

Strange New World: What Next for Banks?

How do banks establish leadership positions in a new, uncertain world?

Icon Solutions' payments experts have compiled insights from their network to deliver key recommendations and considerations.

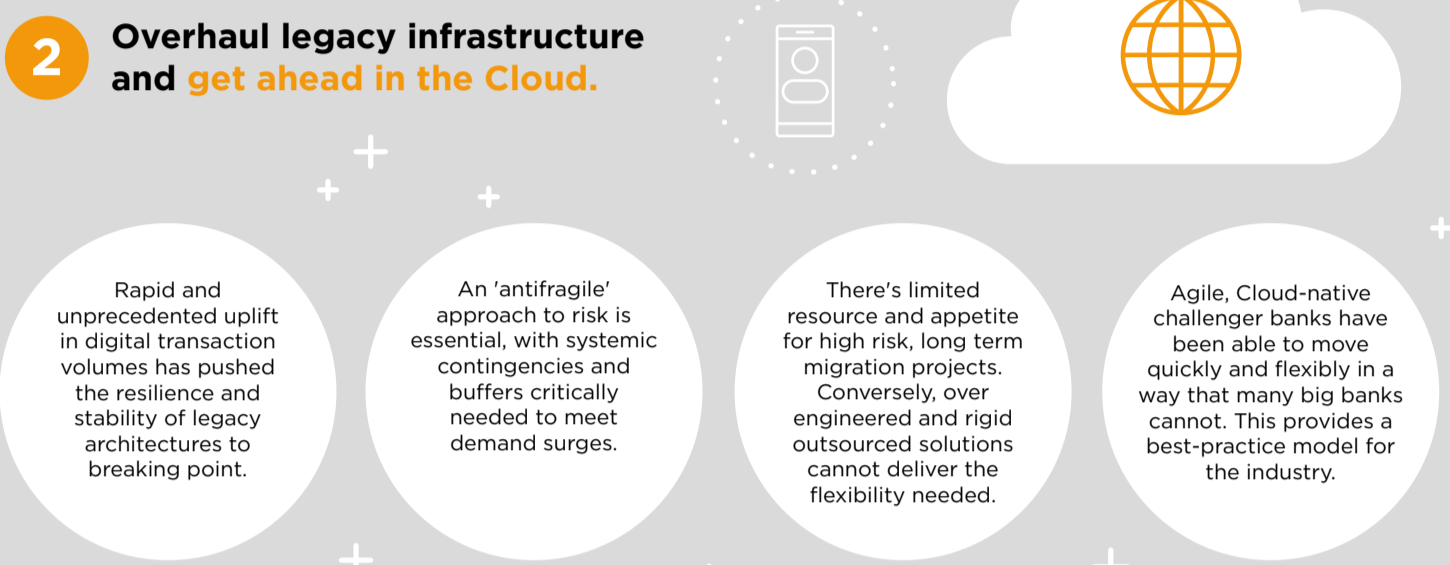


1 Offset the impact of squeezed revenue streams. Quickly.

<p>Threat of a 'second wave' means transaction volumes will continue to fluctuate in the short-term at the point-of-sale and across supply chains and corporate, FX and trade finance transactions.</p>	<p>Reduced general demand for banking products and services will limit cross-selling opportunities.</p>	<p>Historically low interest rates are likely to remain in place around the world for the foreseeable future, with the prospect of negative rates a real possibility.</p>	<p>Exposure to non-performing loans is rising with delinquency and default rates seeing record increases.</p>	<p>Fixed operational costs are hard to reduce given legacy infrastructure and a lack of straight-through processing, coupled with increased pressure across customer service, fraud and loan delinquency.</p>
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To mitigate long-term revenue constraints, consider prioritising and accelerating strategic payments transformation initiatives to reduce total cost of ownership (TCO) by factors, while improving digital services and customer experience.

2 Overhaul legacy infrastructure and get ahead in the Cloud.



Consider Cloud-native infrastructure to enable simpler, more scalable, lower risk approaches to delivering service continuity and operational resilience.

3 Build foundations to rapidly respond to changing customer requirements and provide greater control.

- ▶ Financial behaviour will be changed long-term. Banks will need to constantly innovate to help people manage their money in different ways.
- ▶ Immediate access to credit and liquidity, combined with repayment flexibility, will continue to be essential for consumers and corporates.
- ▶ With financial circumstances changing so quickly, instant data-driven decisioning will be critical to supporting the specific needs of individual customers at any given time.
- ▶ Partnerships and collaboration between incumbent players and fintechs can deliver advanced digital know-how at scale.



In addition to Cloud-native infrastructure, utilising open source technologies can support and accelerate the delivery of personalised, value-added digital products and services.

4 Support positive remote interactions.

- ▶ Infrastructure, policies and practices are undergoing careful scrutiny to enable secure, efficient remote interactions at a previously unimaginable scale.
- ▶ Huge redistribution and retraining of workforces from in-branch to support digital and call centre channels is taking place.
- ▶ Digital inexperience of some consumers has triggered a spike in fraud, while cyberattackers are targeting vulnerabilities in remote working operations. Banks need to be pragmatic about the current threat landscape and adjust their risk appetite.
- ▶ Artificial intelligence (AI) and machine learning (ML) technologies will have a key role to play in service provision to support human resources, but must be used in the right way and at the right time. Most importantly, they must work!



Embracing the powerful capabilities of AI and ML as part of their Cloud strategy can support the transition away from predominantly physical interactions and towards positive, safe remote experiences.

5 Use extra time and flexibility from regulatory rollbacks wisely.

Planned migrations and deadlines, such as SWIFT ISO 20022 and Open Banking mandates, have been delayed. Experience suggests this extra time is a necessity, not a luxury.

'Non-essential' operational on operations may have been pushed back, but expect renewed and increased focus on the potentially catastrophic impact of outages during crises.

Relaxed liquidity buffers and capitalisation requirements provide flexibility to deliver economic stimulus and support customers.



Market-leader banks whose transformation plans put them ahead of the regulatory curve can further consolidate their position and focus on supporting customers, while those who have fallen behind now enter a critical window to get back on track.

6 Embrace purpose in new-look economies.

- ▶ Banks have facilitated the distribution of massive government stimulus, relief and requisition packages directly to corporates and consumers.
- ▶ After many years of industrial decline in some countries, banks can facilitate a significant uptick in investment and output to shore up domestic supply chains.
- ▶ Governments may have a role in supporting technically unviable businesses that banks or communities consider essential.
- ▶ Calls for fairer, more sustainable economies may push banks to promote financial inclusion and provide access to financial products and services on better terms.



Banks must prepare for radically altered economies and a new position within them. The reward is a generational opportunity to re-shape public opinion towards the industry.

Complexity simplified.

Icon Solutions is collaborating with the financial services industry to navigate the new normal by accelerating transformation to deliver innovative new customer experiences, increased agility and resilience, and reduced costs.

Have insights to share? Join the conversation @IconSolutions



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