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## The future of banking Acculturating to the digital ecosystem

# Introduction

Financial institutions are a set of organisations which have seen a tremendous rise in digital enablement; so much so, that they are reaping benefits from delivering exceptional product experiences and providing customers with an ease to transact. The rampant technology adoption and a shift to digital business models, accompanied by a revolution in smart systems, has caused a massive re-positioning of the financial services market from a fundamentally labor-based model to an automated process-driven business model. Thus, banks of future will have to align their business objectives and strategy with emerging technology trends.



## AI-driven predictive banking

With rich and accessible customer data, banks will be able to provide future investment advice to their customers. The goal is to go beyond be providers of good information, and proactively engage in managing a customer's financial portfolio by giving them behavioural and contextual insights. Predictive analytics is the start of building a universal cash management solution. Banks have to be swift and nimble in order to successfully take on the future.

## Cloud-based solutions

Most of the financial institutions relying on legacy infrastructure cannot compete against digitally-enabled competitors, who are faster and more agile. Cloud-based solutions are gaining momentum and in the future, will be adopted by all financial institutions to deliver core banking solutions. Using cloud-based technologies not only increases operational efficiency and security, but also leads to cost reduction.

## Future of work

Digital transformation is motivating organisations to re-think their talent and technology strategy. The gig economy and crowdsourcing are two examples of how the work culture is evolving. With such changes, where automation of processes are leading to a metamorphosis of traditional roles, it would be important for banking institutions to also see how they can aptly manage their business ecosystem.

## Symbiotic cohabitation

In the new era, it will be crucial to orchestrate a financial ecosystem where banks, fin-tech players, big tech and regulators work seamlessly to provide services to their customers. Firms will need to partner strategically to make this possible.

## Threat landscape

The proliferation of data also gives rise to an increased level of hacks. Cyber criminals have demonstrated their ability to exploit online financial systems and markets that ave any interface with internet, such as Automated Clearing House (ACH) systems, card payments, and market trades. Cybercrime presents a phenomenal threat to the banking ecosystem.

- RBI reported **Rs. 145.08** crore worth of cyber frauds in **FY 2018-19**
- 39%** of organisations cannot take up mission critical initiatives due to security concerns
- Ransomware attacks are growing at a yearly rate of **350%**

## Key trends

### Personalisation at scale

Through advanced analytics and digital technologies, banking institutions can collect rich real-time data to build a more customised customer experience journey. The level of personalisation involves setting advanced criteria for the customer segments where human-centric designs and customer resource management (CRM) tools will help mine relevant data, to match banking and credit solutions in real-time.

### Maintaining data integrity will be a focus point

One of the common threats that can alter the integrity of data is malware, insider threats and cyber-attacks. Maintaining the integrity of data is essential to eliminate the risks arising out of sharing data with third-parties, especially with retail banking. This would require decisions at the board-level to streamline business-models and ensure customer retention.

### Payments everywhere

The innovation in payments-banking has come about with the help of technologies such as the Internet of Things (IoT), block chain, Artificial Intelligence (AI), point-of-sale (PoS), mobile wallets, etc. The advantage of this is a reduction in transactional fees and a differentiated customer experience with a wide scope for digitally-driven financial innovations to take flight. Companies are trying to understand and adopt these technologies, while integrating them with legacy infrastructure, to work out the best way for their business in the future.

### Phygital delivery

Many banks are opening digital-only branches, as this kind of model reduces the cost of maintaining physical banks. The cost of operating physical branches is high, thus, the return on assets is higher in a digital delivery model. While in the coming years we will see new and innovative models of banking, a right mix of digital and physical will prove essential to increase their competitive advantage.

## Types of attacks:

Attacks	Impact
Phishing	Spoof emails leading to infected websites that could steal your personal data
Pharming and Credit card redirection	Attackers hijack the URL of the banks and redirect payment gateways, leading to loss of finances.
Malware-based attacks	Malicious codes designed for financial attacks are increasing day-by-day, causing theft of critical data.
Distributed-Denial-of-Service (DDoS)	Attackers use DDoS attacks as a distraction. While the online website is down and the customer service representatives are overburdened, the attackers could glean account information and ask to reset passwords, by impersonating clients.
Ransomware	During this attack, hijackers make data inaccessible to an owner, unless a fee is paid. As the data stored by banks and financial institutions are business-critical, paying-off the ransom proves to be a huge financial burden on these institutions.

## Our solution offerings:

While banks and financial institutions need to keep up with new technology adoption for reasons of compliance, as well as, to continually grow and provide exceptional service to customers, they also need to effectively protect their cyber infrastructure. We, at Deloitte India, understand the risks unearthed by digital transformation, and can help institutions secure their digital perimeter, so that they can better defend themselves against such attacks.

Our services are as follows:

- Creating value through ATM security
- Arresting digital banking risks
- General data protection and data privacy
- Third-party risk management
- Information security audit
- Digital identity (creation and protection)
- Enterprise digital rights management (DRM)
- Security Operating Centre (SOC) and operations
- Cloud security
- PCI DSS readiness assessment

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