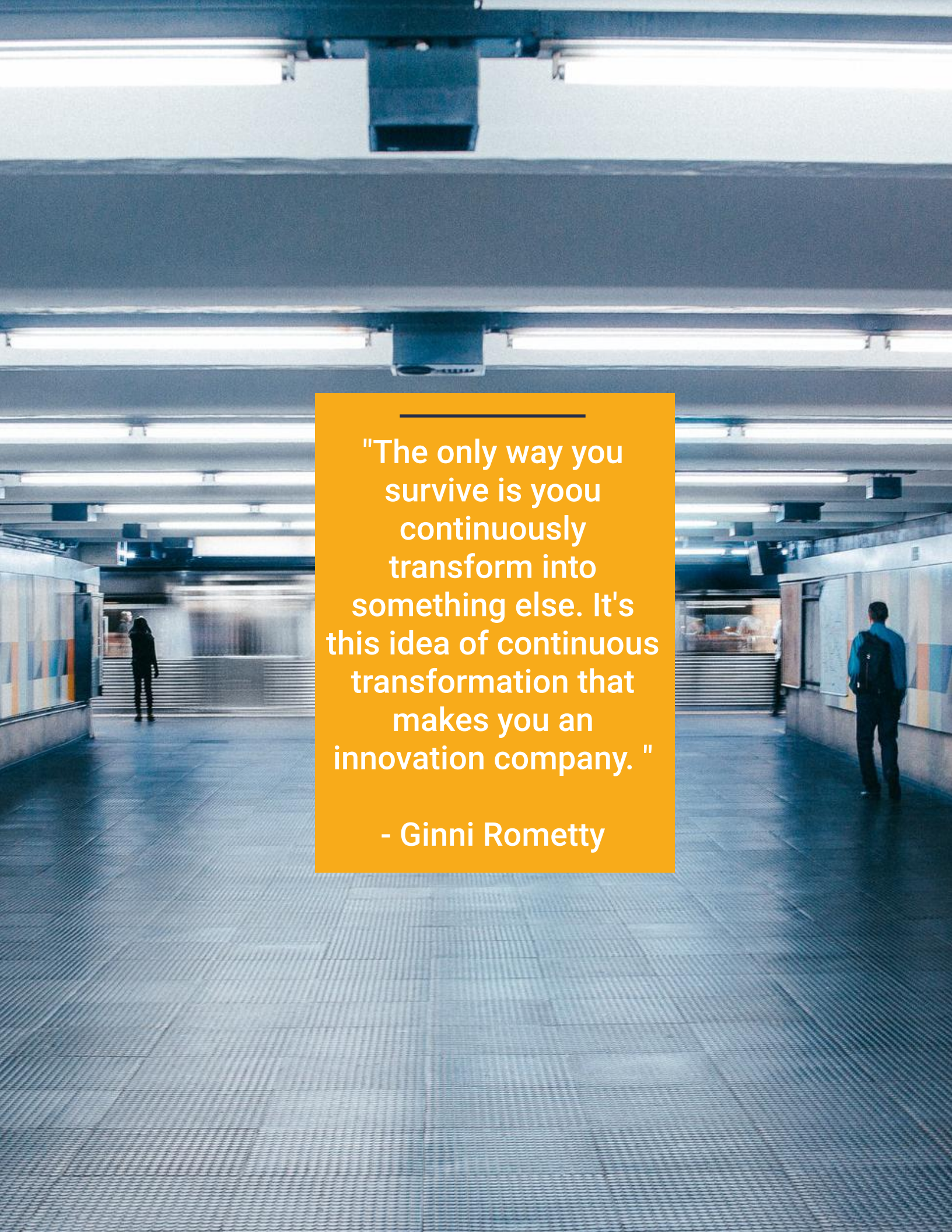


ENHANCING FINANCIAL SERVICES

Find out how financial institutions cooperates with Fintech companies, and how this creates a mutual relationship for one another to survive and thrive.



MAXIRON
— GROUP —




"The only way you survive is you continuously transform into something else. It's this idea of continuous transformation that makes you an innovation company. "

- Ginni Rometty

Table of Contents

Introduction	5
Financial technology reaching new points	7
Influence of digital companies	9
Adapting to regulatory frameworks	11
Financial Institution strengths	13
Equal footing for smaller institutions	15
Power of collaboration	17
Importance of being Crypto-friendly	19
How financial institutions can incorporate Fintech Innovation	21
How Fintech innovation helps lenders	23
Deciding where to begin	25

A photograph of a clear incandescent lightbulb resting on a dark, textured wooden surface. The wood grain is prominent, showing various shades of brown and black. The lightbulb is positioned diagonally, with its base towards the bottom right. A dark blue rectangular box is superimposed over the middle of the lightbulb, containing white text. The text is a quote by Bradley Leimer.

