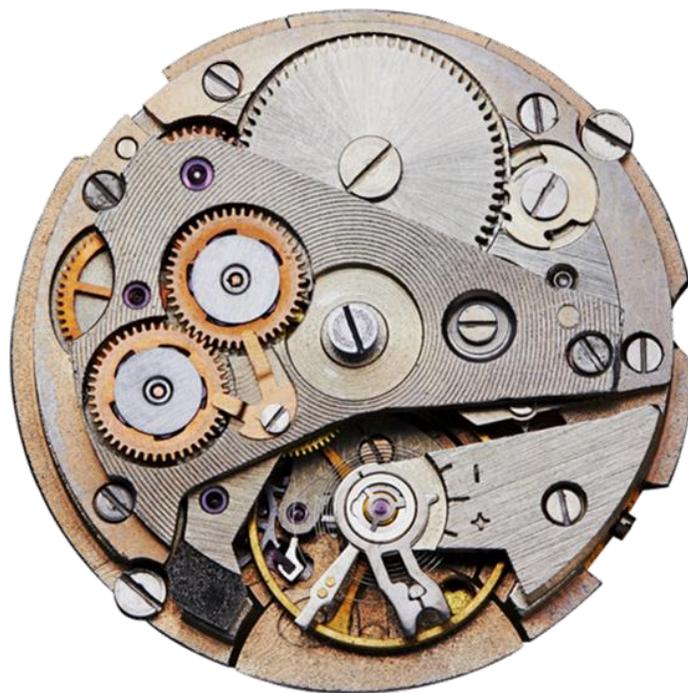


**Deloitte.**

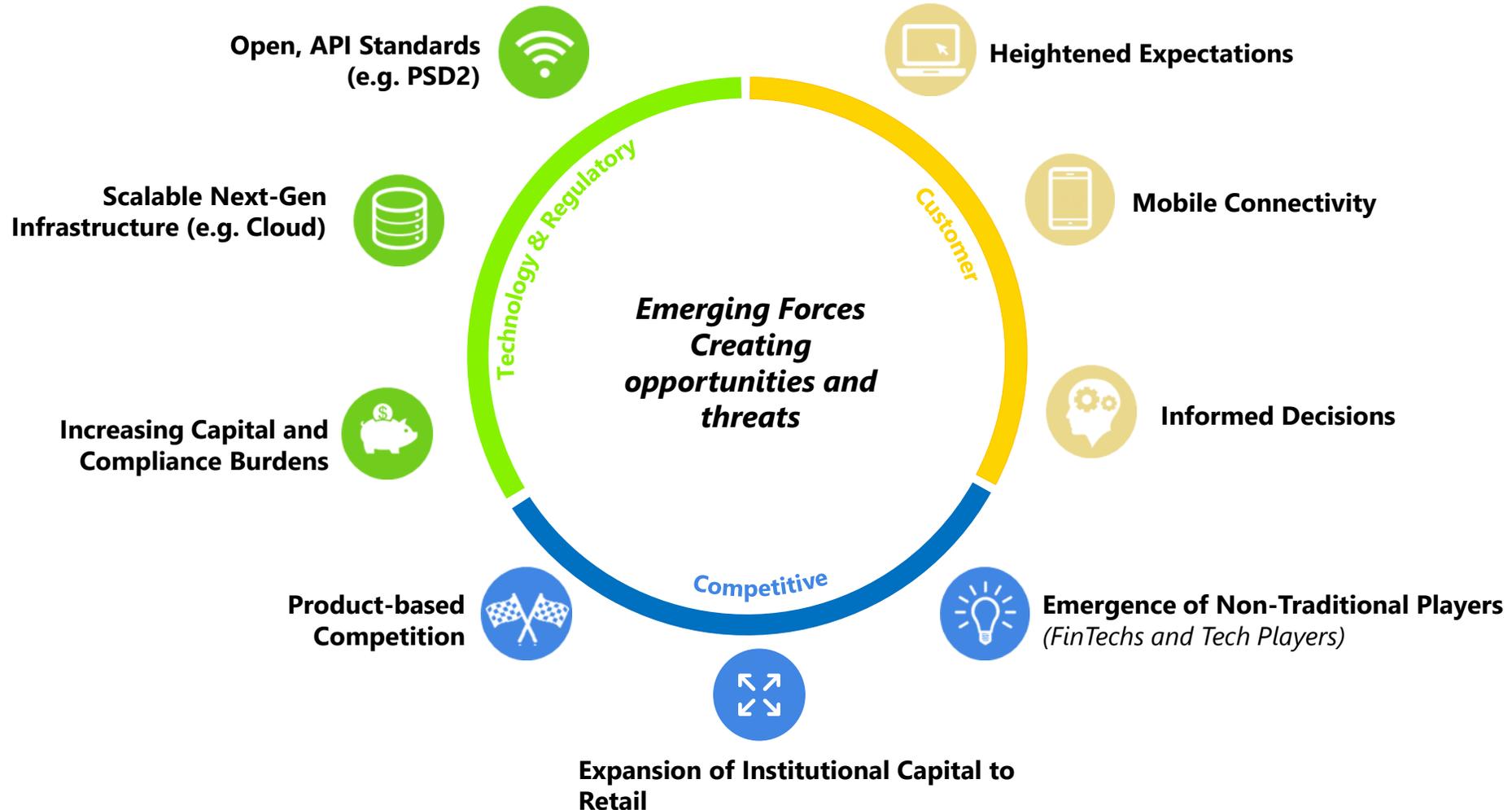


17<sup>TH</sup> JANUARY

# Future of Banking

Emerging trends and Archetypes

# Numerous emerging forces are shaping the future of Banking



# Four (4) major digital archetypes are evolving

## 1. Pure Digital

*Digital only Bank for selling of simple product (savings, credit cards, account aggregations etc.)*



