UPCOMING CONSUMER EVENTS

JUNE
30TH – International Beer Strategies Roundtable Forum
https://arena-international.com/beer/

AUGUST
18TH – Future Cannabis Strategies North America
https://arena-international.com/cannabisusa/

SEPTEMBER
15TH – Meat-Free Strategies
https://arena-international.com/meatfree/
30TH – Beverage Sustainability
https://arena-international.com/bevsustainability/

OCTOBER
20TH – Spirits Strategies and Innovation Conference
https://arena-international.com/spirits/

NOVEMBER
3RD – Innovation in Non-Alcoholic Beverages Conference
https://arena-international.com/inabev/
25TH – Retail & Consumer Goods Analytics
More details to follow
Virtual event

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Digitalisation and next-generation values continue to make waves across the financial services sector and are transforming the way banks operate. As financial institutions prepare to thrive post-Covid, there is no sign that advancement in technology or changing attitudes to investment are dropping off.

After the past year witnessed the industry’s rapid digital transformation, digital-banking platforms, AI (artificial intelligence)-driven investment tools, data analytics, and cloud-based services have in many cases become the norm. Meanwhile, customer-centric thinking has put clients at the heart of the product offering and fuelled demand for ESG (environmental, social and governance) and ethical investments. With these trends here to stay, the banking sector needs to keep up to make it in the digital age.

Arena International presents the annual Financial Services Disruptive Technology handbook as a valuable resource to navigate this unstoppable terrain. This guide offers a voice to the key thought leaders at the forefront of innovation and seeks to enable financial services professionals to take advantage of the new opportunities and emerging technologies. We hope you find inspiration and enjoy learning from the best in the industry.

Amy Malkani, editor, Arena Insights: Financial Services Disruptive Technology Handbook 2021
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The future is open

Ritesh Jain, co-founder of Infynit and former COO at HSBC, discusses open banking, open finance, and the impact and benefits this will have for financial inclusion

The transition to open banking is a transition from the traditional, vertically integrated model of exclusive providers to one that offers choice. The force behind open banking is a massive shift in customer behaviour, digitisation, market concentration and growing fintechs, and competitive landscape. The pandemic has further accelerated this evolution by forcing entire segments of commerce and financial services to move online overnight.

Open banking is a paradigm shift with two central pillars: data and a relatively old technology that has become mainstream – application programming interfaces (APIs).

However, the whole game of innovation evolves and revolves around the data. Fintechs and challengers use data in creative ways to build innovative products and services, whereas the challenge for incumbent banks lies in reinventing themselves by transitioning to new business models by becoming a platform, distributor or producer. New entrants bring innovation into the banking and payments ecosystem to enhance customer value propositions, pushing beyond financial value into social and ethical finance and financial inclusion.

Disruptors enrich revenue-generating business models, marketplaces and platforms, building partnerships based on data sharing and open APIs, fuelling collaboration, and bringing economies of scale and benefits to overall ecosystem stakeholders. And this drive, diversity and openness in today’s shifting landscape of open banking should be judged with an unbiased open-minded approach towards fintech and tech players.
Payments
Open banking has provided significant hope for financial inclusion, and it starts with payments. Payments serve as a gateway to other financial services like savings, credit and insurance.

Transaction accounts are essential to retail payment services. Fintechs present opportunities and challenges when enhancing the access and usage of transaction accounts and payment products, and making them accessible through lower-market entry barriers. However, this poses a level of operational, cyber, data protection, digital exclusion and market concentration risk.

If these risks are not managed well, this could impact the benefits of financial inclusion. Hence, it requires effective regulation and a framework for supervision. Customer identity is the most significant barrier to financial inclusion, and over 1.1 billion people lack official identification.

Financial inclusion
Financial inclusion is more than making financial services accessible to the unbanked. It’s the identity of people and the means to establish new accounts. One cannot have financial inclusion without access to digital identity. There are regional initiatives for national IDs to bring invisible people into the mainstream.

India created history with the introduction of a unique identification scheme in the form of the Aadhaar Card. Aadhaar is a proof of identity that stores biometric details such as fingerprints and iris scans, as well as personal information, including name, gender, age, address and contact details. It works in a similar way to a social security number in the US.

The card has been a game changer for financial inclusion and governance. And a case study for top business schools globally.

Open banking
Fintechs and financial institutions can alleviate the pain points of low-income, underserved people with volatile incomes. Open banking may enable products that can help low-income customers save, and create financial support for uninterrupted income and improve resilience to financial shocks. Meerkat in South Africa is an example: the saving and debt management solution is helping people to build saving habits, and assisting in their debt management by negotiating with creditors.

Underserved communities in emerging markets pay a poverty premium for essential services like phone, gas, broadband and electricity.

Open banking products could provide better tariffs and deals, analysing spending patterns, and negotiating rates with service providers like Trim in the US. This would encourage healthy financial behaviours; for example, personal finance management apps can support consumers by providing insights based on transaction data.

Access to credit
Open banking products can enable accessible credit to those using alternative financial data. An example is Mojo Mortgages, which assesses affordability by combining transaction data, while other services such as Canopy use rent payments to improve credit scores. With alternate data and education for customers, overdrafts and pricey credit products could be replaced by low-interest or interest-free loans based on credit score and spending habits.

Government, financial services and fintechs are working in partnership to address financial inclusion. G20 GPFI (Global Partnership for Financial Inclusion) is focused on building these partnerships and support systems.

Open finance – the way forward
So far, we’ve discussed the changes open banking could bring – but how would it actually work?

There are challenges and issues which come with open banking adoption. European regulation requires access to limited data, namely payment accounts. This can offer a slice of data to third parties to gain insight and provide better services.

Open banking is paving the way for future innovation, and it has proven that data can be shared. Although it has complexities and

“New entrants bring innovation into the banking and payments ecosystem to enhance customer value propositions, pushing beyond financial value into social and ethical finance and financial inclusion”
regulatory challenges, the technology is a stepping stone. However, for overall financial planning, a broader set of data is required, including mortgages, insurance and investments, to provide better services to customers.

This leads open banking to extend to open finance and, thus, a set of services for the customer’s overall financial well-being.

The real value of the data is derived from various datasets. Markets and customers are already experiencing new products and services for financial management through open banking.

Open banking is regulatory-led in the EU, UK and Australia. However, there is no formal regulation in areas like the US or Canada, while Hong Kong and Singapore have worked through an open banking framework. Open finance needs further advancement, and the path is still unclear due to various regulatory and geopolitical situations and policies; regulators and policymakers are still working through the details.

Below are some key areas that policymakers and regulators would need to consider:

1. Customer data and ownership rights are essential to open finance. There are different standards and regulations, for example GDPR (General Data Protection Regulation) in the EU, Consumer Data Right in Australia and Data Access Agreement in the US.

2. Interoperable, data-sharing standards and regulations are vital; for example, open banking is regulated in the UK/EU and consumer data rights are regulated in Australia. Similarly, regulations must be interoperable within and across different regions.

3. The existing financial services framework may need to be adapted for the adoption of open finance. Open finance concerns areas including investments, mortgages and pensions and regulatory changes and technical standards must be established in the relevant areas.

4. Open finance requires a clear risk and liability framework to safeguard customer interest. The standards set up by open banking could be further enhanced and adopted for open finance.

Open finance has a broad impact on various aspects of the financial engagement of a customer. Here, we discuss a few use cases.

**Digital identity and onboarding:** Open finance will significantly impact Know Your Customer (KYC). With open finance, information could be shared among service providers for efficient KYC and onboarding.

**Financial management:** The overall financial management planning of a consumer can be optimised by integrating their savings, investments, wealth, pension and retirement fund. Benefit-based products like higher interest rates, predictive insights based on consumer behaviour and market performance can also be automated.

**Credit management and facilitation:** It will be easier for lenders to offer better, more competitive products. In particular, lenders will gain 360-degree insight into a customer’s finances with their consent. Lenders will have complete visibility of credit agreements and arrangements, enabling them to provide dynamic solutions to meet customer requirements.

**SME finance:** SME finance is a significant challenge due to disparate data. Financial services will have a clear insight into invoices versus expenses and other data, enabling better credit line and finance options for SMEs.

There are various benefits and challenges to implementing open finance and it takes a customer-centric approach. Regulators and financial institutions need to work together to define the open finance implementation roadmap through a public-private partnership.

Open banking is paving the way for open finance. Consumers are experiencing the benefits of open banking in payments and account aggregation. And they could further benefit from investments, mortgages, insurance, and pensions if they are interconnected, API-driven, and supported by platforms and systems. With open finance, consumers will benefit from competitive services and will be able to manage their finances from a central place.
SmartStream’s fully integrated suite of solutions and platform services for middle- and back-office operations are more relevant than ever – proven to deliver uninterrupted services to critical processes in the most testing conditions. Their use has allowed our customers to gain greater control, reduce costs, mitigate risk and accurately comply with regulation.