**"Mark my words.
Banks that solve
and automate the
day to day spending
and savings to
multigenerational
wealth mangement
game will win it all"**

- Bradley Leimer

INTRODUCTION

We are living in an age where technology is continuously under development. Financial institutions must know how to leverage the available technology to deliver its customers with quality service. They do this by liaising closely with Fintech companies. The Fintech industry has improved efficiency of services. They have changed how end-users interact with financial institutions.

Collaboration supports growth for financial institutions and Fintech companies. The Fintech revolution derives from such partnership - pairing the strength of financial institutions with the innovation of Fintech companies has delivered excellent results.



"Entrepreneurs are filling gaps in existing services and starting to use new analytical tools to uncover new needs. It's a golden age of FinTech. "

- Rob Pinkerton


² Canright, Collin. "Toward a Golden Age in FinTech." In *FinTech Rising 2018: Toward a Golden Age in FinTech*, 3.

FINANCIAL TECHNOLOGY REACHING NEW POINTS

Advancements in technology have opened the doors for the financial services industry to enter the next phase of the technological evolution. Collin Canright, a Veteran industry consultant, observes that financial technology is currently making significant strides and is heading to its next inflection point.

The last time the financial services underwent industry-changing transformation was the introduction of mobile and digital systems, along with the submission of applications. Even though it seemed that this transformation was only so recent ago, it's due for another change. It's bound to evolve in an age of platforms, machine learning and blockchain technology.

Innovators have aimed to address the needs, expectations and preferences of customers. They fill the gaps in existing services and use analytical tools to uncover new needs. It is crucial that financial institutions pay close attention to these trends.



"Do you really think a bank can survive in 2025-26 with fragmented systems from the 1970s that are unintegrated and cannot provide a single view of the customer?"


- Chris Skinner

³ Skinner, Chris. 2018. Interview with Collin Canright. March 13, Money2020/Asia, Singapore.

INFLUENCE OF DIGITAL COMPANIES

Digital companies tend to understand what it is that consumers want. They are also capable of recruiting top-talent that can leverage the technologies they have developed. These technologies include their machine learning, artificial intelligence and data science technologies.

The technologies these digital companies leverage lead to innovative solutions. These innovative solutions contain multiple applications that allow them to complete complex financial operations. The solutions can also be used to improve connections with the customer base and compete with the consumer marketplace.

A conceptual image of a lightbulb where the filament is replaced by a detailed image of the Earth. The lightbulb is shown from a low angle, with a bright light source behind it, creating a lens flare effect. The Earth's surface is clearly visible, showing continents and oceans. A semi-transparent orange rectangle is overlaid on the right side of the lightbulb, containing text.

"There is no such
thing as a minimum
viable product in
fintech. You have to
comply with
regulations."

- Victor Pascucci III

ADAPTING TO REGULATORY FRAMEWORKS

In many parts of the developed world, policymakers have attempted to encourage innovation. Innovation is being encouraged most predominantly by modernising supervisory structures. For example, many governments across geographical boundaries are implementing open banking regimes. A free banking system assures customers that they are benefiting from the right to use their financial data.

Innovation offices are also becoming more common. They ensure that agencies and countries are adjusting their regulatory framework. The offices are designed to ensure that those that have not yet adapted to these frameworks keep up to pace with emerging technologies. As technology-based tools empower consumers, providing new innovative technologies allow for a competitive edge.

An aerial photograph of a city skyline at dusk or night. The image shows numerous skyscrapers with their windows illuminated, creating a warm glow against the cool blue tones of the twilight sky. A dark blue rectangular text box is centered over the middle of the image, containing white text. The text is a quote from Lael Brainard. The background image is a high-angle shot looking down on the city, showing the density of the buildings and the layout of the streets below.

"Banks have a stake in ensuring that vendors and third-party service providers act appropriately, that consumers are protected and treated fairly ".

- Lael Brainard

⁵ Brainard, Lael. "Where Do Consumers Fit in the Fintech Stack?" Delivered at "FinTech Risks and Opportunities: An Interdisciplinary Approach." University of Michigan, Ann Arbor, Michigan. November 16, 2017. <https://www.federalreserve.gov/newsevents/speech/brainard20171116a.htm>

FINANCIAL INSTITUTIONS STRENGTHS

Financial institutions tend to be competent in complying with regulations and have experience in dealing with regulators. They are a stable force in the finance industry that possesses expertise in running low-margin services and market expansion.

Additionally, these financial institutions operate in networks that are tightly secured. They also have trusted systems in place, containing data about customer relationships.

