

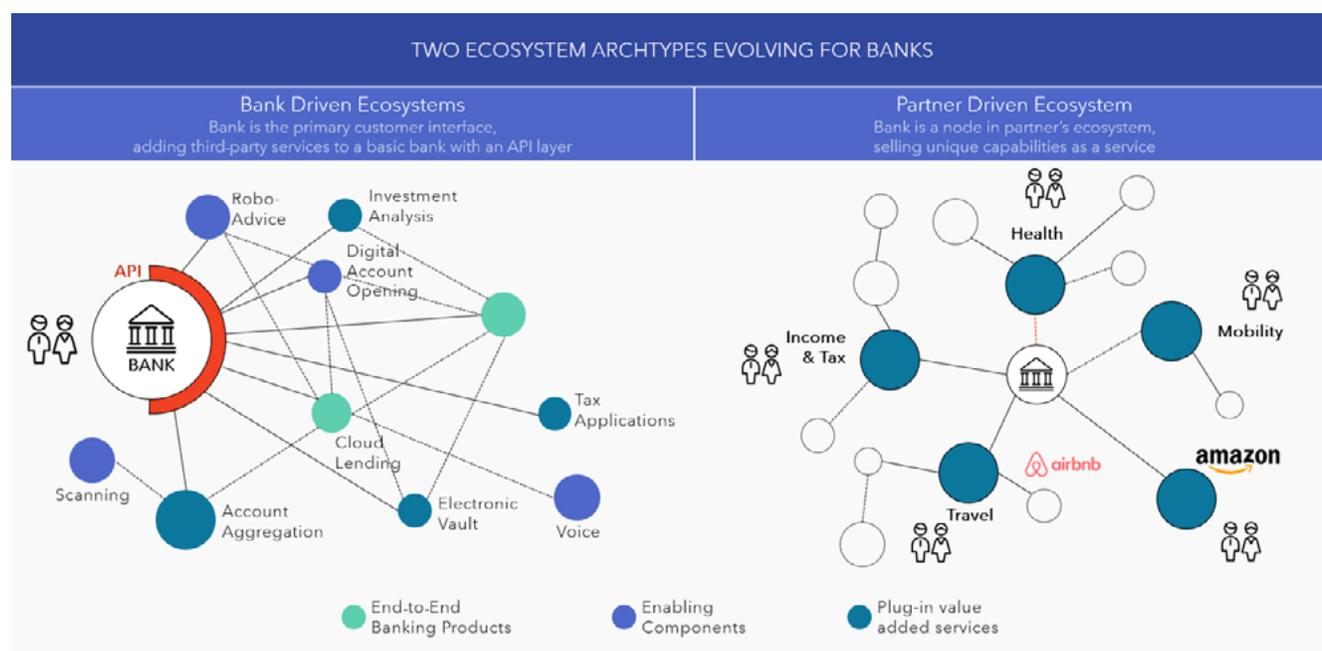
POV (Part 3)

To Compete or Co-operate?

How **Banks and Fintechs** Can Co-Exist in
Today's Eco System.

Transforming Banking Technology for Fintech Collaboration

Success in achieving the synergistic benefits through a bank + fintech collaboration is contingent upon factors such as flexibility, agility in business and IT operations, the ability to share data and to **unbundle products into individual services**. Banks are either trying to create their own ecosystems with third party services or expand into partner ecosystems selling unique capabilities as a service.



Source: Pwc, Platform Banking and Ecosystems



Working with some of the largest financial institutions in the world, the three fundamental levers we have most often utilized for realizing these benefits are:



Move to Cloud



Data Modernization



API-fication/Micro-Services Based Architecture



Move to Cloud

One of the key advantages of technologies like the cloud has been to lower (capital-driven) entry barriers while providing the ability to scale rapidly and sustainably. As regulation around the world have evolved to accommodate cloud based banking services, banks like DBS, Goldman Sachs, and ABN Amro have embraced the cloud to secure growth. Further establishing cloud computing as the dominant paradigm in the current environment is the fact that the reach of cloud computing has extended into regulatory authorities like FINRA—which have embraced the cloud to build a flexible platform that can process multi-petabyte scale data sets to respond quickly to changing market dynamics.

A December 2019 Celent FI survey reveals that more than 50% of financial institutions expect to run 75% of their workloads in a cloud within five years. With pandemic-driven change in market forces and strategic industry initiatives like the collaboration between IBM and Bank of America to launch IBM Cloud for financial services, this pace of adoption is set to accelerate significantly.