With AI and machine learning growing in maturity, these technologies are now being embedded in all of our solutions and can be consumed faster than ever either as managed services or in the cloud.

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Acceleration in regulatory technology

Melvin Quimis, senior RegTech specialist at the Bank of England, looks at the move towards digital transformation

The year 2020 was an unprecedented one to say the least. The coronavirus (Covid-19) outbreak has been one of the most significant pandemics in recent history, threatening global financial stability and posing complex regulatory challenges.

The world around us is changing; many of you reading this article, like plenty of other businesses, including regulators, banks and government services, may have been pressed into speeding up the digitisation of your company. Remote working has perhaps permanently changed the way organisations operate, and this in turn has inevitably opened up many challenges such as cyber risk. Indeed, according to a McKinsey Global Survey of executives, the response to Covid-19 has accelerated the adoption of digital technologies by several years across various industries.

Given the growing influence of technology, there is a lot of potential for regulation technology (RegTech), particularly in automation. For instance, the use of robotic process automation (RPA) and natural language processing (NLP) will see artificial intelligence (AI) ‘learning’ better equipped to tackle fraud detection. At the Bank of England, we have recently introduced a cognitive search engine with AI capabilities.

There are, of course, voices that are cautious about the implementation of AI, particularly for processes with a critical output. These voices point to the pressing ethical issues that challenge it, such as security and AI bias. These concerns should not inhibit innovation, but should be addressed with meticulous attention to detail.

The Bank of England has found that interest among banks in adopting machine learning (ML) and data science (DS) has continued during the Covid-19 crisis. In August 2020, we conducted a survey of banks to understand the impact of the pandemic on their use of ML and DS. We found the following:

- The use of ML and DS by banks has remained broadly stable since the start of the pandemic, with the number of applications staying the same or increasing.
- Half of the banks surveyed expected an increase in the importance of ML and DS for future operations as a result of Covid-19. However, only a third of banks said there was an increase in the number of planned or existing ML or DS projects.

RegTech is expected to grow rapidly. According to Juniper Research, global RegTech spending could rise from an estimated $25bn US in 2019 to exceed a massive $127bn by 2024. In an industry where central banks play a key role, we can expect tech-driven solutions that expedite recovery, resilience and innovation to fare better than some other industries in the face of digital transformation.

In April 2021, the City of London Corporation published a report entitled ‘A Critical Year for RegTech’. The report found that the annual cost of compliance for Britain’s top five banks could be cut by at least 0.05%, or a combined £523m with the greater adoption of this technology.

The financial services industry could continue to benefit from RegTech, while the wider RegTech industry could play an important role in the digital economy in the UK.

“The Bank of England has found that interest among banks in adopting machine learning and data science has continued during the Covid-19 crisis”
OPAL Goal Based Planning & Monitoring

enables financial institutions and advisers to translate their clients’ personal goals into an optimal investment plan and monitor these goals over time. The tool offers solutions for all stages in a goal-based advisory process in wealth management but also retirement planning for example.

From a client intake and risk-profiling to (online) client reporting and proactive monitoring, OPAL can be easily integrated with business processes, contributing to a structured and efficient process that is compliant with (inter)national regulation.

OPAL provides tooling that helps clients identify, concretize and prioritize goals. High-quality scenario projections continuously show the effects of investment decisions, changes in a client’s financial situation and market developments on the feasibility of these goals.

Clear visual aids help the client and advisor to better understand their options and improve decision-making.

The projections in OPAL incorporate inflation risk and currency risk. Furthermore, client-specific information that affects the financial situation and objectives of the client such as (international) taxes and cost of services are fully taken into account.

This results in tailor-made projections, sound financial advice and, consequently, better investment decisions.

Continuous monitoring of the risk, return and financial goals for individual clients as well as the entire client base allows for proactive and more efficient client management.

Permanent monitoring simultaneously increases trust and satisfaction of the client and, as a consequence, business retention.

The OPAL solution adds value by tackling the biggest challenges that every advisor and wealth management firm is facing:

- **Fee compression** - allows advisors to scale their business and support more clients at lower cost.
- **Regulation** - monitoring of clients provides scale and adds value to both client and advisor.
- **Digitization** - clients can be monitored automatically, using multiple data sources to create opportunity triggers, based on portfolio metrics and goal feasibility.

For more information on OPAL or a live demonstration, contact us at contact@ortecfinance.com or visit www.ortecfinance.com/opal
Digital transformation and the customer journey

Janthana Kaenprakhamroy, CEO and founder of comprehensive insurtech Tapoly, discusses how emerging technologies can digitalise customer journeys in insurance

The challenges for the insurance industry and its customers over the past year have been substantial. The continuing hard market, with resulting capacity shortages, is making it more difficult for insurers and intermediaries to serve their customers and maintain good profit margins. Customers are also facing their own challenges from lockdowns and reduced operating capabilities, so perhaps have diminished budgets or the need for greater flexibility.

Despite these challenges, one thing the past year has proven is the necessity of digital transformation in insurance across the value chain. Not just for modernisation, but for business survival. When the effects of the pandemic were starting to emerge, customers had important questions about policies and claims that needed urgent answers. Contact with insurers and intermediaries was essential, but this was not always possible for companies that were not set up for staff to work from home.

Insurtechs are becoming robust and established players in the insurance market. It is clear that those who do not embrace emerging technologies, such as artificial intelligence (AI), machine learning (ML), automation and big data, and use them in partnership with their human expertise, will be left behind in favour of more agile and innovative organisations.
Prospective customers
When potential customers want to find out information about a product or service, the natural instinct is to search the internet for options. If the information isn’t readily available, prospects will quickly move on to the next option. There is only a very short window of opportunity available to really capture the attention of a prospective customer online, so using the latest technologies to ensure your website is easy to navigate and clearly displays all the required policy information will help to push customers over the line.

However, if they have specific questions or do not fit neatly into a profession or policy, they are probably going to require further details. You want prospective customers to be able to access this information at the most convenient time to them, including outside of office hours, so phone numbers and live chat facilities could become redundant if you do not have 24-hour capabilities. Insurance-specific chatbots can provide an innovative solution to ensure you do not miss out on customer traffic. Fuelling them with insurance-related keywords and policy details means prospective customers can input their requirements and AI technology can provide insurance advice tailored to their requirements. This automation both provides cost savings for the organisation from reduced manual processing, and improves customer service.

Customer acquisition and underwriting
Once the customer has made the decision to purchase, it is essential to make the process as simple and automated as possible. Traditionally, customers would provide their data and policy requirements and insurers would produce a quote after manually processing the information. When trying to serve micro SMEs or freelancers in particular, this process quickly reduces potential profits. However, if automation is incorporated into the pricing and underwriting process, pricing can be done in real time, which allows insurers to serve a greater number of customers at a quicker and more efficient level. It also gives customers a quicker indication of what they could expect to pay, and they are able to initiate cover sooner. This will not always be possible with products with less data available, however the increased automation and sharing of data will supplement human expertise.

Insurtechs such as Tapoly are developing innovative application programming interfaces (APIs) that can be incorporated into existing platforms, with specific global data stored in cloud servers to enhance the underwriting and risk-profiling process. Alternatively, entire platforms can be white-labelled to provide a hassle-free option for insurers looking for tailored digital systems. Using emerging technologies to enable automation and to remove some of the time and cost challenges associated with customer acquisition and underwriting dramatically improves the customer journey.

Data sharing between insurers and intermediaries
Improving the use of data and data sharing abilities across the insurance industry also improves the customer journey. The pandemic

“Emerging technologies provide insurers and their distribution partners with ways to enhance their customer experience, while moving forward from the pandemic and out of the hard market”
caused the majority of businesses to pivot quickly to homeworking, thereby requiring access to internal databases remotely. Those who already had cloud storage systems in place were at a huge advantage as they could continue servicing customer demands without a hitch.

When insurers and their distribution partners use emerging technologies to communicate more efficiently, customers are provided with a quicker and more efficient service. When data is shared, risk profiling becomes more accurate and it becomes easier to benchmark performance. This ultimately benefits the consumer.

**Claims**

If insurers and their partners utilise emerging technologies to connect the dots, share data and speed up the customer journey, it can also enhance their claims procedures. If third-party administrators are used, they could also be provided with access to the same insurtech platform to aid document management and data analytics. This mitigates risks of the quantity or quality of data being compromised when it is passed through more siloed institutions, and can speed up the whole claims process as the information required is easily accessible through cloud storage. The systems also provide full audit trails and role-based access levels.