## 2. Omni-Digital Bank

*Intelligent, personalized and contextual engagement across online and offline channels*



## 3. Ecosystem/ Platform Banking

*Bundling of financial and non financial services to meet customer life and everyday needs*



## 4. Open Banking

*Opening up of data with external ecosystem through open architecture to offer innovative services*

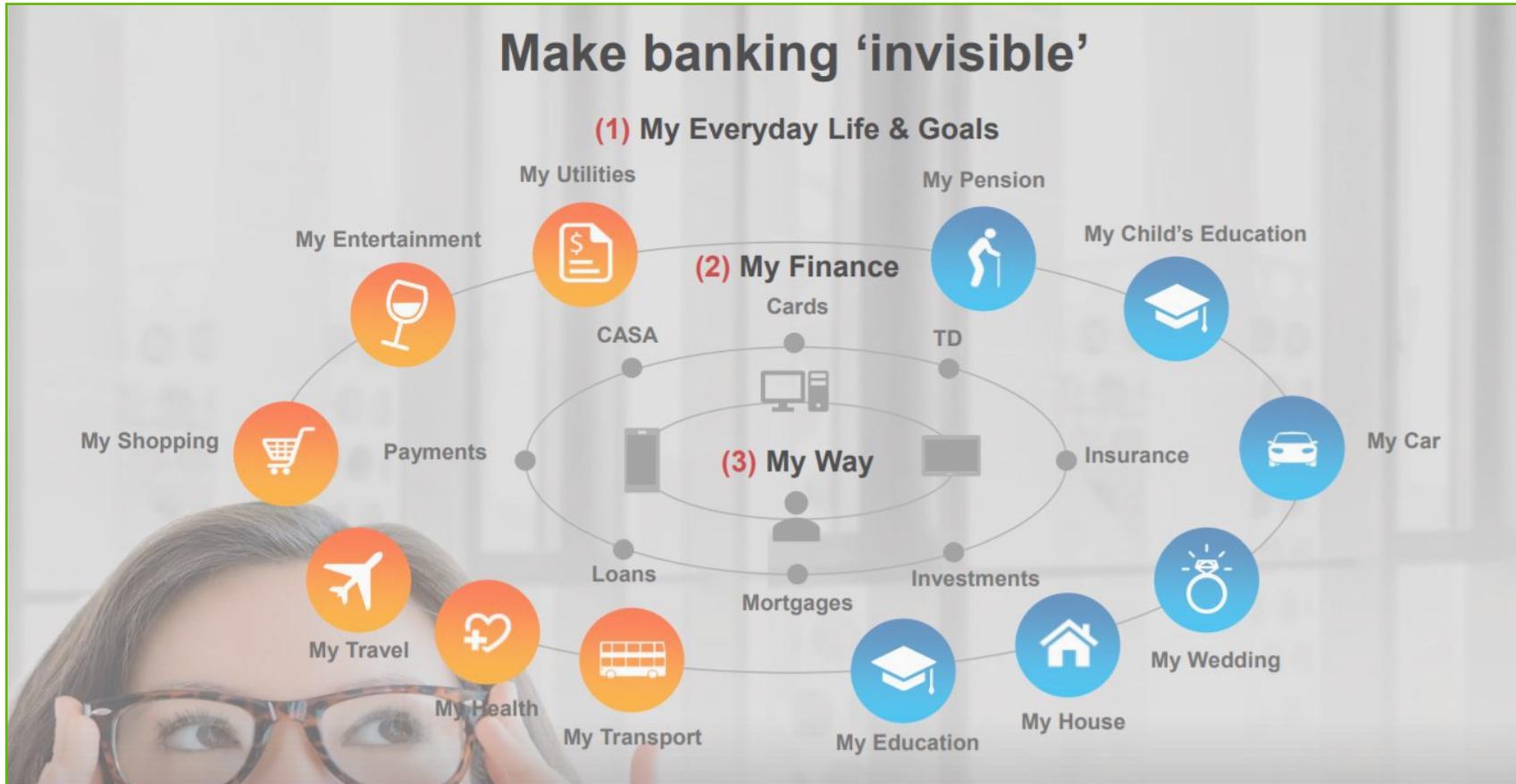
*Selected UK and Australian Banks*

# BBVA has utilized an array of initiatives to create new opportunities in both new and existing markets

	Target	Value Proposition	Features
<p><b>1. Pure Digital</b> <b>(US – New Market)</b></p>		<p><b>BBVA acquired “PURE Digital Bank” to enter US market. Simple products to transact online</b></p>	<p>Users are able to access functions like deposits and personal financial management <b>without the need to visit a physical bank branch</b></p>
<p><b>2. Omni-Digital Channel</b> <b>(Spain – Existing Market)</b></p>	 <p>Premier (New Segment)</p>	<p><b>Provide a new service that combines physical and virtual banking</b></p>	<p><b>Users can do virtually anything they can do</b> at branch (e.g. seek advice, open an account, make an inquiry, sign up for a card, open a deposit account)</p>
	 <p>SME (Existing Segment)</p>	<p><b>Offer to SMEs services, typically available only for big enterprises”</b></p>	<p>Aiming to address also <b>non financial needs of SMEs</b> (e.g. HR payroll outsourcing, CRM and ERP solutions)</p>

