The debate: How is fintech changing the ways financial institutions operate?

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A panel of experts give their thoughts on the ways technology is changing the ways financial institutions work.

Charles Caldwell
Senior director, global solutions engineering, Logi Analytics

Tech in the financial sector has been applied to just about everything, and for a long time now. These days, “robots” do a lot of the trading. In fact, the markets have additional technologies to recognise when the algorithms are at war, and close things down until their electronic fervour cools. With big data technologies emerging, I am seeing increasing applications beyond traditional structured business data. There is a lot of value in combining that business data with high-volume machine data and unstructured human data.

As an example, I've seen applications that use traditional trading and other financial data combined with analysis of email, call centre and other voice or text data to improve the detection of insider trading, or be able to better forecast market moves. We're moving beyond simple time series and transaction pattern matching to be able to understand literally what the market is saying in real time.

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Financial services companies are rapidly adopting new fintech solutions to address operations and technology inefficiencies that have been a feature of the industry for decades, as well as emerging regulation. This trend has the potential to drive innovation, efficiency, and increased competition in a market that is stultified by established players and legacy systems.

Highly tailored products and services, significantly faster decisioning, and meaningful analytics are just a few of the benefits that consumers and businesses are already enjoying. But fintech also opens FIs up to a host of security issues that are inherent in new technology. FIs will need to rethink how they approach procurement and integration of new fintech to be able to adopt innovative software and services quickly, while maintaining the very high levels of security demanded by clients and regulators alike.

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Duane George
Respond product director, Aptean

Fintech meets the needs for customer centricity and regulatory compliance, while also treating the software solution as a capital investment with an ROI, and not simply an obligatory burden.

The regulatory landscape has morphed since the launch of the FCA: “soft touch” regulation is out; accountability and transparency are in. The high costs of remaining compliant are concerning financial institutions, coupled with added risks from redress when it comes to complaints management.

Fintech solutions such as Aptean’s Respond are supporting financial companies as they navigate this challenging new environment, which includes the coming changes to complaints-handling regulation, as outlined in PS15/19. This means firms publishing data about every complaint they receive, and sending FOS appeals information to every legitimate complainant: a big ask, which is made easier with fintech.

The right fintech improves customer satisfaction and retention thanks to more responsive service, and drives new operational efficiencies by fixing problems as they arise.

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The rise in fintech businesses and the technology that they operate has proved to be a major disrupter and challenger to the traditional banking and financial institutions. These types of businesses are nimble, visionary and quick to respond to the changing demands of their customers. They are not dogged by legacy banking platforms, hierarchies and do not typically have to contend with the challenges of internal politics. Where the traditional banking institutions have been focusing on the aftermath of the financial crisis, these new businesses have flourished, embracing new technologies and feeding customer demand.

With our increased dependency on our smartphones and the growth of the wearable technology sector, the way customers interact with financial institutions is changing. We interact more through mobile, online and social media platforms so it seems natural and sensible that new fintech innovators would look to add value and seize opportunity by offering payment services and driving customer loyalty through these mediums.

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Henning Holter
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Technology has fundamentally changed how we distribute and deliver services to customers. We now reach audiences quicker, have greater flexibility and a more targeted, relevant message. Furthermore, our customers can now access more features to make their businesses more efficient.

Traditional banks are hampered by legacy IT systems that can't match the flexibility of alternative lenders. The interaction between lenders and customers is shifting, and those who adapt will win.

Alternative lenders use technology to offer benefits that go beyond maximising cashflow. For example, Tungsten's electronic invoicing service streamlines invoice processing, helps businesses get paid on time, allows vendors to track payment status as you'd track a parcel, and enables eligible users to release working capital by taking early payment from Tungsten on approved invoices.

Traditional lenders are just not equipped to offer this range of services, especially for SMEs, and the established banks are being overtaken by a new wave of technologically agile providers.

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