Data Modernization

In the information age, data is a crucial, if not the primal factor, in driving innovation. However, constrained by legacy, banks face unique challenges in leveraging their data. For example, many of the payment systems we use today were developed in a time where cross-border payments were not the norm. Payments were largely domestic for which it was sufficient to have short descriptions (less than 30 characters) capturing the credit or debit account numbers. This limitation has led to major inefficiencies in processes like SME payment reconciliation in today's world - where global trade and cross-border payments are the norm.

Leveraging fintech solutions to solve such challenges (or to utilize AI/ML to derive better insights from data), requires an organization to have seamless, near real-time access to their enterprise data and the ability to connect it with internal and external data sets. This has driven demand for data products - like [LTIMindtree's FOSFOR OPTIC](#) that help organizations enable enterprise data discovery, data lineage and create data marketplaces as part of their digital transformation journey.



API-fication and Micro Services

Technologies like Blockchain, AI, and big-data analytics will continue to cultivate the evolution of how financial products are designed, packaged, and distributed. In this context, the ability to unbundle products into individual services becomes crucial for winning the race to provide evermore intuitive experiences. Consequently, an API-led integration strategy remains a pivotal tool in the new tech-driven banking model. Neo Banks like Atom have leveraged this strategy, employing over 1500 micro-services as of Sep 2020, to build organizational flexibility in responding to change while reducing risks of service breakdown. [LTIMindtree's own Digital Banking Platform](#) follows an API-led approach to deliver a future-ready banking solution. The approach allows the platform to provide easy, plug-and-play integration to best-of-breed point-solutions ranging from core banking systems like Temenos T24 to cutting-edge fintech offerings in areas like loan origination, channel experience, and intelligent customer reporting.

Conclusion

It is estimated that transforming core technology for legacy banks could cost more than £350 million and take over five years to complete, on average. This makes collaboration with fintechs an attractive and inexorable alternative for FIs to launch **new products, services, and experiences at speed**. In fact, it is perhaps appropriate to term **Fintech Partnerships as a new strategic competency** for incumbent financial institutions. At the same time, it provides FinTech companies with access to capital, a stable client base, stamp of trust, and use of deep industry know-how. This win-win model creates an undeniable interest in finding synergies within both parties. Nevertheless, the benefits of this “plug and play” model of innovation can be only realized when the necessary technological levers – like scalable Infrastructure, composable service and data architecture, CI/CD etc. – are at the ready. As Jamie Dimon, the CEO of JP Morgan Chase urges, banks must take mitigating actions now, by **upping their technological readiness, to defend as much as 40% of their revenue** that could be at risk in major retail-banking businesses by 2025.

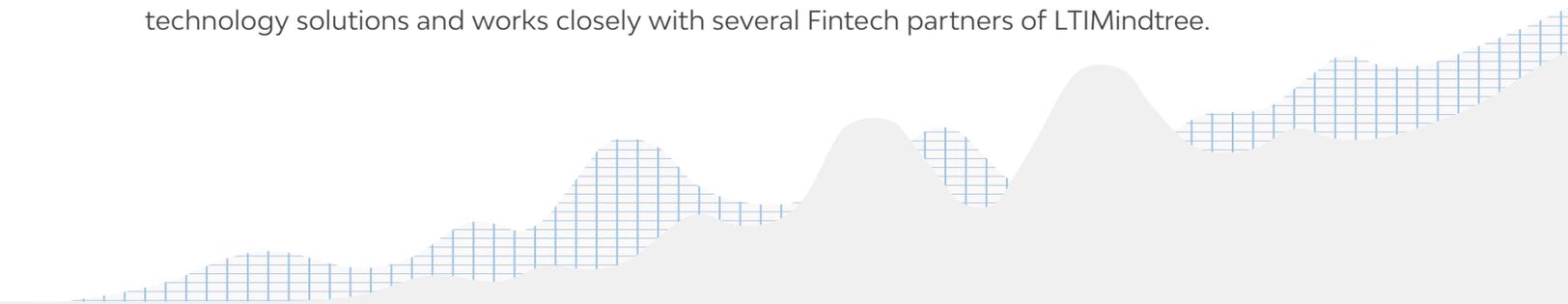
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Snigdha comes with over two decades of experience in designing and implementing technology led capital market solutions for US based hedge funds and investment management firms. She brings a blend of technology and business domain expertise, and currently helps LTIMindtree’s banking and financial services clients in defining their IT transformation roadmaps.

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Amit has over two decades of experience of working with global banking and capital market firms. He brings in domain, pre-sales and solutioning expertise for implementing business centric technology solutions and works closely with several Fintech partners of LTIMindtree.





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