Source: Market Research

# DBS's aims to create a platform bank to solve customer daily & life needs. "Make Banking Invisible"



## Enablers

- Ecosystem Partnerships
- FinTech Enablers
- Data Analytics capabilities
- API Capabilities

# Platform banking provides strong hooks and stickiness for end-customers and significantly differentiates banks from its competitors

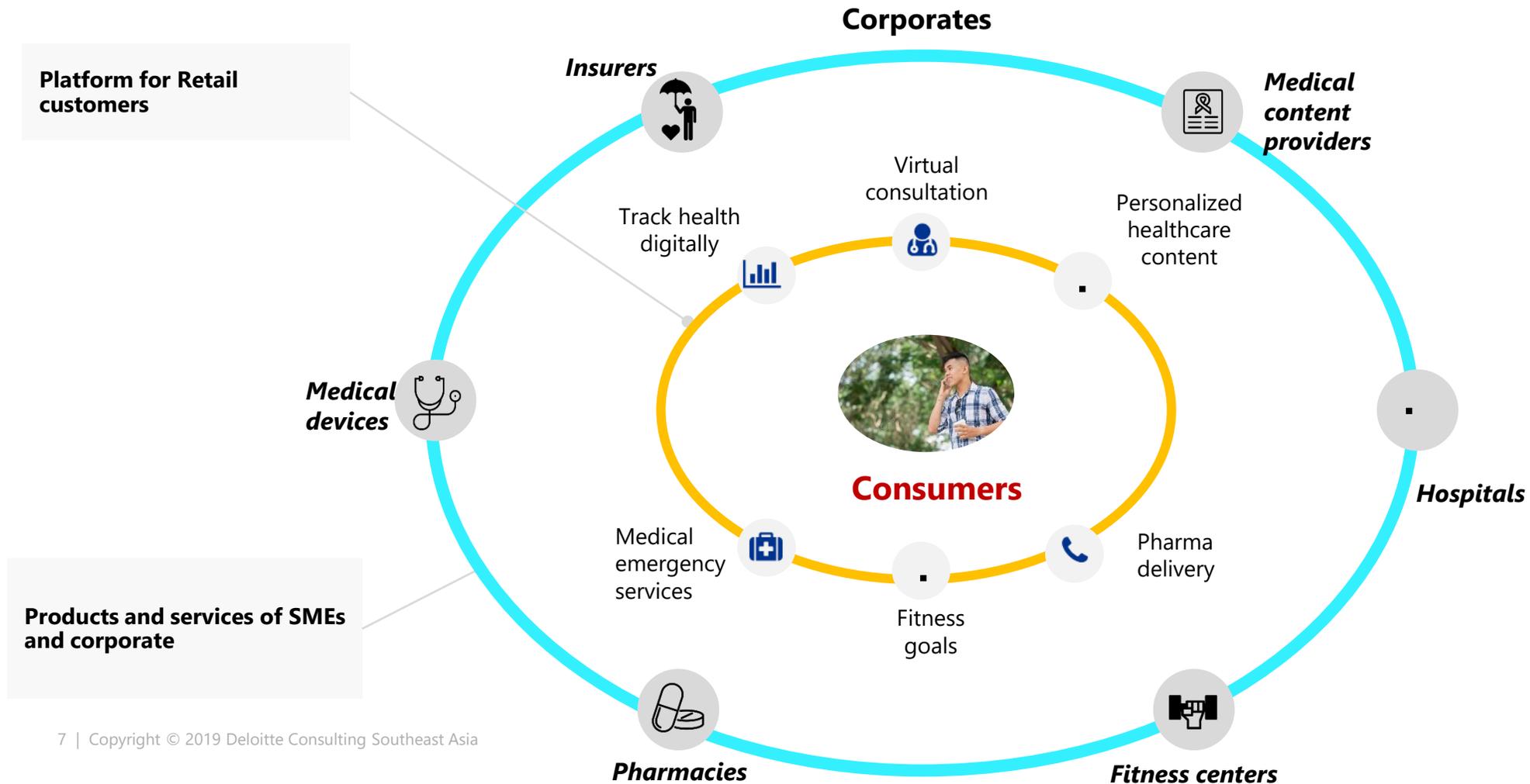
## Platform value to end-customer

- **“Help me with relevant content”** - Contextualized and tailored content and recommendations for unmet customer needs
- **“Provides me access to all the services which address my unmet needs”** - One-stop digital **platform** for customers that solves their unique, unmet needs
- **“Provide seamless servicing”** - Online for online purchase, fulfillment, touch-less payment

## Platform value to Bank

- **Enhance customer trust** Addressing their daily needs and life needs not just financial
- **Potential to increase credit card/payment transactions revenue**
- **Potential to earn new revenue stream** from ecosystem services
- **Cross-sell and up-sell other financial (Insurance, loan etc.) and non-financial products** by leveraging deeper customer insights

