Can Banks Self-Disrupt
or is the Epitaph already Written?

Sanjeev Mehra
Managing Director & Head of Global Product Development
Global Consumer Technology
The journey thus far...

- 2000 BC Assyria and Babylonia – Merchants give loans to farmers
- Ancient Greece and Rome – Deposits and money changers
- Oldest bank in operation – Monte dei Paschi di Siena since 1472
- 2nd half of 20th century – ATMs, Credit Cards, Electronic Funds Transfer, 24 hours banking
- Y2K – Self service Internet banking and Brokerage/Trading
- Last 5 years – Mobile banking, FinTech, P2P lending, digital currency, electronic wallets... the flood has just begun...

...and the future is already here...

- Rapid
  - Globalization
  - Urbanization
  - Digitization
- Smartphone + high speed internet, ‘Internet Of Things’
- FinTech is here and growing exponentially
- Disruption and extinction are given

“Would you like to see it one more time. You may have blinked and missed it”
– Tim Cook at the launch of Apple Pay
Is the Epitaph already written?

35% of banking revenues by 2020 are at risk because of disruption from FinTech

In 2015, Alipay processed US$931 billion worth of transactions – 3.3 times more than PayPal

Source: visualcapitalist.com
## FINTECH INVESTMENT CATEGORIES

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance/Lending</td>
<td>19%</td>
</tr>
<tr>
<td>Processing/Payment Gateways/Rails</td>
<td>14%</td>
</tr>
<tr>
<td>Mobile Wallet/White Label</td>
<td>10%</td>
</tr>
<tr>
<td>Authentication/Security/Fraud Analysis</td>
<td>7%</td>
</tr>
<tr>
<td>Remittance</td>
<td>7%</td>
</tr>
<tr>
<td>P2P</td>
<td>6%</td>
</tr>
<tr>
<td>Banks/Mobile Banking</td>
<td>4%</td>
</tr>
<tr>
<td>Prepaid Cards</td>
<td>2%</td>
</tr>
<tr>
<td>Networks</td>
<td>1%</td>
</tr>
<tr>
<td>Others</td>
<td>30%</td>
</tr>
</tbody>
</table>

## FINTECH LATEST TRENDS

### SERVICE-BASED INVESTING
Upcoming industry of paid services around low-cost investing

### ROBO INVESTING
Online wealth management service providing automated, algorithm-based portfolio management advice without using human financial planners

### DIGITAL-BASED EQUITY CROWDFUNDING
Digital platforms offering accredited investors the option to fund seed and early stage companies

Source: visualcapitalist.com
The glass is half-full….

- This presents both Opportunities and Threats

- The incumbents have advantages:
  - Established brands, franchises and customer base
  - Trust of the regulators
  - Institutional knowledge & infrastructure of the markets / products / processes
  - the DNA to use technology for disruption

Vanguard took its Personal Advisor Services platform from $0 in assets under management (AUM) last year to $41 billion today. This is more than all other major U.S. robo-advisors combined.

....and there are levers…

- Culture and Talent – ‘Intrapreneurship’ and Innovation

- Open up and be part of the FinTech ecosystem

- Perceptual Scale

- Technology Reboot
The Levers…

Culture & Talent
- Foster a culture of ‘Intrapreneurship’
- Setup competitive centers of innovation, with empowered, autonomous and self organizing teams
- Be agile – organize for rapid, adaptive, iterations at scale
- Build, test and learn – fail-fast-learn-fast

Open up
- “Fintegrate” with startups to build new experiences
- Open up with APIs
- Social Media Integration
- Run hackathons and boot camps – Citi Mobile Challenge
- Setup Innovation Labs and host partners
- If you can afford it … Acquire
Digital Partnerships & APIs....the new economy

Strangers will be your best friends
Business will come from channels that do not exist today

- Paradigm shift in sales and distribution models of banks – 3rd parties will create a new source of revenue for the banks
- Banks can exploit disruptions to their advantage and ride the tsunami of app based economy and connected devices (IOT)

Reboot the financial ecosystem
Key pillar of MAS’ 9-point strategy

- APIs at national level will be an economic force multiplier
- Entrepreneurs will develop new solutions, taking Singapore towards its Smart Nation vision
- Basic thrust of President Obama’s Open Data Executive Order in 2013
The Levers...

Perceptual Scale
be disproportionately larger than life

- Channels and touch points at strategic locations create a larger perceived presence
- Smart Banking – Most visible where your customers live, work or entertain
- Ubiquitous – Open for business ALL the time, anywhere, and on any channel or device
- Remarkable Experience – Simplicity Rules!

Simplified Technology Framework

- Multi speed architecture
  - Web responsive, Omni-Channel and Device agnostic UI/UX
  - Micro-services and API enabled systems of processes/Workflows
  - Cloud Enabled platforms
  - Backed by slow changing systems of records
- Agile and Continuous delivery: componentized development and deployment
Elements of Perceptual Scale
All this is fine… but HOW?

- **Power of NOW** – never a perfect time to get started
- **Top-Down or Bottoms-Up** – start bottom-up and top-down will catch up

- **Power of Nudge** – use every book of work item on your plate to incrementally nudge on these levers
- **Smart Bets** – no large budgets for organization or tech changes
- **Test-Learn-Pivot** – you continuously get closer to a better state, learn tremendously and able to recalibrate and correct
There is a tide in the affairs of men, Which taken at the flood, leads on to fortune. Omitted, all the voyage of their life is bound in shallows and in miseries. On such a full sea are we now afloat. And we must take the current when it serves, or lose our ventures.

(William Shakespeare)
...the choice is ours...
Thank you