**Digital transformation**

The insurance industry is beginning to harness the power of digital transformation, although progress remains gradual. Emerging technologies provide insurers and their distribution partners with ways to enhance their customer experience, while moving forward from the pandemic and out of the hard market. AI, ML, APIs, automation and big data can all be employed during the prospective customer’s journey, through acquisition and underwriting to claims. Ultimately, customers are looking for a smooth, quick, accurate and cost-effective user experience and emerging technologies can help to provide this and enable long-term customer retention and satisfaction.
Are your client lifecycle management processes playing in sync?

There are few sweeter sounds than an orchestra playing harmoniously and keeping perfect time.

When each section works hard independently, and then comes together as a team, it creates a magical musical experience for the audience. And whether they are playing classical music or putting an alternative twist on jazz, retro or pop, as long as the strings, brass, woodwind and percussion sections do their bit individually – and come together as a unified whole – the results will be remarkable.

In the rare event when an orchestra has no conductor, whose job it is to ensure that the whole is greater than the sum of the parts, timing can be an issue. The experience can become uncoordinated and shambolic, from start to finish, despite each section believing that they are doing the right thing at the right time.

Client lifecycle management and technology in wealth management

Getting client lifecycle management (CLM) right can be challenging, but it doesn’t have to be. In our analogy above, substitute these instrumental words for stakeholders in the CLM process, and all will become clear:

Audience = Client
Strings = Marketing
Brass = Sales
Woodwind = Onboarding
Percussion = Client success
Conductor = Wealth Dynamix

Even when each part of the CLM process works well as an individual function or department, they must come together as a unified whole to be successful. From the sales and marketing process through to initial client engagement, onboarding, ongoing client management and regulatory compliance, every function needs to perform effectively and work together to optimise the client experience. If any part of the process is substandard, or departments fail to connect in a timely and coordinated way (usually when they have inadequate direction), the result can become messy – very quickly.

These are the top three things you need to assess to transform your client’s experience:

- Address poor-performing CLM functions. To ensure that each phase of CLM delivers a remarkable client experience, evaluate each function throughout the client journey and through your clients’ eyes. You will undoubtedly find that some elements are working exceptionally well, while others are falling behind. No one would suggest that you replace the entire orchestra when the woodwind section is the only one performing poorly. Tackle each substandard function one by one, while being careful to preserve all that is good.
- Connect the dots to eliminate CLM silos. CLM has to be viewed as a unified whole to deliver consistent and effective client service across all phases of the lifecycle. Clients become frustrated when an amazing onboarding experience is followed by unresponsive and substandard ongoing management. While each section of an orchestra may play beautifully, in time and in key as an individual team, the overall effect is compromised if they are unable to synchronise with other sections.
- Ensure oversight and control. An orchestra can’t perform a memorable symphony without a conductor. With no individual or team in place to govern the overall connectivity, the likelihood of achieving a cohesive outcome is at risk. The same is certainly true for CLM.

Watch our webinar to discover how to orchestrate CLM, step by step, to create a productive, cost-effective and revenue-generating process that enriches client experience. Visit www.wealth-dynamix.com to find out more.
Are your relationship managers in the right driving seat?

CLMi is a new, cost-effective, scalable and intuitive Client Lifecycle Management (CLM) platform from Wealth Dynamix that puts the productivity of relationship managers and satisfaction of your clients at the forefront of your business.

Take control of the full client journey: from initial engagement and onboarding through to ongoing relationship management.

Designed specifically for wealth managers, CLMi is the SaaS platform of choice for out-of-the-box ease-of-use and rapid, cloud-based deployment.

Find out more: wealth-dynamix.com/CLMi
How to turn a traditional wealth manager into a digital business

Noémie Ellezam, chief digital strategy officer, Group Innovation Division, Societe Generale and Stéphane Gomis, head of business development, Innovation and RSE, Societe Generale Private Banking, consider how digitalisation is encouraging customer engagement and fostering growth.
When setting out to digitally transform a wealth management business, a common misconception is: it’s different for us. In fact, the best and quickest way to make wealth management businesses future-proof in a digital world is to learn from the transformation of other businesses, whether in different sectors or different parts of the world. At Societe Generale, retail banking has proved an invaluable source of inspiration for wealth management business transformation. Some 60% of retail bank customers are digital; 94% of transfers and payments are digital; and in some countries up to half of all sales are digital. For that reason, we think that the retail banks have now reached ‘scale’ digitally.

But learning from retail does not mean ignoring wealth management’s distinctive success factors – expertise, accuracy, personalisation and client relationship. It’s just that technology reshapes them, making them more data-based, scalable and inclusive. In future, private bankers will have to differentiate themselves by not only their technical knowledge and personal skills, but also how they leverage technology.

Just as in the retail world, wealthy customers are migrating to digital products and services. Over the past year, Covid-19 has accelerated this shift. What’s more, customers still prefer traditional wealth managers over newcomers, whose revenue models are not so clear and which have suffered from recent negative news. That means digitalisation remains a huge opportunity for growth for incumbents to offer innovative options, while remaining the most trustworthy providers of financial services.

Lessons from digitalising our retail bank
The scaling up of Societe Generale’s retail bank happened in three different phases. This journey to maturity has lessons for digital innovation in wealth management. So, what does that mean?

Firstly, it means understanding that digital transformation is not just a tech transformation, but also a business transformation that revolutionises the customer experience. Applied to wealth managers, this involves making a deep cultural shift, accompanied by a clear vision, as well as the broad alignment of objectives and rigorous execution.

Secondly, it’s important to accept that the benefits of digitalisation go beyond cost and operational efficiency. Technology is quickly changing the products and services that wealthier customers expect. They want to access services online or via their mobiles. Even customers in their 60s might conceivably be interested in novelties like tokenised art, hyper-personalised content, goal-based robo-advisers or almost autonomous investment super-apps. There’s a completely new world emerging that has to be mastered.

Thirdly, digital products and services are not just short-term revenue sources. They should be thought of as magnetic tools for building a new kind of customer connection. Collecting data about your customers – with appropriate consent – allows you to provide the products your customer will value most.

Our wealth management journey
When starting our digital journey at Societe Generale’s wealth management division, we reimagined the DNA of our customer relationships, expertise and trust. Cash may be king in a bank but, in a digital world, data is queen. For that reason, we started by re-engineering the data and digital architecture.

The first step was to get our data in order. That meant either putting it on a single system or in a data lake. Then, we needed to hire data scientists. The next step was to build a single digital platform for offering wealth management services. Doing so allowed services from across the bank to be offered through a simple, consistent and intuitive portal.

After laying these foundations, the interesting part began: fostering innovation and disruption at the heart of the business. There are lots of opportunities. Fundamentally, as data gives you increased knowledge of your clients, it allows...
you to offer a better service. For an industry giving financial advice, it is a game changer. You can tailor your services more closely and even expand the product range. A whole host of new opportunities is emerging. There are digital currencies or crypto assets, as well as the chance to work with fintechs, start-ups or other partners. Additionally, there are opportunities in responsible investment products.

Interestingly, as our bankers speak with the entrepreneurs who are their clients, especially those from the tech sector, they are pushing for more product and service innovation. Their clients have a fierce appetite for innovative products and services.

**What next?**

So, where will this end? We believe that being a wealth management leader in the future will involve embracing innovation from many areas. Broadly speaking, our digital strategy is twofold: to produce the best wealth management products and services, as well as delivering a customer experience that goes beyond banking.

We are aiming to produce the best products and services for any customer, whatever they are looking for. To do so, we are harnessing data, artificial intelligence and distributed intelligence to offer high-quality products. Asset aggregation, digital patrimonial diagnostic or investment robo-advisory are only a few examples that are already available to customers in our European markets. Even so, these will be simple products and services that third parties can distribute, thereby generating additional revenues. Our start-up, Kwiper, which provides a full-digital wealth management planning tool to accountants, is an initial example of these new distribution models.

In terms of delivering a magnetic experience, we are evolving from bankers to quasi-life coaches. We aim to be a place where wealthy customers go for a vast range of services, with our insights into their needs enhanced by data. A large range of partners, internal or external, could provide these services, such as Reezocar, the online car-buying platform Societe Generale recently acquired, which specialises in the sale of second-hand cars, including luxury models.

The digital wealth management leader of tomorrow will reinvent both its products and distribution models. Tech is not just about efficiency – far more significant is its potential for improving growth. Digitalisation will not kill revenues, it will encourage customer engagement and create long-term value.
Technology is changing our relationship with money – customers are setting a different bar for experience and this has, to a large extent, been driven by ‘liquid expectations’. This is when customer experiences seep over from one industry to an entirely different industry. So in terms of financial services, our customer expectations are continually shaped by their interaction with customer-centric brands such as Amazon, Apple and LinkedIn.

