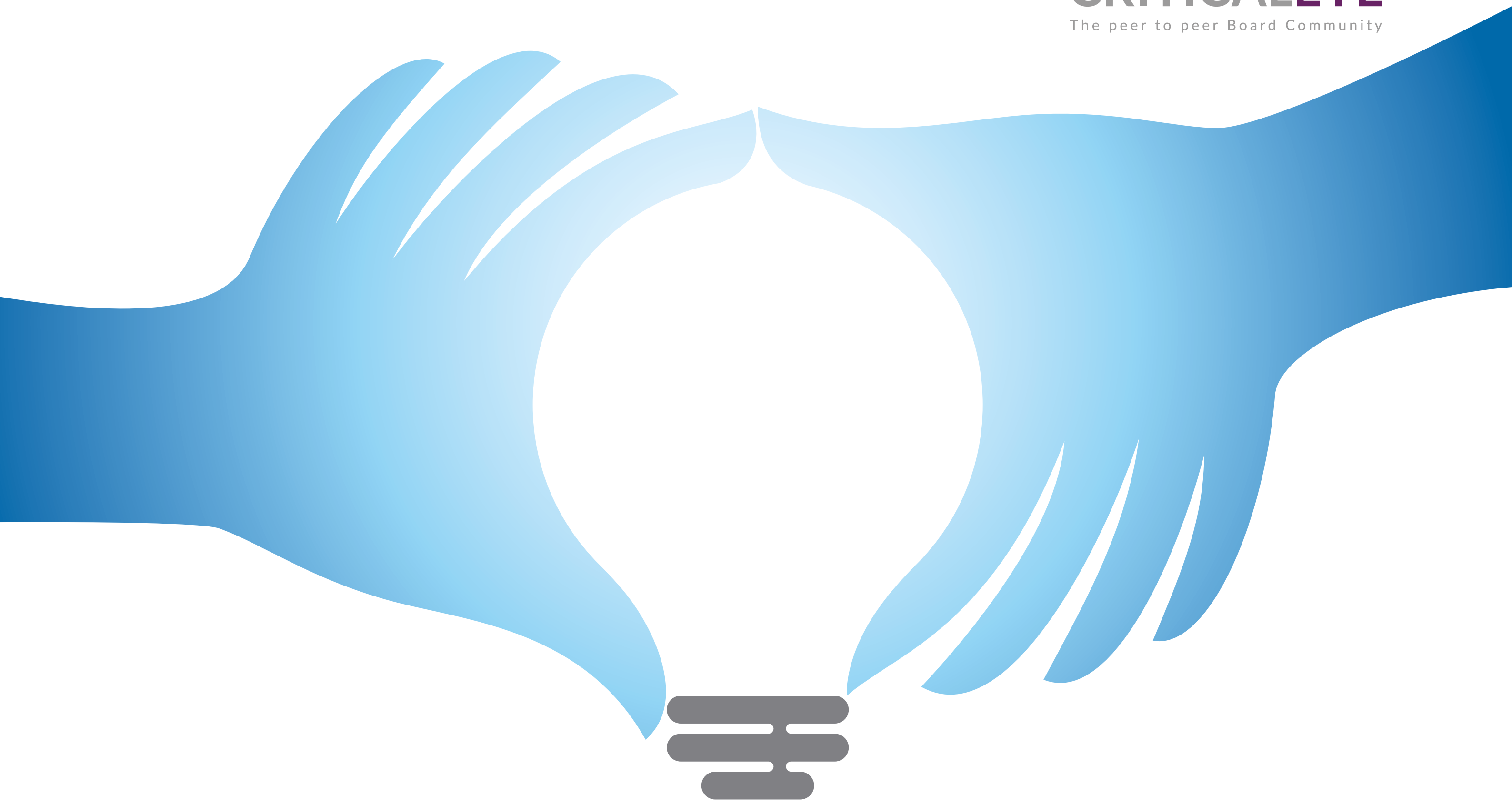

Innovation in Fintech

Huge sums are being invested in start-ups bringing new technology into financial services, such as mobile payments, money transfers, loans and insurance. **Travers Clarke-Walker** of Fiserv looks at how financial institutions can capitalise on this flurry of innovation

Currently there is an explosion of activity in the financial technology (fintech) sector in the UK. Political attention is turning to the issue with Prime Minister David Cameron backing the Innovate Finance Manifesto: UK 2020 that aims to advance the UK's standing as a leader in fintech innovation.

