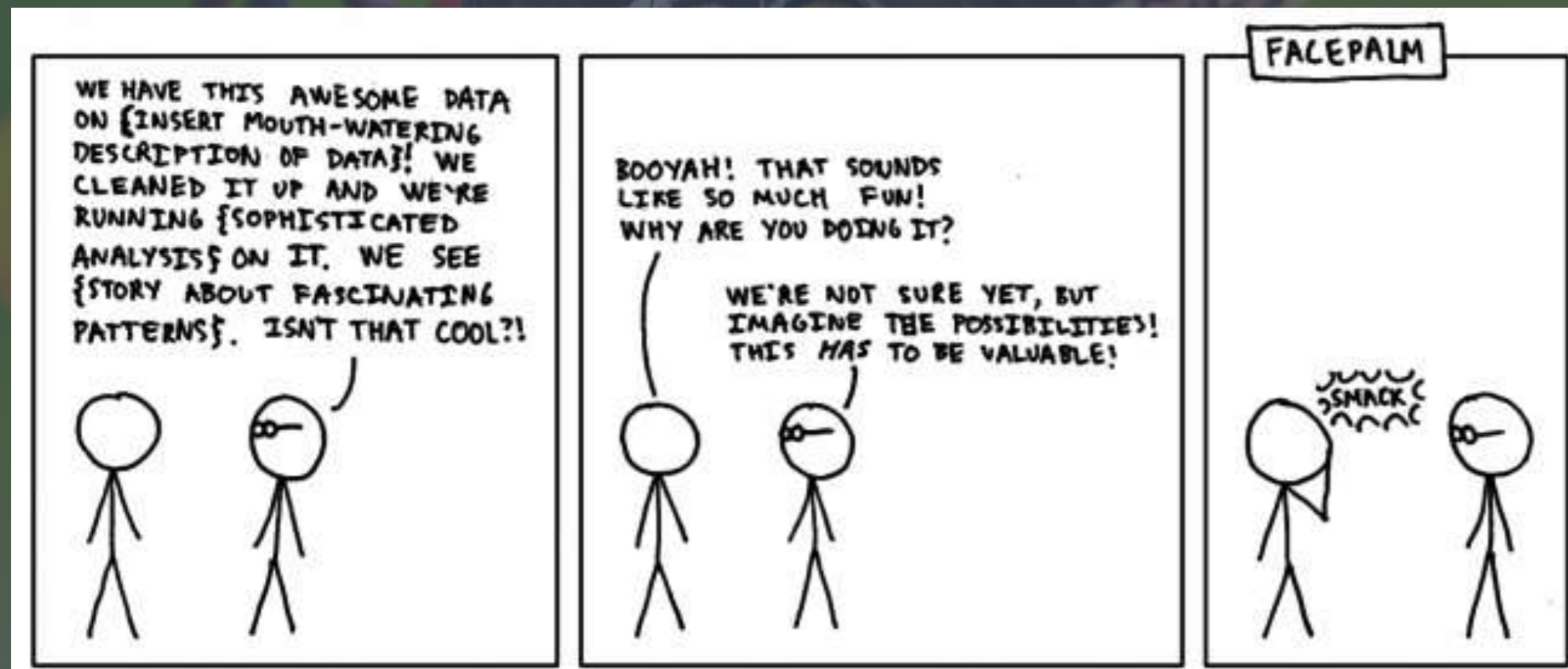
Digital banking global yearly financing history

Source: CB Insights, 2016



Sort out the «Substance» from the «Noise»

Bank boards are working hard to distinguish between hype and real disruption



Anticipating the Future of Analytics

Define the need

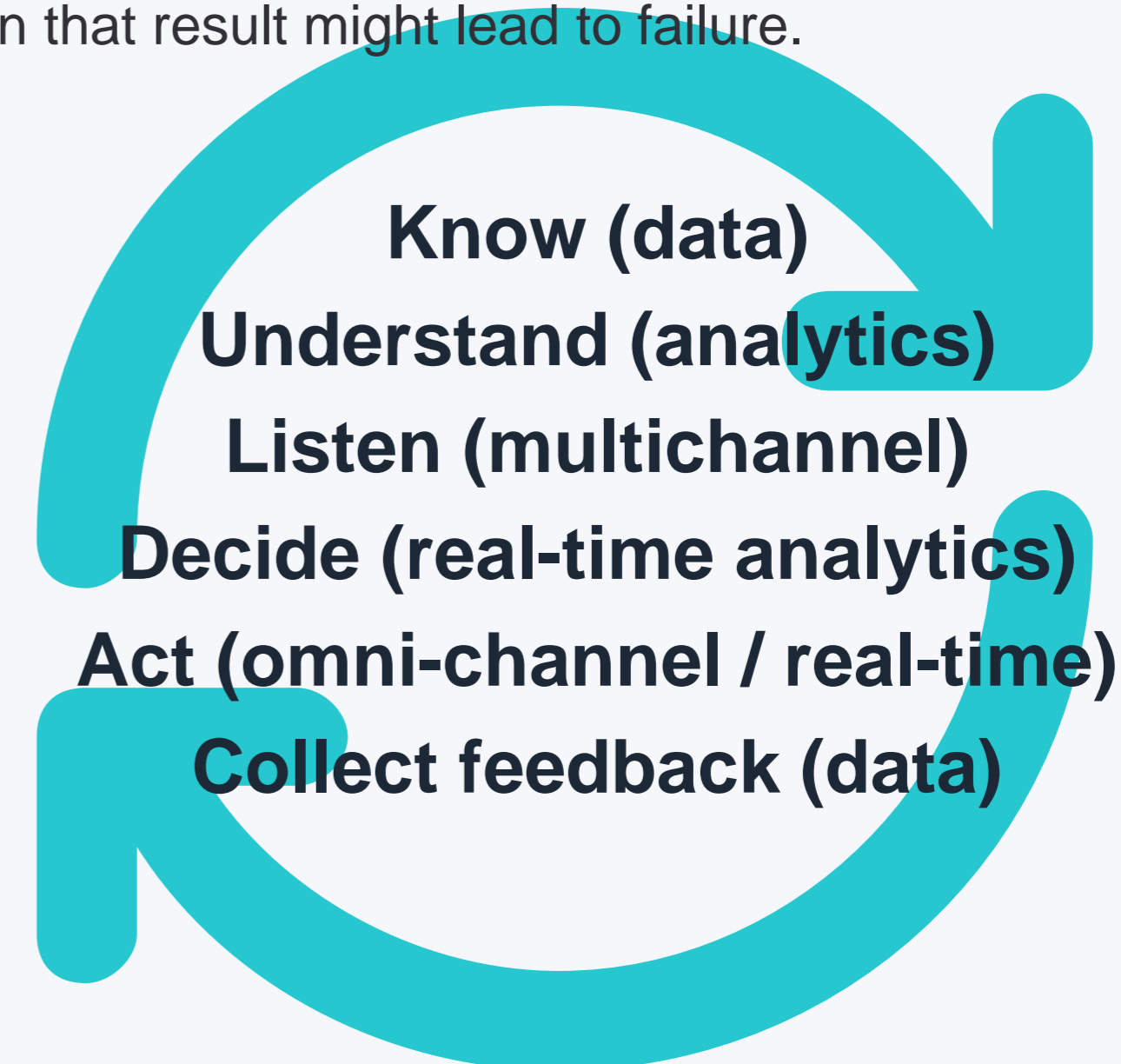
Investments should not be made to deploy a technology, rather they should be decided upon what needs to be done and what technology can answer the need with the most benefits.