The traditional approach for businesses was to focus on their competitors or companies that offered the same products and services, but that scope is now far too narrow.

We order our grocery shopping online, listen to music via streaming services like Spotify, watch TV shows and movies online via Netflix and, largely due to Covid-19, we have witnessed the acceleration of customer uptake of online digital banking services. This has effectively resulted in banks transforming their business interaction with customers to a predominantly or full digital proposition within months.

This digital movement has enabled consumers to grasp the opportunity when it comes to choosing when, where and how they engage with organisations. Customers are now more in control than ever and are demanding a more personalised service. As a result, businesses need
to adapt to secure and retain the depth of a client relationship as this influences persistency, share of wallet and profitability.

Creating value
On a B2B basis, there is increasing interest with businesses to help them create value (digital alpha) through a combination of high-touch digitally integrated client experience tools with investment products that have been designed to align to a client’s needs, preferences and beliefs. This integrated solution allows businesses to strongly differentiate their proposition and offering from that of their competitors, while creating the right outcomes for their clients.

Digital applications used in this way can provide increased efficiency through the provision of a full client self-service model with ‘bionic’ advice, where individual client and financial adviser input is married with the outcomes from analytical algorithms and artificial intelligence to create a tailored service.

Direct-to-consumer apps, which are designed to enable consumers to save from as little as £1, are also popping up and can be downloaded from Google Play or Apple’s App Store. Think of it as a savings and investment strategy tailored to your phone, providing limited guidance using open banking technology, which gives a live view of consumers’ spending patterns across their different accounts. It will help users to save for a particular goal or identify excess income that could be invested. This provides businesses with a new way to interact.

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“Providing a highly personalised cost-effective client service at scale can only be achieved via technology and data”

Technology and data
Providing a highly personalised cost-effective client service at scale can only be achieved via technology and data. The term ‘hyper-personalisation’ refers to the use of data to provide more personalisation and to target products, services and content – creating that overall solution. Just think of the volume of client data that can be captured during each life stage, providing a rich source of intelligence that could be used to interpret client needs, preferences and goals. This could in turn provide individualised risk profiles aligned to investment solutions and customised advice. The possibilities are endless!

To win in our market of the future, companies are going to need to offer stand-out experiences to attract and retain customers. Digital technology will be absolutely key to this and is already transforming the industry – but it’s evolving quickly, as are investors.

The upside can be substantial for businesses and consumers, breaking down barriers to investment with the provision of relevant educational content and engaging experiences, empowering more consumers to take charge of their financial future.
Antonio Curia, executive director at Wimmer Financial, discusses the impact of fintech and private debt investing

The last year was a real game changer, and the changes we made in 2020 are not likely to stop when Covid-19 wanes. Around the world, people and businesses recognise the importance of agility, flexibility and responsiveness. Companies across the financial services spectrum understand what is at stake if they do not embrace digital innovation. As we look back on 2020, we see that the world has had an opportunity to test-drive the future, and it looks bright.

Two mega trends – digitisation and greening the world – were already in force before the pandemic struck. However, we did not fully appreciate their worth in our lives or portfolios. We have now experienced their inherent value, their ‘unstoppability’.

The fintech industry
Businesses continue to seek ways to maximise their ability to innovate and maintain flexibility, which is driving increased activity around cloud consultancies. Some firms – like those that provide cloud-computing services, or devices that support remote working – will become stronger. Others, like bricks-and-mortar retailers, will suffer. Many will fail altogether. But once again there is a silver lining: these changes open up new arenas for innovation.

Already, companies big and small are devising fresh tools to improve the experience of remote working, collaboration and learning to support new kinds of contactless and appointment-based retailing, as well as to provide new types of online social experiences, from virtual...
Fund managers are looking for cost-effective technology solutions that can help them to alleviate the administrative burden associated with increasing deal volume and structural complexity.

insights, and are increasingly becoming key drivers of organisational performance. As part of a growing trend, they are deploying new technologies and approaches, including advanced data capture and structuring capabilities, analytics to identify connections among random data, and next-generation cloud-based data stores to support complex modelling. Together, these tools and techniques can help organisations turn growing volumes of data into a future-ready foundation for a new era in which machines will not only augment human decision-making but eventually make real-time and at-scale decisions that humans cannot.

**Data and strategy**

Despite the economic challenges that pandemic-mitigation measures have created for many companies, those that have seen the most value in AI are doubling down on the technology. That’s why strategists are turning to strategic technology platforms equipped with advanced analytics, automation and AI. Digital tech can help address these emerging priorities.

A recent analysis looked at 20 targets related to the UN Sustainable Development Goals and found that the expected global deployment of existing digital technologies will, on average, help accelerate progress towards these targets by 22% and mitigate downward trends by 23%. Companies are already applying digital technologies to goals other than financial returns. Some companies, for instance, are applying digital technologies to support workforce diversity. Additionally, using digital technologies to improve environmental sustainability and workforce diversity can provide direct financial benefits.

Investment strategies focused on extending credit through private debt, bilateral loans and direct lending have grown significantly in recent
years. This trend is continuing as investors search for higher yields than the traditional fixed income products have produced, private equity investors spin up direct lending teams, allocators increase their allotment to private debt given the attractive risk-return profile and the global market volatility brought on by Covid-19 endures. Many practitioners in the industry aim to improve ROI by streamlining workflows and enhance performance by organising and digitising data. In turn, credit managers and direct lenders benefit from more modern reporting processes and workflows that support active and informed decisions around pipeline and portfolio management, compliance and risk.

**Technology is becoming more important**

Growth and competition within the private debt segment is a huge driver for technology. In 2020, we’ve seen that fund managers are looking for cost-effective technology solutions that can help them to alleviate the administrative burden associated with increasing deal volume and structural complexity. Essentially, they want to spend more of their time focused on alpha generation and beta management. In order to do that, they need technology that their teams can leverage to effectively organise their data and processes, safely and securely share information and facilitate more expedient reporting and communication for informed investment decisions.

In fact, digitising and managing data in an organised fashion, to create more efficient portfolio monitoring and to simplify reporting processes, is a significant benefit to our clients. Data transparency from the borrower to the lender and from the lender to their limited partners is crucial in today’s environment. Investors are asking more questions, more frequently, and about a broader range of topics including valuations, diversity, environmental, social and governance (ESG) and technology.

These diligence queries lack standardisation and include comprehensive questions in varying formats. By simplifying investor reporting, teams have less disruption to their day-to-day routines and investors benefit through the speed and efficacy our solution brings. Innovation will accelerate. So will the adoption of technology.

Over the last decade, the European non-performing loans (NPLs) and non-performing exposure (NPE) industry has matured, with loan sales and securitisations becoming the modus operandi for banks. Meanwhile, a growing number of investors entered the NPL market. But just as the market began to gain momentum and see steady growth, it was hit by Covid-19.
The resulting fall in activity has been rapid and severe. This serious decline means that it’s essential for investors, banks and other players in the NPL market to develop a strategy that allows them to identify and manage vulnerable loans with appropriate risk mitigation. Such a strategy starts with the creation of a proactive, tailored debt management mechanism. A solid strategy for managing and storing data can help optimise data scientists’ skills and time, especially after the impact of the disruption/acceleration of trends made by the Covid crisis.

Increasing the simplicity of automatically setting up investments for loan administration and portfolio monitoring will be essential.

Customised advisory solutions are key for ultra-high-net-worth individuals. The digital interface remains an interesting tool for a more agile analysis but it’s not the most important part of the relationship between client and adviser. No matter how capable machines become, human interaction and trusted, personalised relationships will remain key, especially for clients in the upper wealth bands, who tend to have more complex needs. Human judgment, creativity, and empathy are essential to forging meaningful, trust-based relationships; and robots and AI cannot easily replicate these qualities. The head of digital strategy at a global wealth manager said: “Trust will remain essential. Platforms and digital solutions alone will not be sufficient to establish trust.”

**A wealth of opportunities**

Over the next two decades, the most advanced wealth management providers will be able to think five steps ahead and see what types of solutions and support clients may need even before those requirements present themselves. Next-generation ML analytics will help providers to make incisive connections that reveal potential client opportunities.

Visualisation tools built into the models will enable advisers to walk their clients through different financial and investment choices, giving them a more visceral feel for how different scenarios might play out.

Personalisation will be key to success. Winners will be able to reach each client at the right time with the right offer or advice. They will know how frequently a client wishes to be informed, what length and format to use for specific interactions, and what emotional tone or style is most suitable. Using them, they can deliver curated investment themes, peer-to-peer networks, interactive simulations, and exclusive offerings that foster fun and engagement.