Investment has skyrocketed to $623 million in 2014 (from $264 million in 2013), with seemingly endless money flowing in to fuel innovation in the fintech space. And London is increasingly claiming its place as a global hotspot, alongside Silicon Valley. Global investment rates are projected to reach $46 billion by 2020, making it evident that the ongoing technology revolution is on track to completely change our financial habits and the way we interact with financial services.

This investment boom is driven by innovation coming out of the ever growing number of fintech start-ups building technology that is poised to bring more convenient services and better user experience for the tech savvy.

Banks are desperate to keep up with these agile start-ups in a race to deliver value to their customers and stay innovative. However, most of these banks are still busy dealing with the on-boarding of their customers to mobile banking. According to a recent Fiserv report, just over a third >

(34 percent) of UK adults are estimated to be banking on their mobile. This figure is expected to almost double to 60 percent by 2020, meaning that there will be 14.8 million more mobile banking users over the next five years, presenting an enormous growth opportunity for financial institutions.

The fundamental issue for banks, however, is their inability to tap into the burgeoning start-up scene to access innovation. Due to their rigorous procurement processes and compliance requirements, they are unable to contract with the small and agile players of the industry, creating an enormous gap between the availability of the latest technology and the millions of customers of large financial institutions.

A New Model for Innovation

While banks want to access this external provider market, they do not necessarily want to build all the technology in house – this is where large technology providers could come into play.

These trusted partners of financial institutions can provide a link and access point to innovation. Banks would like nothing more than somebody to step up and link them to the latest technology and create almost an 'App Store' of curated technologies with reduced risk and standardised contractual relationships that they can choose from and adapt.

As a suggested model for the industry moving on, larger technology providers could:

- Assist in integration with third parties
- Be the primary contractual partner
- Curate the marketplace

> *“Global investment rates are projected to reach $46 billion by 2020”*

- Set up a standardisation process for connecting to the banks by requiring technology providers to comply with certain measures. This would give banks an assurance that the provider is being backed by a trusted partner.

In this way, these innovative products can be made accessible to big banks.

The Role of Large Fintech Players

Large technology providers are in a very good place to lead the way and step in to provide that contractual and technical bridge by providing an integration access point and capability, almost as a managed service for banks.

This will allow:

- Existing partners to manage the service
- The ability to carry out integration and testing
- Provide a level of accountability as well as ongoing professional services.

Big banks move slowly and have to deal with legacy technology, which can be a barrier to innovation. As much as they would like to, they are not able to make the necessary changes within their organisations to be nimble, and that's why they rely on external players to provide them with innovative technologies.

By using their existing relationship with large technology providers, financial institutions can solve the issue that they have in dealing with smaller organisations and bridge the gap between the latest technology offered by innovative start-ups and their own customers.

It should be said that this is by no means the only way forward.

This is an exciting time for the fintech sector in terms of how it can move forward and what the new model should be. ■

Travers Clarke-Walker
Chief Marketing Officer
Fiserv

Travers is a senior level executive with more than 15 years' board level experience. He is currently Chief Marketing Officer at Fiserv, a global provider of information management and electronic commerce systems for the financial services industry. Before joining Fiserv, Travers was Managing Director of Payments and Innovation for the UK at Barclays, responsible for a £1.5 billion turnover business in UK retail banking. He also headed up innovation across Barclays UK Retail and Business Banking.

Contact Travers through:
www.criticaleye.com