Financial institutions use Fintech apps, to enhance the service of its customers. It is used to provide customers with much-needed features, allowing for customer retention. The apps also enable financial institutions to secure these customer relationships and sources of data by informing ongoing marketing strategies.




"A new business model called platforms is what's emerging instead. Bank platform providers are trust brokers, filling the gap in tech skills that banks need "

- Ron Shevlin

EQUAL FOOTING FOR SMALLER INSTITUTIONS

Fintech technology allows for a more levelled playing field. It enables smaller financial institutions to compete with larger banks. Fintech technology allows small financial institutions to access technological services such as “banking-as-a-platform”. Small financial institutions can leverage such technical services to provide its customers with resources. These include financial wellness apps and financial education.

Bank customers can access a wide variety of applications on the first platforms to perform everyday tasks. This platform is also accessible to the bank. Automated technology improves managed service and requires lower investment.



**"“It will be a highly
connected,
collaborative effort.
I don’t think there
will be one solution
that solves all
problems but
interconnected
solutions that do. ”**

- Ryan Zagone

POWER OF COLLABORATION

The expansion of services and Fintech delivery becomes more amplified with collaboration. Within the industry, startups make a name for themselves and become established. While for financial institutions, they open up to integrating innovative technology. The two parties are thus able to play off one another's strength, as a mutually beneficial effort.

These collaborative ventures have allowed for more efficient and cost-effective payment methods. The general society also benefits, as financial institutions can reach underserved markets - small businesses and individual loans.



**"Cryptocurrencies will
become ... a future
that's coming and will
transform both
cross-border and
crosstown payments."**

- Collin Canright

⁸ Canright, Collin. "PayThink Don't sleep on bitcoin as a payments option." PaymentsSource. 22 Nov. 2017. Web. 11 Apr. 2018

IMPORTANCE OF BEING CRYPTO-FRIENDLY

Cryptocurrencies are regarded as the current 'shining asset class' in the investment mainstream. It is becoming a preferable way of transacting in the payments business today. It is imperative that these financial institutions offer these exchange services for their customers.

A collaborative effort with Fintech companies, allows financial institutions to keep up to trend with advancements in cryptocurrencies. Keeping up with these advancements will enable them to leverage these emerging commercial technologies.




"Banks have three choices: partner, acquire or copy technology. Partnering is the fastest. Fintech need revenue. So it's a marriage made in heaven. "

- JP Nicols

INCORPORATING FINTECH INNOVATION

Financial institutions must collaborate with Fintech companies, to ensure their growth and sustainability in the future. They must devise strategies to enable Fintech incorporation within their institution. This is done by:

1. Integrating white-labelled apps: this allows financial institutions to widen their services, without needing to change their business model
2. Leveraging “banking-as-a-platform” services: financial institutions can experiment with the offered services, and find one that best meets their needs, all without much at stake.
3. Investments in Fintech start-ups and pilot new Fintech: financial institutions can gain more control of their technology; potentially reaping investment benefits.



"We are looking for partners with like-minded philosophies... Our due diligence was getting comfortable with their models, underwriting, systems, and processes." "

- Brian Heinrichs

¹⁰ "Online Lending Collaboration: How INTRUST Bank Collaborates with Funding Circle."
<https://www.fintechrising.co/online-lending-collaboration/>

HOW FINTECH INNOVATION HELPS LENDERS

An example of successful collaboration in the industry is lending. Marketplace lenders can collaborate with Fintech firms to deliver services that benefit society. Marketplace lenders are now able to attend the 'undeserved' such as small businesses. With the access to technologies such as machine learning and artificial intelligence, Fintech firms can help these lenders with assessing and screening borrowers to make the process more effective and efficient.

Financial institutions also collaborate with marketplace lenders to process loans and onboard borrowers. This collaboration has enabled them to support growth within small businesses, without the overheads of processing and administration.



**"It starts with culture.
That is the real
challenge when many
banks are managed
by traditional bankers
who are reluctant to
embrace digital. "**

- Jim Marous

¹⁰ "Why you can't ignore the user experience."

<http://independentbanker.org/2017/09/why-you-cant-ignore-the-user-experience/>.

DECIDING WHERE TO BEGIN

For financial institutions, to achieve their tasks most efficiently, they must leverage software that provides customers with a more accessible online banking system to use. For consumers, it is the ease of using the online banking interface that makes tasks most easily achieved.

Eliminating the redundant data entry by banks and customers, allows banks to be more technologically adept. Less change and friction within the systems will make consumers happier and more likely to stay loyal.



MAXIRON
— GROUP —

Telephone: 1300 118 112
Email: reception@maxirongroup.com
Website: www.maxiron.com.au