**ESG and impact investing**

Wealth management providers should not let near-term challenges, such as lack of scoring models or data, prevent them from developing a thoughtful ESG portfolio. They need to offer investments that generate measurable social or environmental benefits alongside strong financial returns, backed by solid compliance measures. Firms should encourage advisers to discuss values and sustainable development goals in detail with their clients, and should give them the right training and incentives to do so. Those conversations should also look outward.

Committing to ESG requires an internal reckoning and the ability to excel in ESG standards, and wealth management providers need to reflect those standards in their internal agenda and practise what they preach.

Reducing carbon emissions or resource consumption can help organisations reduce or mitigate costs. Organisations are using these tools to continually identify internal and external strategic forces, inform strategic decisions, and monitor outcomes. Technology can also help leaders gain insight into seemingly unrelated occurrences that can drive smarter strategic choices on a continual basis. As a result, companies are transforming strategy development from an infrequent, time-consuming process to one that’s continuous and dynamic, helping strategists think more expansively and creatively about future possibilities.

Strategists should evaluate technologies that help empower their imagination by identifying driving forces, informing strategic decisions, and monitoring outcomes. With ML poised to overhaul enterprise operations and decision-making, a growing number of AI pioneers are realising that legacy data models and infrastructure — all designed to support decision-making by humans, not machines — could be a roadblock to the use of ML for future success in this landscape.
Private banking in the digital era: OneStop Customer Portals

Moxtra’s OneStop Customer Portals enable continuous connections with customers, with an all-in-one suite of capabilities.

In the highly personal relationship between client and wealth manager, connection is everything. Transparent, responsive communication builds trust and is the key to longevity and brand loyalty to the firm. Throughout the history of high-net-worth clients and high-touch banking, wealth managers have hurdled obstacles and delivered white-glove service, setting the standard for exceeding expectations. Today’s technology allows wealth managers to interact with their clients in real time, anywhere, any time. Digital portals are available for nonstop business, and clients are already accustomed to having services met immediately over mobile and web channels. However, private banking firms must develop the right digital solutions to implement a one-stop extension of a firm’s brand.

To create a digital offering, wealth management firms need a consolidated, all-in-one application that has nonstop business capabilities from start to finish. In the banking industry, firms must also deploy a platform that meets the highest security and compliance requirements for safeguarding confidential information to assure clients that their interactions are protected. An all-inclusive, secure one-stop platform that is a branded portal strengthens loyalty to the organisation and also strengthens the brand image and perception as current and relevant, with staying power.

While combining all business features in one easy-to-use portal is significantly favourable for client needs, the ability to manage internal teams with the same collaborative digital features ensures that the auditable transcript between clients and firm representatives stays within the organisation, maintaining a client profile that persists through relationship manager transition. Moreover, with a digital platform with tailored permissions that mirror traditional organisation personas, private banking firms can co-ordinate and regulate teams to deliver brand-appropriate responses to external relationships.

Moxtra’s OneStop Portals power digital solutions, enabling organisations to engage with their clients remotely by combining secure encryption with integrated collaboration tools, all housed and managed within each company’s unique brand. Rather than directing clients through disparate platforms, which may not provide receipt of interactions, the OneStop digital experience completes business from start to finish with stored records of activity for future reference. OneStop features include text, voice, and video messaging; screen sharing with notes and real-time collaborations; digital signature and document management; task management; transactional exchanges; calendaring and meetings workspace; and more.

Wealth managers earn client trust through communication. While there is no change to the quality of service offered from private banking firms, there is a change in client expectations for digital services rendered. Rather than turning to piecemeal and disjointed platforms outside of organisational control, firms must be thoughtful in their digital approach and find a solution that can integrate into their established system.

For more on Moxtra’s OneStop Customer App, visit https://moxtra.com/getstarted
**What does goal-based planning bring to the wealth manager, adviser and, most importantly, the client?**

Gearing advice to specific financial goals is a powerful way to demonstrate added value and increase client engagement. But this requires careful thought around advice monitoring, efficiency and, of course, compliance, says Ronald Janssen, MD of Ortec Finance.

Most investment decisions are mainly driven by the outcome of a generic risk questionnaire. This means that clients usually do not link their personal goals to their investment strategy, and the connection between the client’s financial situation, the goal(s), the investment time horizon and the investment decisions is often lacking. Helping your clients connect portfolios to their financial goals adds value and increases client satisfaction, and, as a result, also increases client retention and revenue. However, developing a traditional financial plan for a client can be time-consuming, and wealth managers are struggling to deliver more value in an effective and efficient way.

The current uncertainty around the global economy highlights the need for frequently updated plans and goal-based strategies. Advisers are increasingly seeing that clients want to talk about their dreams and individual goals: “Will I be able to retire comfortably by my 60s as I have planned? And can I buy that vacation home within 10 years?” The practice of providing a static plan and generic questionnaire to help clients reach their financial objectives based on past performance only is outdated.

Advisers need a better toolkit for long-term wealth planning, which can dynamically adjust itself according to ongoing changes in the macroeconomic and market environment, while continuing to deliver benefits. Areas like better client engagement, linking individual client goals to actual products, monitoring these goals and generating alerts when clients are off-track for achieving them, are becoming more important in a world providing real-time information. Instead of reporting to the client on how well or poorly the portfolio performed relative to a benchmark, the adviser can have conversations with clients about their personal goals. As clients demand more value for the fees that wealth managers charge, being able to monitor client goals and signal timely ‘course corrections’ is the ultimate means to show the added value as an adviser.

**The technology is there, why wait?**

The technology is available to empower your advisers to deliver added value and to improve the investment decision-making of your entire client base – all while reaping the rewards of immaculate compliance and greater operational efficiency, too. This conversion from time-consuming financial planning for only niche clients, towards time- and cost-efficient goal-based (financial) planning and monitoring for 100% of your clients is a much-needed transformation for the wealth manager, adviser and, most importantly, the client.

**About Ortec Finance and OPAL**

Ortec Finance is a leading provider of technology and solutions for risk and return management, helping institutional and private investors to manage complex investment decisions. OPAL is a software solution that facilitates goal-based planning and monitoring of goals by leveraging a world-class institutional scenario engine. The global client base comprises leaders in the pensions, insurance, asset management and private wealth management markets. OPAL is delivered directly to banks, wealth managers and insurance companies and also via partnerships with leading software providers like Salesforce and Wealth Dynamix.

For more information, simply visit www.ortecfinance.com/OPAL
Ethical and sustainable investing: how to apply the art of empathy

Zoe Robson, global head of innovation at Architas, discusses why investments that focus on social, ethical and environmental impacts are a hot topic and should not be overlooked.

Fund flows in ethical investing continue to increase, with assets in sustainable funds hitting a record high in December 2020 and product development also reaching an all-time high. Enormous efforts are going into SFDR (Sustainable Finance Disclosure Regulation) scoring and transparent reporting and governance. Complex jargon is being replaced with consistent and straightforward words that aim to help understanding across all touchpoints. As an industry, we have a conviction that sustainable investing is not only here to stay; it’ll also be the key to recovery as we rebuild from Covid-19 in 2021 and beyond.
“Whether or not people are motivated to seek out sustainable investments, a far more significant number of investors believe that their ethical views should be reflected in how their portfolio is invested”

Yet the average global investor sentiment towards sustainable investing is essentially misunderstanding, in some cases mistrusting and at best considering it a ‘nice to have’, rather than a fundamental principle for future investing.

So what else can we do? I propose we start applying the undervalued art of empathy within the workplace.

Wealth creation
A recent study commissioned by Architas found that sustainable investing is neither the end, nor the primary motivation to invest for retail investors. Ultimately, personal financial security remains the central tenet around which wealth creation is framed. While the routes people take to build their wealth are changing, and the ethics surrounding sustainable investing is central to that shift, the latter is still perceived as optional and the benefits underwhelming.

Interestingly, in the same study, we saw that whether or not people are motivated to seek out sustainable investments, a far more significant number of investors believe that their ethical views should be reflected in how their portfolio is invested. In other words, when a product can represent our values and ethics on some level, we are far more likely to engage because it helps support the life we aspire to lead.

The fact that ethics are incredibly subjective, and emotive, means ethical perspectives are challenging to codify. Moreover, these challenges can be so systemic and wickedly complex, it might feel impossible to design sustainable investment products that genuinely reflect each investor’s standpoint. Not to mention aligning all stakeholders’ viewpoints across the value chain when creating products and services. So, yes, it is hard. But it’s not impossible when businesses open themselves to design empathy.