# Imagine - A platform that creates value for both Retail and Corporate clients

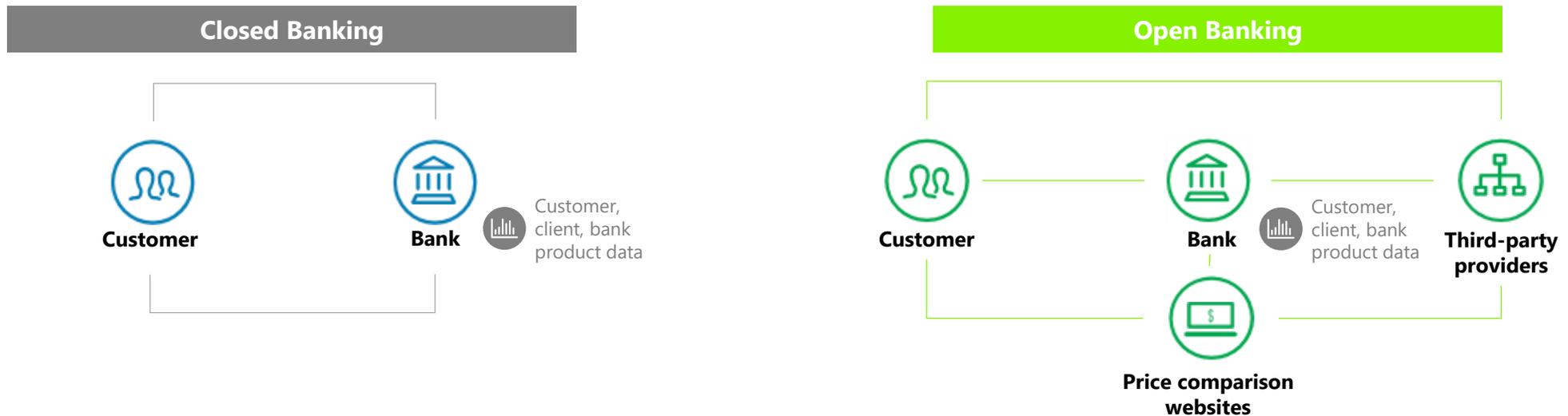




# Open Banking

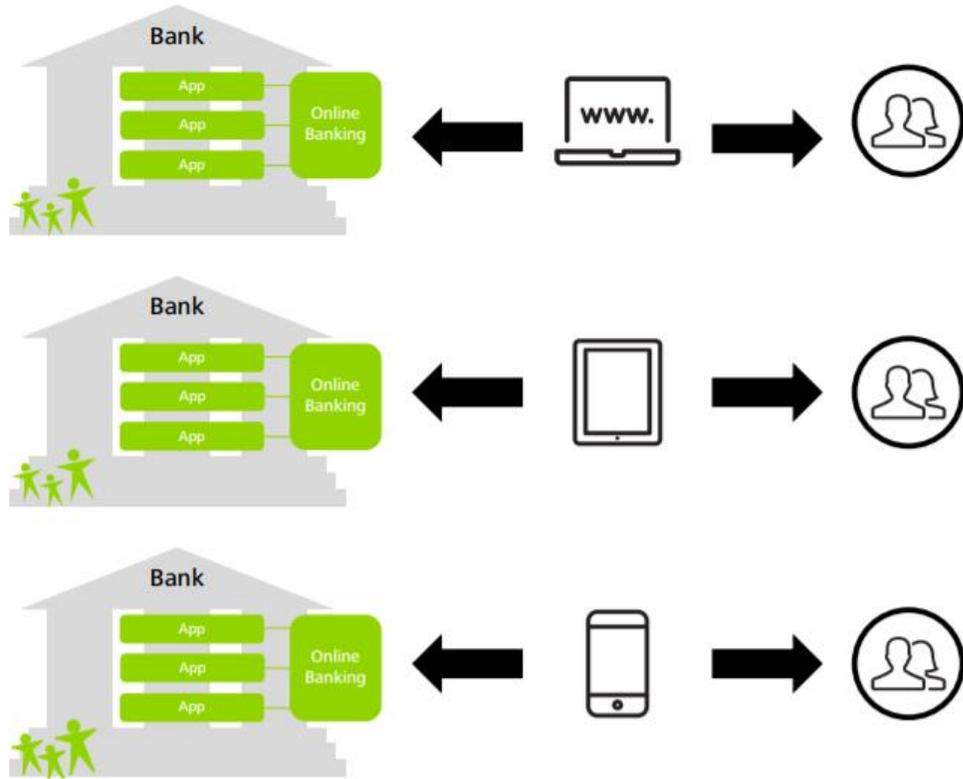
# What is Open Banking?

Open banking is a global movement that promotes customer's right to **share their own financial information** with third parties, which will enable new business models that expand **generation and delivery of value** beyond a vertically-integrated value chain to an **external ecosystem**



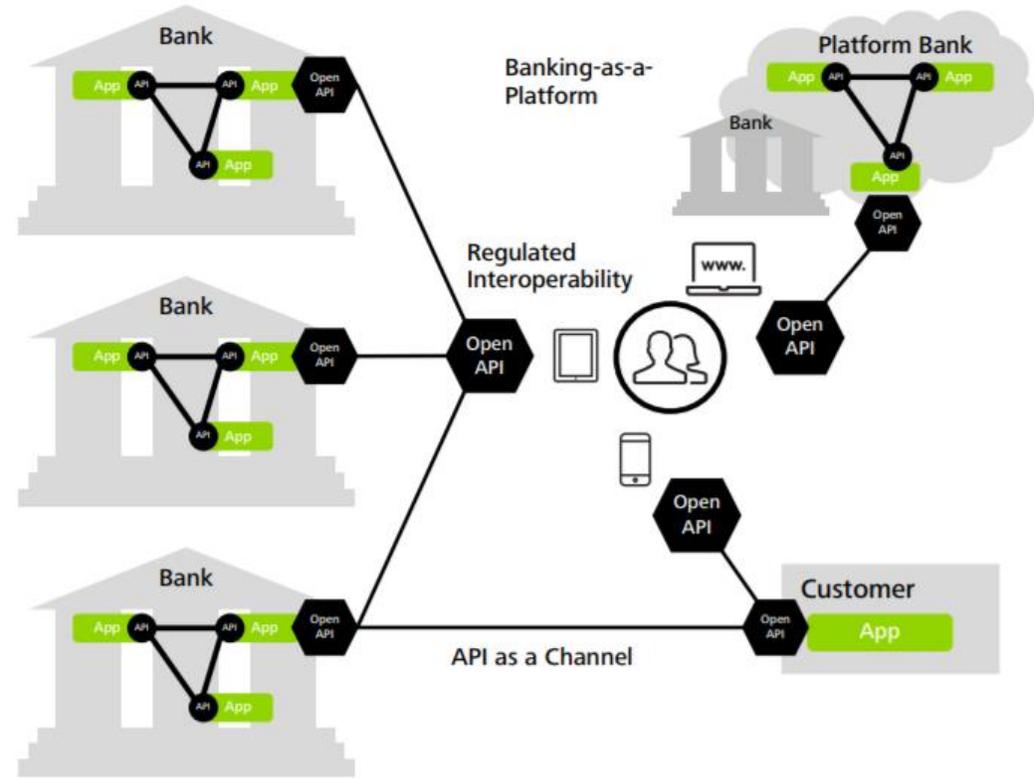
# Open Banking will create new ways for customer interacting with banks