Define the question

Wandering through data is fun and you may come across interesting patterns, but not every pattern is useful and leads to a result. You should have a question in mind when starting in order to get fast and valuable results

Define the model

A bad designed model might still have a result but acting upon that result might lead to failure.



Better Defined «ROI»

What is success?

Most of the time, the successful finishing of a deployment project puts the check next to the project as if it was the main concern. Nobody returns to look if we really got what we expected.

Measure the KPI's

Analytical investments can have fairly measurable KPIs to define their success

Adoption of Users

Investments may fail because human resources to use that technology may not have a matching skillset

Examples to KPIs to be used for measuring investment success:

 Service levels Resilience Risk reduction Security

Changing the Mindset to Embrace «Digitalization»

Deployment of the most competitive technologies unaided by the users-to-be would not be sufficient.

User adoption is the most important factor for an analytics project to be successful.

No amount of technology will help if you don't address the people issues driven by digital.

Transforming the Culture

Introduce a business culture supporting innovation and digitalization

Training

Up-skill your employees with a strategy around digital training. Help them understand that it is important to embrace new ways of doing business in order to survive.

Motivation

Every single employee might contribute to digitalization. You should build a conducive corporate environment that you can hear any good idea from any of your employees.

User Experience

Sometimes the reason why users cannot adopt the new analytical technology might be about the design of the UI (user interface). Perform any necessary simplifications and user experience principles as needed.

Measurement

The success of the analytical sandbox you roll out to your internal customers should be measured easily. You should create an environment that supports feedback and clear performance indicators.

Optimisation as a Benefit of Analytics

A good example for a deployment project and its after benefits would be TEB's use of «[SAS Credit Risk Management Software](#)» for BASEL II



Optimisation

The engine has a model to allocate collaterals to risks to minimize the RWA



Efficiency

Less to no time to calculate, all resources are dedicated to analysis and strategical improvements



Speed in Service

All questions are answered in the blink of an eye



Efficiency as a Benefit of Analytics

Another example for TEB's efficient analytics use would be the smooth and hassle-free transition to Basel III with «[SAS Risk Management For Banking ALM Module](#)»



Efficiency & Effectiveness

Automation of new regulatory reporting requirements of BRSA
To replace current semi-automated environment with efficient and effective management of balance sheet



Enhanced Analysis Capability

Executing dynamic balance sheet analysis



Risk Mitigation

Minimizing operational risk resulting from manual works



Consistency Improvement

Building common platform for ALM, Risk Management and Finance, governed and validated by Finance



Digitalization & Transformation

How?

Maximize the use of existing technology

When we turn to look at ourselves, we may see we have already deployed multiple technologies but we cannot use them to their full potential. Use them! This is also about the user culture problem that we previously talked about.

Seek for the little upgrades

See where your technology stands in a good point and how it can be further amended and prevailed across the bank with little effort.


Choose your battles

Since you cannot invest in every part of the digitalization path at once, choose your radical investments from the ones with the most financial and non-financial expected returns.


Focus on the Outcomes

Choose your KPIs for measuring success from the ones that focus on business value. For example, how many times your digital app is downloaded is not a related metric for business value.

Examples



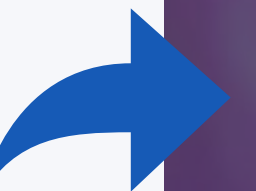
SAS Enterprise Guide usage is limited to risk rating models and named calculation engines such as BASEL infrastructure. Extend the licence to meet predictive data analytics needs.



Upgrade current profitability calculation engines to provide more granular data for usage in enhanced analytics.



«I have to sort out the current data sources I have before I go for VARIETY. Thus, my priority is Data Governance and I will work on Big Data afterwards....»



What questions should I need to answer? What would be the direct and indirect benefits of answering these solutions?
What questions are answered after deploying the particular solution?
What is my gain in terms of service levels, efficiency, risk reduction, etc?
Is this investment worth it?

Thank You