Cognitive design
Design empathy is an approach that draws upon people’s real-world experiences to address a specific challenge, and it’s a powerful force. Research shows that when we are empathetic, we enhance our ability to receive and process information. Furthermore, putting ourselves in someone else’s shoes causes measurable changes in our cognitive style, increasing our so-called field-dependent thinking. This type of thinking helps us put information in context and pick up contextual cues from the environment, which is essential when seeking to help employees, distributors and investors understand how things relate to one another, both literally and figuratively.

Having some degree of empathy and compassion for others isn’t difficult for most people. However, some of the qualities and behaviours that can make a person successful in business can stand in the way of achieving empathy. People who cannot temporarily let go of their role or status, or set aside their expertise or opinion, will fail to empathise with others who have conflicting thoughts, experiences or mental models. When this happens, it can inadvertently strip away the emotional connectors that our financial products and services desperately need to engage people, particularly with new and unfamiliar concepts.

In today’s global financial marketplace, there is an increasing need to apply design empathy across our products, services, and systems to satisfy increasingly diverse users, cultures and environments. Now is the time to practice the art of empathy in the workplace. Now is the time to let that deep, emotional understanding of needs inspire us to create sustainable investment products that offer financial security and help us lead the life we aspire to lead.
It’s an open secret that one of the best things the financial service industry has to offer is expert financial advice. Yet there is still an ‘advice gap’, where people that could benefit are unable or unwilling to access such services. In the UK this affects an estimated 39 million people – three quarters of the adult population. The consequences for their finances and wider society are serious, including a protection gap, where families are inadequately prepared for the risk of losing their main income; and a retirement gap, where many people are not saving enough to allow them to enjoy a good quality of life when they stop work.
From a strategic point of view, major institutions in the financial services industry are increasingly coming to realise that whether they start as a bank, life assurer or fund manager, the core of their mission for their customers is to improve their financial well-being, and nothing can impact this more than expert financial guidance and advice. It is also a tangible way to have a meaningful and differentiated relationship with a customer, as opposed to increasingly being a commodity or utility provider of financial solutions.

Moving obstacles
One of the most exciting areas in consumer financial services at the moment is the digital transformation of personalised advice and guidance. Bringing the application of expert systems and explainable artificial intelligence (AI) together in an omni-channel platform means that institutions can deliver efficient, consistent, compliant guidance and advice at scale. This addresses the advice gap, allowing many simpler customer journeys to be completed online, and making existing expert advisers much more efficient and able to focus on their clients’ key needs while simultaneously scaling up.

AI and complex financial advice
At Wealth Wizards we have built our white-label platform, Turo, which enables the automation of much of the process of personalised guidance and advice. We support a 90%-plus rate of automated recommendations and, in a time and motion study with one of our institutional customers, we showed savings of over 50% on processing time while supporting the highest standards of consistency and compliance.

This includes complex areas of advice and guidance such as retirement planning. The platform utilises a ‘smart fact-finding’ capability where client information is captured digitally to enable:

- preference scoring – allowing ‘soft facts’ such as wants, preferences and objectives to be factored into the automation;
- logical decision trees – allowing assessment of factors such as eligibility;
- optimisation of financial projections, using needs and resources as constraints;
- personalised recommendations, automatically populated into a coherent complete document for review by the adviser.

For complex areas of advice that need review by advisers and also, potentially, supervisors and compliance officers, we have developed a form of ‘explainable AI’. This improves the clarity of complex advice decisions by showing explicitly how that advice is based on the balance of various key factors which impact the recommendation.

Training data
The key training data comes from ‘golden’ reference cases – these are previous advice cases already reviewed or created as examples and known to be compliant and suitable advice. The inputs include the full client data set and the corresponding decision from these cases, plus key factors that can influence the decision. The machine learning (ML) model then calculates the implied weighting of those factors based on the whole golden case set. Once the fact-find data set is complete, the next advice case can use the implied weights and factor values to give an ‘AI decision’. This can be used to support the adviser and the oversight function in reviewing cases. Once a case has been reviewed as compliant and suitable it can be added to the training data.

As well as supporting the adviser interaction, the platform enables digital self-serve journeys, too. The clients get an initial financial wellness score and recommendations for improvement. The score and recommended next steps are based on financial planning principles driven by algorithms created by our financial planning experts. But we don’t force clients to instantly address the recommendations in sequence. As well as personalised recommendations, we give clients a choice of how to consume all of the other content and journeys.

“Bringing the application of expert systems and explainable AI together in an omni-channel platform means that institutions can deliver efficient, consistent, compliant guidance and advice at scale”
This includes chat journeys, blog articles and interactive tools, plus access to digital or telephone advice. Within that framework, clients can select the recommendations as presented or choose their own paths. For each piece of content, we can measure completion and capture feedback on whether it is useful to the client or not. We run ML models using the client data cross-matched with interactions and behaviours – choices made, time spent and journeys completed – to optimise how we serve up the content, suggest the next best action and send nudge emails to return to app. We are currently achieving 90%-plus content approval and top decile customer satisfaction scores. And then these self-serve journeys can seamlessly transition to a human interaction when clients want guidance or advice on more complex areas.

The transformation opportunity is huge
But this foreshadows an even bigger revolution. The advent of open financial data, where clients can give permission for advisers to access their financial data digitally, is making it increasingly easy for clients to get access to actionable personalised advice. And the opportunity is emerging to turn the traditional reactive advice process on its head to being a proactive always-on service linked to the live data stream, and, ultimately, running clients’ finances on autopilot. Then the value-adding relationship will be unambiguously between the client and their digitally powered adviser, with the financial solutions in the background becoming increasing commodified, and the largest share of economic value likely to accrue to the businesses providing these value-adding advice services. ●
Why there are reasons to be cheerful with ESG investing

Patrick Thomas, investment director and head of ESG investments at Canaccord Genuity Wealth Management, outlines why there is room for optimism despite the challenges of 2020.
This past year has changed investor behaviour and how markets operate – and that’s why we believe there are reasons to be cheerful. Environmental, social and governance (ESG) has passed its Covid stress test: around 40% of ESG funds were top quartile (finance speak for performing much better than their non-ESG peers) and that was rewarded with over $120bn inflows into ESG equity strategies (more finance speak, meaning it was popular and investors put their money in). Just to give you a comparison, there were $125bn of outflows from non-ESG equity strategies.

Roughly a third of all the inflows into exchange-traded funds (ETFs) were into ESG ETFs. A current theme has been a lot of investors giving up on the idea that humans can beat computers at anything from chess to fund management, so this data matters. It shows that even though passive ESG funds were popular, investors had a lot of faith in active fund managers, too, so ESG is winning in both the passive and active stakes.

The ‘S’ in ESG climbed into the front seat with the ‘E’

There is no doubt that 2020 brought more widespread focus on our health and education, both at an individual and collective level. Covid-19 brought it home to everyone as hospitals filled, and schools and colleges shut their doors. When you combine this understanding with the proliferation of social media, and overlay everyone’s personal experiences, you create a situation where every investor in the world understands that companies that help us eat better food, work out regularly, provide sound educational tools and offer medical care to more people are going to be very important economic factors.

Environmental and social imperatives

The pandemic helped to highlight some important environmental and social issues and had a knock-on effect of people wanting something done about these problems. It might be that the damage we had been wreaking on the planet became starkly clear; as cars remained on driveways and planes grounded on runways, people enjoyed cleaner air and water and reconnected with nature.

Also, our unpreparedness for the pandemic resulted in governments spending monstrous sums on disposable PPE (personal protective equipment) and other items to help us get ahead of the curve. Social issues have been highlighted. Lower-income groups are disproportionately affected by the virus, and school closures have widened the education gap between children from different socio-economic backgrounds. The virus has brought into plain view disparities in our societies and problems with our environment, and people want these problems solved. This is a profound shift.

The acronym swamp

There is no doubt that the acronyms and jargon that surround ESG have held us back and have prevented a lot of investors making a shift into this style of investing. It has created the misconception of ESG issues being a ‘trend’ or a ‘passing fad’. Many investors also wrongly believed that ESG was about leaving arms stocks out of your portfolio, but, thank goodness, arguments about whether tobacco or guns are worse than animal testing have largely left the arena. Investors of all stripes now understand that ESG is about investing in companies that either make the world better, or at least don’t make it worse.

People are now much more switched on to the drivers of sustainability and their economic impacts. It’s not about debating the rights or wrongs of specific companies any more. It is about consumer preferences (lots of people drive electric vehicles or follow a plant-based diet), employee values (people want to work for companies where they are properly looked after), corporate supply chains (companies want to work...
with ethical providers) and investor sentiment. It’s hard to argue investing like this is niche any more.