WITHOUT OPEN APIs



- Different apps and user experiences for each bank
- Digital connections with the client are direct, dedicated, and closed

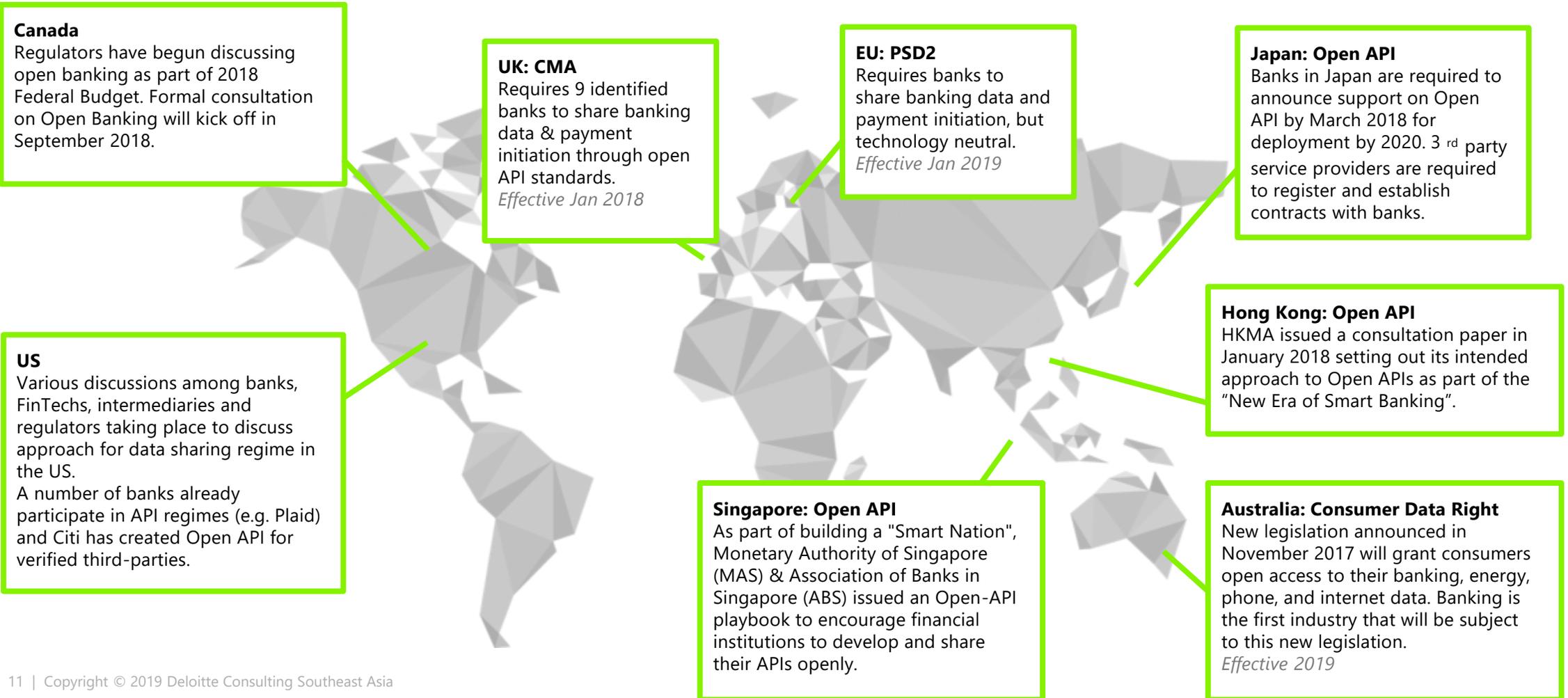
WITH OPEN APIs



- Disruption of traditional relationship between banks and their clients
- Interoperability through APIs available to external consumers

# Open Banking trends across the globe

Open Banking is gaining support across the globe, as several jurisdictions look to proliferate innovation and competition in their financial services sector



