

Client

Middle ground between innovation and regulation



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Agenda

Who is winning the war for client

- Where is the client in all this
- Who owns a client
- Banks – is regulation winning over innovation
- Can regulation and innovation coexist or even drive each other
- Examples

Client

Middle ground between innovation and regulation

Before We Start

- EU banks on average supervised 2 months per year on local level
- Regulation wiped out around 15-25% of revenue of EU banks in last three years
- 50-70% of all IT budgets in banks are regulatory related
- IT regulatory changes 2-3 times faster developed/deployed than business changes
- 100% increase in FTE dealing with regulation in last three years
- Percentage of customer facing/development staff in freefall
- **"The majority [of global banks] have done some tactical and convenient belt-tightening to take out costs, but without really fundamentally changing how they operate or their business model."**

BCG's Aymen Saleh on how banks are responding to tougher regulations

Regulatory Road Ahead



More regulation coming And is just getting started

1. Structural reform and resolution in the financial sector
2. New institutions in action
3. Data and regulatory reporting
4. Culture and treatment of customers
5. Competition and innovation
6. Stress testing and risk management
7. Capital Markets Union
8. Business model mix
9. Solvency II and insurance capital
10. The interaction of market structures

Where is client in all of this

Banks are focused on themselves and their own perspective

- Everybody owns the clients, even banks
- Everybody except banks has a client in mind and speaks in name of clients
 - Regulators
 - Politicians
 - Media
 - Customer groups
 - Other interested companies
- Banks are mainly focus on regulation and mainly fighting the regulation

How the end state could look like

Less competition

- Economy of scale
- Speed of changes
- Specialization

Infrastructural banks

- Specialization/White-labeling
- Too big to fail
- Easy to supervise

Non-banks owning the customer interaction

- Fintech
- External advisory centers
- Banks split the sales and infrastructure in separate entities

There is no status quo going forward Banks will be forced to change

- Change of mindset
- Take customer perspective in everything
- Start speaking in name of customers
- Simplify the customer experience
- Get lean, agile and integrated
- Comprehensive, cutting-age financial solutions
- Customer and Solution based, not product based

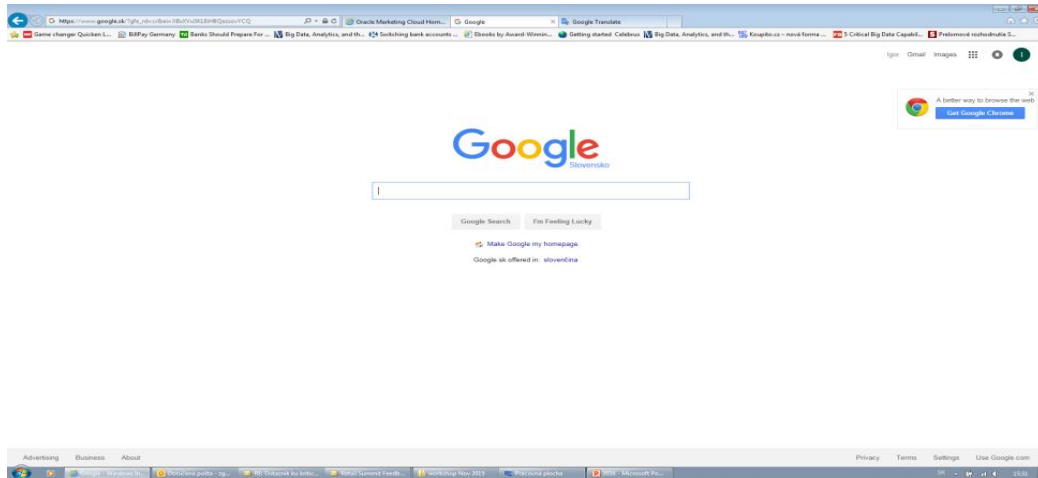
Change of mindset Client interface as the key



Currently the most of the banks starts with internal interfaces and integration

Change of mindset

Simplicity rules

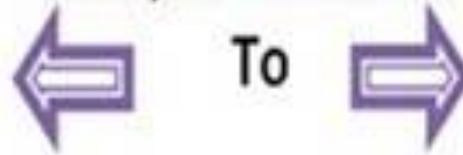


Change of mindset

Agile, multipurpose teams



From Silos,
Lack of Communication,
Multiple Handoffs



Cross Functional Roles,
High Collaboration,
Results Oriented



Change of mindset

Specialization and simplification

No of clients



No of functionalities

Examples

- Holvi (package for self-entrepreneurs – web shop, accounting package, account with business card, ERP package)
- Simple bank (bank around mobile account)
- Quicken (self financial management with savings and loan offering)

Questions