**Innovation amid crisis**

What’s interesting about all of these reasons to be cheerful is they emerged during a period when half the world shut down. But it’s true that a crisis often bears innovation, as scientists, engineers and technologists race to find a way to get us out of the hole we’re in. It’s a challenge to imagine any silver linings when the media headlines are full of black clouds. But it’s true that there is good news out there – the world is changing, and changing quickly.

ESG champions are now involved in areas like DNA sequencing and are offering solutions to the issues we face. Thanks to breakthroughs in this area and artificial intelligence (AI), researchers sequenced the Covid-19 virus in just two days, compared with five months for the SARS coronavirus in 2003. As a result, we had the first vaccine against Covid-19 within nine months. And it’s changed us in other ways – retailers have beefed up digital offerings as we stay away from malls and shop online. The take-up of contactless payments like Apple Pay and digital wallets like Cash App has soared, as people have shunned cash over handling worries.

Working from home means companies are investing in digital platforms and collaboration tools to protect productivity and make life easier for employees. And consumers’ new nights out are nights in, on our sofas, streaming videos and gaming. Not to mention the advances in online education and telemedicine services, or how AI and robotics have delivered for manufacturing, as supply chains were disrupted and logistics problems impacted production.

It’s hard to believe all this happened during a pandemic. But it did. And we should be excited about investing in this over the coming years.●

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*Investment involves risk. The value of investments and the income from them can go down, as well as up, and you may not get back the amount originally invested. This is not a recommendation to invest or disinvest in any of the companies or funds mentioned. Names of companies and funds are included for illustrative purposes only.*

*A version of this article was originally published on WhatInvestment.co.uk*
The blind spots in insider threat building blocks

Many firms do not yet see insider threat as a significant risk. Jules Pagna Disso, head of Cyber Risk Intelligence and Insider Technology Risk at BNP Paribas, describes a lack of collaboration between business units, data analysis and the human element.

Who is an insider?
An insider, in the context of insider threat, is commonly considered as a person who uses their authorised access to an organisation’s resources to cause harm. In essence, an insider can be an employee, a contractor, a vendor or anyone who has authorised access to any of the company resources (people, technologies, buildings or processes). Various classifications are generally given to insider risks. In this article, we will focus on the cyber-security aspect of insider threat.
**Why is it important to know that you have an insider threat problem?**

Insiders have knowledge of the organisation. This knowledge can be used directly by the insiders themselves or can cause them to become a target. Many organisations aim to protect themselves against ransomware, which is a serious threat, and an insider can be the driving force behind a ransomware attack. A successful ransomware attack can have a huge direct impact on operations, which makes it, indisputably, one of the biggest threats of all. The insider threat is growing and can be an enabler for more sophisticated attacks.

Another aspect to consider is the value of the proprietary information that keeps the organisation alive. Beyond the fact that regular data breaches are increasingly caused by insiders, you should consider the threat to competitive advantage, reputation and compliance.

**Types of insider threats**

From a cyber-security perspective, there are a myriad of examples of threats. For the purpose of this article, we will consider three categories:

- **Malicious insiders**: people who take advantage of their access to inflict harm on an organisation;
- **Negligent insiders**: people who make errors and disregard policies that place their organisations at risk;
- **Infiltrators**: external actors who obtain legitimate access credentials without authorisation. Some people will refer to this as impersonation.

**Insider technology risk building blocks**

Managing an insider threat is certainly a challenge. However, many of the existing security components (see the figure below) within organisations can be leveraged to start an insider threat management programme.

Identifying the different pillars of the insider threat programme is certainly a good starting point. Formal collaboration between the different pillars should be established quickly, with the purpose of creating a common and unified view of the insider threat within the organisation. Without a unified view of the insider threat, it is very likely that many cases will go undetected. Data analysis capabilities can help, but aligning the different building blocks should be a priority.

Any insider threat programme should also quickly establish a sophisticated framework to understand how well the organisation is addressing the threat while reducing any gaps in security. Targeted organisations will face multiple challenges. It is easy to focus on technological solutions to solve most problems. However, to successfully tackle the problem of insider threat, it will be important to look beyond the obvious.

**Blind spots in insider threats**

Maintaining a good level of cyber security has been, and continues to be, a challenge. In this section, we look at some key indirect challenges that can easily be overlooked and yet have a knock-on effect on other challenges.

**Malicious insiders**

People who tend to fall into the category of malicious insider are those who have shifted from good and acceptable behaviour to intending to cause some kind of harm to the company. The motives behind such changes are generally unclear and difficult to determine but can be mapped to a form of grievance against
Any insider threat programme should establish a framework to understand how well the organisation is addressing the threat, while reducing gaps in security. Targeted organisations will face multiple challenges

people, policies or an ideology. A level of emotional intelligence can be a great asset to avoid changes of behaviour, but this can be overlooked. A lack of attention to how people feel about their work and their work environment can foster malicious insiders.

It is also possible to reduce the power of potential malicious insiders. Microsoft uses the concept of Just Enough Rights to limit what a user (especially with admin rights) can do within the IT systems. This notion should be fully extended to all users, whether they are system administrators or not. It is usually the case that users are given broader access on IT systems than they need. For instance, not all users need to see all data related to all projects within a department, but this level of access is generally granted anyway. This will enable users to have access to a large pool of documents they can exploit. A document check-in system could be a good deterrent if implemented correctly.

Negligent insiders
It is generally assumed that users know how to use corporate systems such as email without receiving formal training. Many corporate documents with sensitive content are sent out of the company daily due to negligence or by mistake. While it is easy to blame the negligence or mistakes on people, perhaps we should challenge the choice of tools. Potentially, the number of mistakes observed when sending sensitive corporate documents could be an indicator that email systems are not a suitable means of communication. As society changes, we should constantly review and challenge our well-established practices.

The gap between the creation of policies and their adoption is still large. Many managers or senior managers, including policymakers, would agree that keeping all policies in one place could be a challenge for any organisation. The assumption that employees know the content of every policy is simply unrealistic. I have seen many organisations create policies without a plan for their adoption. Do employees really know what they are supposed to do or rather not do? The weak link may not be the people themselves, as is commonly argued.

Training around the topic of insider threat is generally non-existent in many organisations. A lack of awareness of insider threat training is simply a gap in security. It is important for users to understand they can be targeted because of the knowledge they have of a given system. More so, many negligent mistakes can be avoided if it is managed successfully.

Infiltrators
Threat actors also actively recruit insiders in order to gain unprecedented access to various industries. How can we distinguish a brilliant potential employee from a rogue one? How can we spot whether an employee has been bribed to sell sensitive information? Many insider-breach investigations are shallow, not providing the opportunity to detect whether there is a wider network connected to any given incident. Is there a correlation between incidents of the same nature by different individuals? It would be interesting to see what a graph theory could suggest from incident breach data.

According to a Flashpoint Intelligence report, the financial and telecom sectors were most targeted between May 2020 and 2021. This does not come as a surprise. Access to telecom networks could provide huge access to network flows that can be exploited for malicious purposes. Direct access to financial services would mean direct access to the target.

Key takeaways
The insider threat is growing fast and many questions are still unresolved. Organisations should review how they look at such threats. As the digital transformation evolves, the nature of insider threats will rapidly change. Many of the strategies observed within the industry, where they exist, are very reactive. If insider threat is not addressed with a robust strategy in the early stages, it can become a systemic problem, and potentially become part of the culture of the organisation.
It has long been an accepted fact in the financial services industry that fast delivery of new digital products and services must be balanced against the security and reliability of the software system as a whole. However, as the demand for digital services grows, and cyber-security threats change, we need to re-examine whether these two goals must always be traded off against each other. Starling Bank’s answer is that they need not be, so long as you have designed your system with resiliency in mind.

To understand how Starling has eliminated the trade-off between speed and security, we need to look at how software systems are created and maintained, and how the risks are managed. Many organisations attempt to reduce the risk inherent in changing their software by focusing on lowering the probability of errors occurring, be it in the form of bugs, outages, or other occurrences that negatively impact users.

In order to do this every time a software release is planned, a lengthy set of procedures is invoked. These provide a process in which software changes are examined, tested and checked by different groups of people. This can take days or even weeks to complete. Due to the effort this requires, the frequency of releases must be reduced, usually to a monthly or quarterly basis. This does not eliminate errors entirely, of course. Generally speaking, an error discovered in a release will result in a certain degree of panic, meetings to dissect the error, and more steps added to the release procedures to prevent that particular error reoccurring (which of course lengthens the procedure).