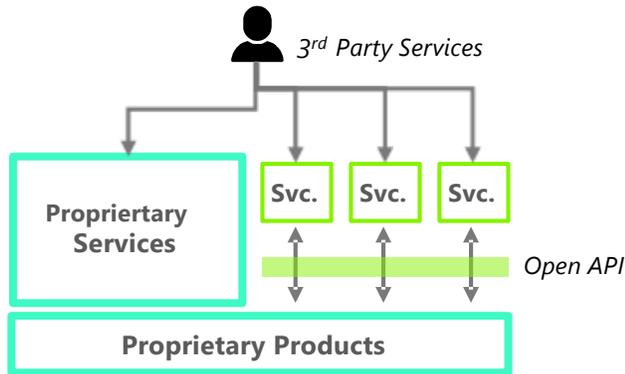
# Open Banking approaches across the globe

	 <b>Australia</b>	 <b>EU</b>	 <b>Japan</b>	 <b>UK</b>	 <b>USA</b>
<b>Market vs regulator driven</b>	Regulator-driven	Regulator-driven	Regulator- and market-driven	Regulator-driven	Market-driven
<b>Main objectives of Open Banking</b>	Empower consumers to access and benefit from their data	Harmonize banking across the EU, foster competition and innovation	Modernize the banking system, and foster competition	Increase range of service providers in the market	Developed as a source of competitive advantage for individual FIs
<b>Entities that have to comply</b>	All authorized deposit-taking institutions (ADIs)	All ASPSPs (Account Service Payment Service Provider) across EU	All institutions regulated by the Banking Act	Top 9 banks by assets	FIs that self-select into opening access to data
<b>Scope of data to be shared</b>	Customer data Transaction data Product data Identity verification	Customer data Transaction data	Transaction data Account balance data	Customer data Transaction data Product data Aggregated data	Institution-dependent
<b>Third-party access rights</b>	Read only	Read and write	Read and write	Read and write	Institution-dependent

# What do Open Banking policies stipulate?

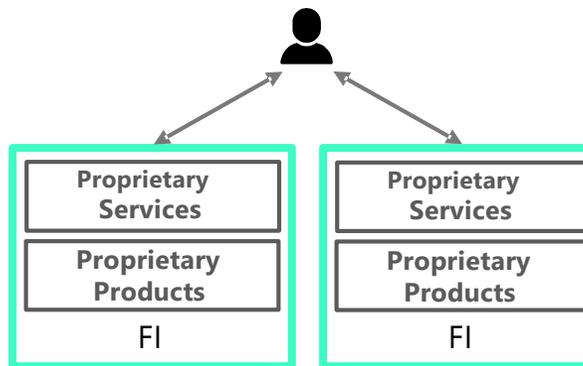
The adoption of Open Banking will lead to drastic changes to the bilateral relationships between customers and their banks

## DISINTEGRATION OF SERVICES



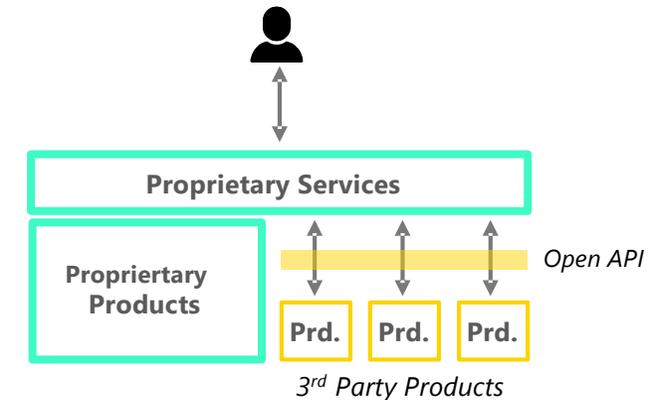
- 3rd-party providers (banks and non-banks) will gain access to bank data with customer consent
- Modes of access to bank products will widen beyond propriety services / experiences
- These third-party serve providers will be able to facilitate sales of their products through "payment initiation"

## INTEGRATED BANKING (TODAY)



- Products are accessed and managed entirely through FI's propriety services and experiences
- While customers may hold products from various institutions, each institution has limited visibility and control over products held in other institutions

## AGGREGATION OF 3<sup>RD</sup> PARTY PRODUCTS



- Aggregating information on 3<sup>rd</sup> party products will become easier for service providers, including banks
- Current regime does **NOT** offer service providers an ability to freely distribute third-party products any more than they are currently able to

These effects will be realized simultaneously, likely leading to a **complex network of service providers and product providers** interacting with one another

# ASEAN Readiness for Open Banking

Based on ranking on Asia Pacific markets on their readiness for Open Banking



**Readiness:**  
**High**

- MAS-endorsed guidelines
- Moderate external / public API adoption
- High banking digitalization
- Vibrant Fintech / TPP ecosystem



**Readiness:**  
**Medium**

- Lack of regulatory framework
- Poor external / public API adoption
- Low security preparedness



**Readiness:**  
**Medium**

- Lack of regulatory framework
- Low external / public API adoption
- Low banking digitalization



**Readiness:**  
**Medium**

- Lack of regulatory framework
- Low external / public API adoption
- Low security preparedness



**Readiness:**  
**Low**

- Lack of regulatory support
- Low external / public API adoption
- Low banking digitalization



**Readiness:**  
**Low**

- Lack of regulatory support
- Underdeveloped Fintech / TPP ecosystem
- Low banking digitalization

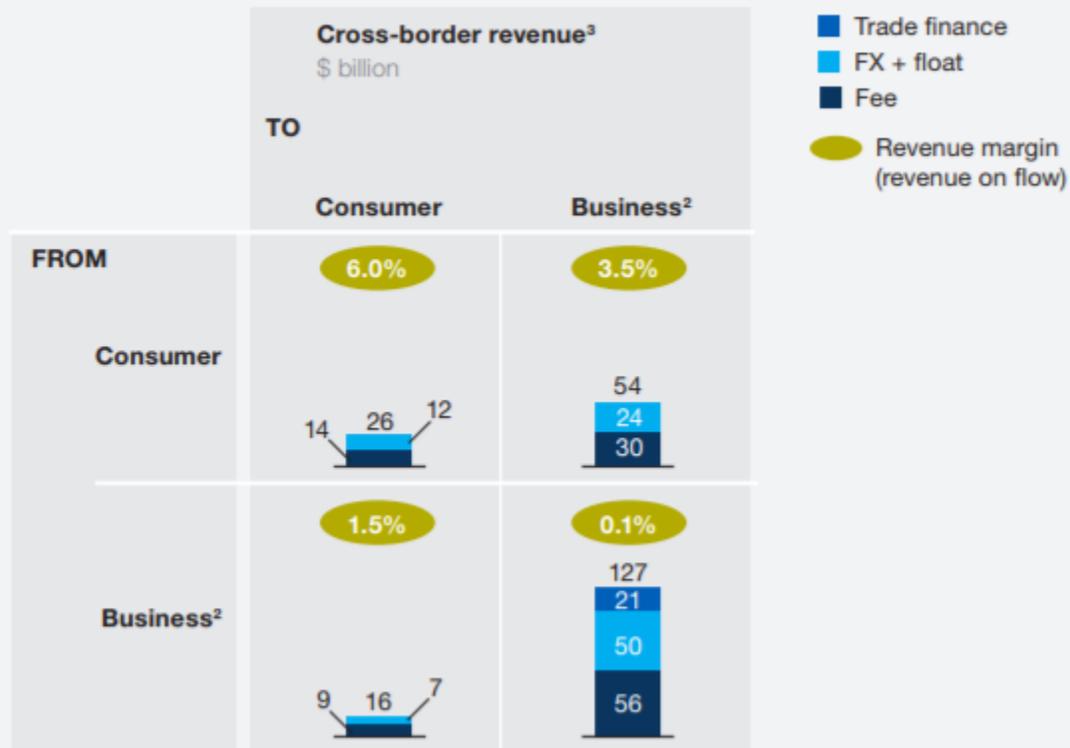
Source: IDC Financial Insights

# Cross-Border Payments



# In the era of globalization, International payments serve as the engine enabling cross-border trade

Global cross-border payments revenues, 2017



- Cross-border flows represent only one-sixth of total transaction values,
- International payments revenues total up to \$200 billion globally
- Roughly evenly between transaction fees and foreign exchange (FX) revenues
- Many firms have emerged to address a variety of use cases in cross-border payment especially in Consumer to Consumer and business to consumer space

# Though many challenges exist in the conventional cross-border payment model

## Challenge for Commercial Banks

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- **Divergence in regulatory standards** across jurisdiction **increases operational costs** of correspondence banking
- **Legacy infrastructure constraints** results in a need for **adequate downtime for updates** and end-of-day processes for reconciliation
- **Foreign exchange considerations** due to functional currencies for settlement causes **additional liquidity and operational costs**