At Starling we take a different approach to reducing software change risk. Instead of prioritising the reduction of the probability of errors, we focus on reducing the impact of an error on the users of the system. The best way to reduce error impact in a software system is to make the software correct the errors itself wherever possible. The software will generally respond to problems and correct them far more quickly than a human would. Not all errors will be corrected, but, if it can handle 90% of the most common and easily definable cases, then the software’s resilience will be drastically increased. Therefore, whenever an error occurs, our preference for preventing it in the future is to change the software to eliminate or lower the impact of the bug, rather than attempting to lower the probability of such an error occurring by adding a clause to a release procedure.

The resilience of the software allows us to make changes to the system at speed, while simultaneously relying on its security. We release software changes to our production code dozens of times per day, allowing us to deliver new products, services and features rapidly. At the same time, we maintain a high level of reliability and security. We have had no major incidents in the past 12 months. Overall, we trust our software because it does a huge amount of checking and testing for us.

The future of software within financial services is going to require faster changes, with a greater commitment to reliability and security. No organisation will be able to survive if it has to trade off between these two goals. Only with a software system designed with resilience in mind can you survive the fintech revolution.
Customer experience in the age of Covid

Stephen Walker, lead analyst, thematic and fintech research at GlobalData, provides insight on customer satisfaction and the digital migration amid the pandemic

Customer experience (CX) – the customer’s perception of their provider through the sum of all interactions – has come into sharp focus these last 12 months. As firms like Apple and Amazon have demonstrated, real value resides not just in the products and services a company provides but in how it provides them, especially when the economics of that product decline – as in a low-interest-rate environment – and when the costs of ‘bad’ experiences increase, with customers operating under conditions of acute life stress.

Our research indicates a particular flavour and focus of CX amid Covid-19, based on the following ‘care-abouts’:

Cost cutting
Poor user experience (UX), whether in products or processes, creates many second-round costs. Complex products are harder to sell, which requires more training, more incentive plan tinkering, and often drives more branch/call centre activity, which means the bank’s greatest expense – physical infrastructure – spends most of its time dealing with a problem the bank itself has created through bad design. Amid Covid, even minor UX imperfections – such as clunky password reset procedures, or confusing mortgage payment holiday requests – drove massive uplifts in branch/call centre activity, given the volume and velocity of channel shift,
while closing channel gaps at pace and at scale increased the risks of getting things wrong.

Finding purpose
CX has become an ontological exercise. Techniques like customer personas, journey maps, and design thinking help bring customers’ core needs to life, in order to go beyond ‘what’ and ‘how’ to reveal the underlying ‘why’. Customers don’t want a mortgage (bank product) or to apply online (bank process), for example – they want to buy a home. This is helping banks unearth possible adjacent innovations and go deeper into the customer experience to serve core need.

DBS Bank has done this with various home-buying services available within its corporate login to support the home-buying process (eg list rental properties, book removal teams and access home-improvement services). Commonwealth Bank (CommBank) is well known for offering a home-buying app that integrates property search information, while Moscow-based Tinkoff Bank teams up with various lifestyle partners. In this respect, rather than selling the coal (financial products), banks are selling the electricity (life goal), which is likely to induce a more powerful emotional connection with their customers.

Environmental, social and governance
The pandemic is changing what matters most, with pre-existing environmental, social, and governance (ESG) trends translating into efforts to rebuild ‘better’ post-pandemic. Vast swathes of consumers are not just demanding cheaper, faster, and more convenient ways of managing their finances – they increasingly care about a company’s approach to moral, social and political values, and want brands they affiliate with to align with their own beliefs. This is enlarging the scope of CX beyond anything that has existed before. Winning this demographic over – not just as customers, but as potential employees – requires meaningful commitments and progress across the investing, lending, and advisory activities of a bank in ways that advance ESG imperatives.

Optimising for moments of truth
Covid has increased the size of the prize in moments of truth. Consumers want a bank they can trust – one that can provide transparency around their options, the risks they face, and help them make better financial decisions. Get it wrong, with erroneously applied or punitive overdraft charges, and the damage may be irreparable. This is a particular risk amid Covid disruption, with banks operating at reduced capacity in call centres or working from home with disrupted internal processes. It will become even more of a minefield as furlough schemes wind down and banks are forced to manage collection processes remotely for highly distressed customers.

Delivering on these new priorities requires a fresh set of technology capabilities.

Chatbots
Customers are interacting primarily through messaging apps. Many chatbots already support voice-activated messages, which reduces friction. Bank of America’s chatbot, Erica, has moved quickly from basic queries to more complex tasks, having actioned more than 250,000 payment deferrals amid Covid. HSBC recently partnered with Google Cloud for an artificial intelligence (AI)-enabled chat service that will put automated interactions on compliance guardrails, automating cross-sell and upsell opportunities. Chatbots typically work best for simple customer queries – but with simple queries often accounting for 80%-plus of inbound call centre activity, there’s potential to cut costs while freeing up staff for the more complex interactions.

Process simplification
In the absence of end-to-end digitisation, providers like Bank of America and Wells Fargo are using computer vision and natural language processing to automatically analyse data and documents to reach decisions and ensure compliance. Simplifying core decision-making processes drives the biggest possible uplift in
UX. Credit-related activities are typically divided into front office, risk management, and back-office procedures. Integrating these actions end to end can allow institutions to conflate all credit steps into one straight-through process, backed by continually updated analytics. Digitising the credit journey in this way can help banks speed up processing, lower costs and tailor customer offerings according to individual risk profiles.

**Third-party partnership**
As more banking happens outside of proprietary banking channels, banks are partnering with third-party platforms to protect against disintermediation and/or expand reach. Banks need a flexible technology platform to deliver this as customers’ channel preferences are changing – not just the specific mix of channels used but what a ‘channel’ fundamentally is. The definition is moving away from something that banks control – like proprietary channels – toward ecosystems or platforms in which the bank is just one participant or partner, whether that be an app or a third-party platform.

Our latest executive survey on technology decisions-makers at banks indicates that, globally, customer satisfaction is the leading objective influencing ICT investments. Customer satisfaction is a core component of CX, focusing on the customer’s cognitive evaluation of the overall interaction. However, during 2020 the impact of Covid decreased ICT spends. More than 50% of interviewed executives expected ICT budgets to decline by 10% to 20%. Meanwhile, just over 20% of financial services providers expected ICT budgets to increase during 2020.

The focus is now on delivering cost reductions with less ‘broken glass’ in terms of customer satisfaction, with digital migration presenting obvious opportunities amid the pandemic.
London leverage, Africa awareness

Stella Okuzu, head of private and business banking services at FCMB Bank (UK) in the City of London, weighs up the balance between technology and human interaction in financial services

In today’s financial systems, the use of technology as an enhancer is here to stay. My use of the word ‘enhancer’ is deliberate as technology is essentially a tool, and not a replacement for human interaction.

Having had the benefit of working in the financial services sector for several years, both in Sub-Saharan Africa and in the City of London, the emergence of fintech and the increased attention on Africa as an emerging market have provided the opportunity to determine how growth in financial technology and increasing wealth in Africa could impact each other.

With specific reference to the provision of banking services to high-net-worth clients in Africa, a $100,000 annual revenue and/or a $1m net asset-base amounts to a lot. This is based on the fact that the cost of living across the continent is generally lower than in the UK or the rest of Europe. For example, consumer prices in London are 85.84% higher than in Lagos (without rent) and consumer prices, including rent in London, are 21.70% higher than in Lagos.

The typical profile of an affluent African is that of a very well-educated person, having attended some of the most respected educational institutions around the world, widely travelled globally and financially savvy.

This is a customer segment that is expected to grow substantially. Total private wealth held in Africa is expected to increase by 30% over the next 10 years, reaching $2.6tn by 2030. This is expected to be led by strong growth in the billionaire and centimillionaire segments in particular. The downside, however, is that the current average age of billionaires in Africa is 62. A 62-year-old is at best a digital immigrant, having learnt the use of a computer at some point in their adult life.

Africa has witnessed phenomenal digital progress. Between 2010 and 2017, internet access more than doubled. This greater connectivity is largely within the youth population of the continent, though. Youth in Africa constituted 19% of the global youth population in 2015, numbering 226 million. The United Nations estimates that, by 2030, youth will constitute 42% of the continent’s population.

With these statistics in mind, it is to be expected that the focus of wealth management from a bank’s perspective – at least over the next decade – will be on the use of technology. At the same time, the engrained culture of face-to-face meetings, which builds personal trust, will continue for the most part. Personal referrals will always be preferred over social media marketing.

What we have is complementary co-existence. Areas in which technology is expected to have a huge impact in the high-net-worth space in Africa are payments, credit decisioning, portfolio management and platform security. From the service provider’s perspective, these will act as tools to drive the efficiency of trusted banks.

Customer interaction across the continent is expected to remain through conversations in their homes or offices. And do bear in mind that when the affluent African says to you ‘we will see’, they mean eye to eye!

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