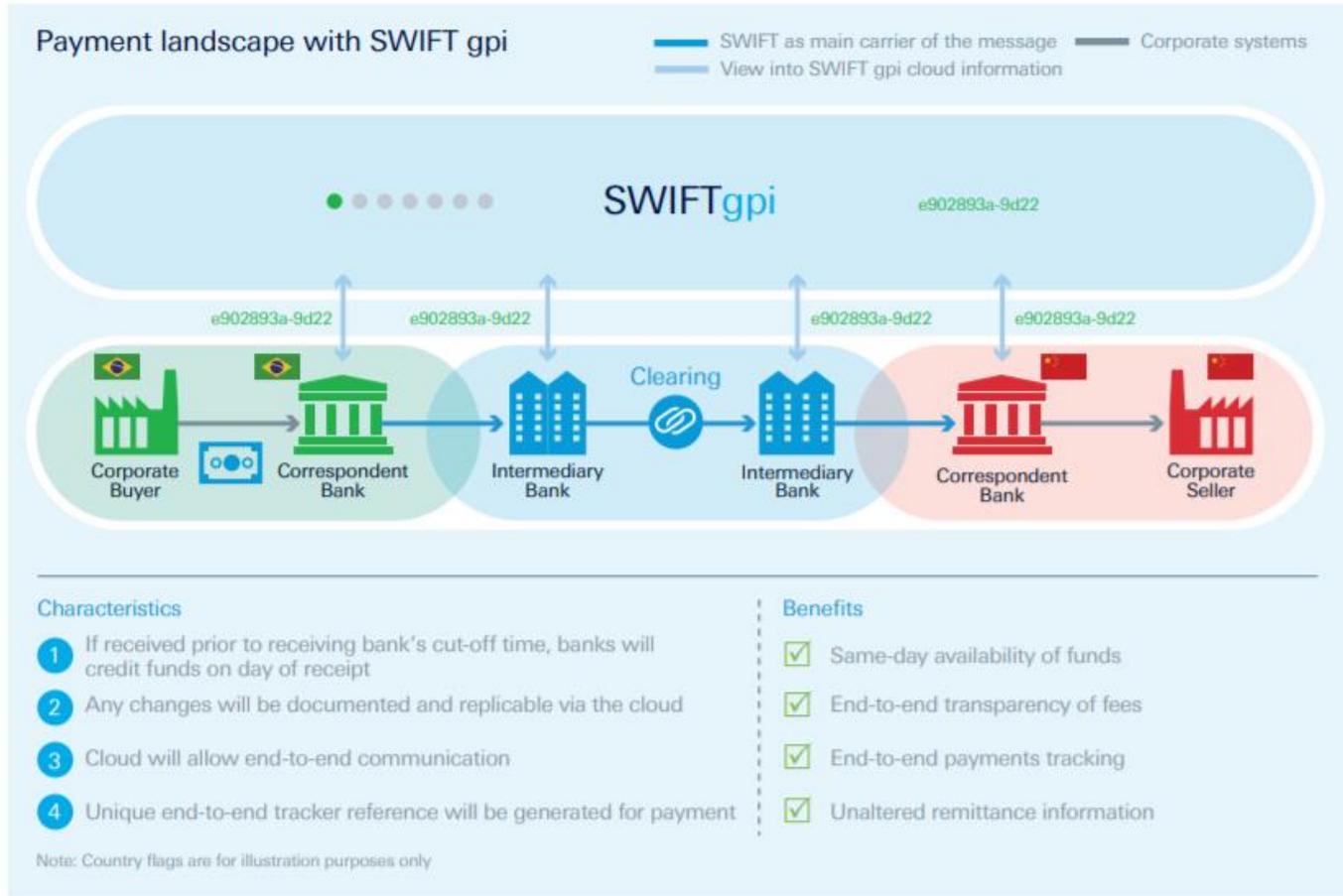
## Challenge for End-Users

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- **Lack of transparency regarding payment status** and costs creates worry and fear, possibly even financial loss
- **Delays in payment processing** due to manual processing because of failure in meeting compliance standards
- **Limited service availability** across multiple jurisdiction due to operating hour and time zone differences

Need a Faster, Transparent and cost efficient solution

# Cross-Industry initiatives are trying to address these problems



SWIFT's gpi is one example of such an industry collaboration, connecting more than 250 banks

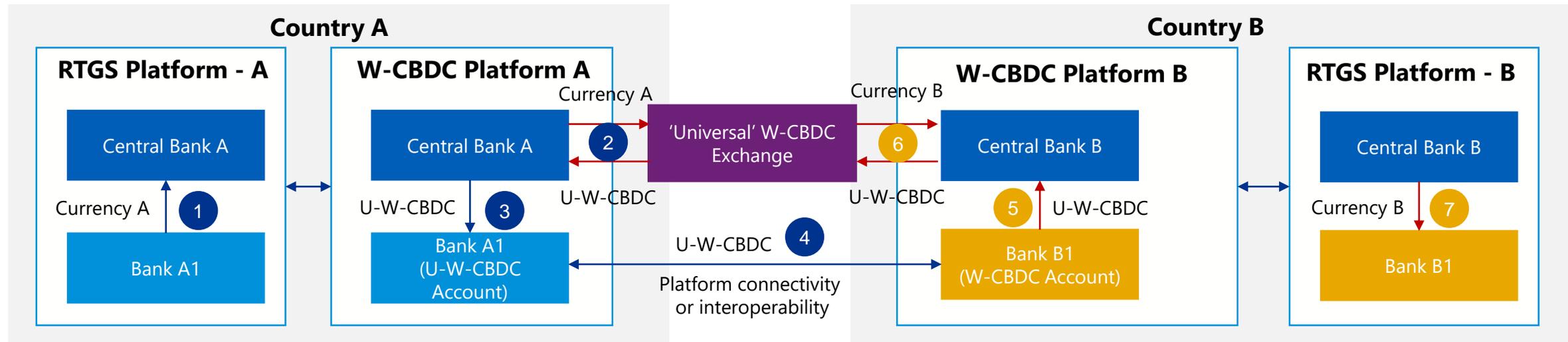
By connecting every party in a payment chain via a cloud solution, SWIFT GPI can improve the speed, transparency and traceability of payments. It can also deliver significant time and cost savings for banks over the longer term.

Its phased implementation projects and SWIFT GPI is currently in process of experimentation with DLT technology and exploring its merits

# New models such as CBDC are being explored on DLT

A central bank issued digital currency (CBDC) is a tokenized form of a central bank issued currency that enables a financial transaction based on two blockchain platform

## Option: Universal CBDC model (universally accepted CBDC linked to the exchange rates through a basket of currencies)



### Benefits of CBDC?

- Resolves challenges with operating hours as the blockchain network can be operated 24/7
- However counterparty and settlement risks are still present due to the dependency for correspondent banking

Source: CBDC report

# Approach to Digital Banking

Combined, these forces will require a paradigm shift by traditional financial institutions to redefine its role in the financial services ecosystem

## What Are Our Goals and Aspirations?

- Now with understanding of emerging forces **define your Banks aspiration**
  - Technology company
  - Specialized FS product providers
  - Platform owner Vs platform participant
  - ....

## Where to Play?

- Determine which **Value pools do you want to play** ?
  - New markets, new segments (New Value Pools)
  - Existing market, new segment (enhance and grow)
  - Existing market, existing segment (protect and grow)
  - New revenue pools (ecosystem fees)

## How to Win?

- Determine **customer unmet needs and challenges**
- **Understand competition** (banking and non-banking)
- Create **differentiated propositions** - Select **right ecosystems** to play in

## Required Capabilities?

- **Collaboration is key** (FinTech, TechFins, Start-ups, Technology companies)
- **APIs will be the key** part of behind digitally relevant
- **Digital Tech will requires to operate at various speeds**
  - Faster Implementation front-end services
  - Reinventing core for digital
- **Make your organization digitally relevant (Agile, DevOps..)**



# Thank You !!!

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