Banks & Fintech – Journey to the Digital

Article by Pankaj Upadhyay

Associate Vice President. Key Relationships

Maveric Systems

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Maveric Systems

> Technology is no longer just and enabler, but a shaper of client interactions, relationships and investment decisions.

Financial Industry has always been driven by technology. Whether it was advent of ATM machines, Credit Cards or any new innovation, Banks have always adopted to better serve its customers. Recently we hear all about Financial Technology (Fintech) revolution, the companies with commitment to excellence and a superior customer experience. Fintech companies across the globe grew by 201% in year 2014. With just 63% growth in other sectors, its clear Fintech is one of the front runners at the moment. According to a report by Accenture, Europe's Fintech scene has grown by 215% to USD 1.48 billion with the UK accounting for 42% of that.

Innovation is not necessarily damaging the existing financial business model, it is actually challenging their value proposition.

While it appears that Banks are being dis-intermediated, they still hold a position in the system because of clearing rules (e.g., PayPal can move money around, but depends on Banks for clearing) and as payments need to be made from one bank to other Bank. Banks know that at times people get excited by the technology instead of the useful application of that technology. So they are trying to use the new Technologies to come up with useful ways of using them.

Fintech is real, it's here, it's disruptive, but it's not going to change everybody's life tomorrow. It's going to unfold over many years in different ways. Banks know this and hence they have to and in fact begun exploring partnerships and alliances with Fintech companies, hire talent that comes from outside banking systems and embrace the innovation. In fact the FinTech companies will facilitate Bank's ability to create more desirable, accessible and cost effective B2B and B2C services.

Lots of traditional Banks extrapolate their future from what-was and not imagine what-they-could-be. Fintech are re-imagining traditional financial systems.

Banks and Fintech companies both today face a Digital imperative. Agile methods and Unified Test approach are key for their journey to the Digital Enterprise. Companies that do not create agile processes will be seriously hampered in their efforts to compete with innovative digital services being offered by their competitors.

Digital Going Mainstream in UK

Since 2012, 21 new providers hoping to rival the Big Five have been granted a license by the Bank of England. The latest to be given the green light is Tandem Bank, a digital-only bank due to launch this year. It will join Atom, the UK's first digital-only challenger, which gained its license in June. Fintech has officially exploded into the UK banking sector due to relatively straightforward regulatory systems and the fact that the Fintech companies in London are located close to the investment community. These 2 factors have helped the UK become the forerunner of the Fintech revolution.

'IT' has to be delivered now. The choice to take two to three years to do something is just not there. By the time you have delivered 'IT' the world has moved on.

The commitment to technology is getting bigger and bigger. The big banks, the likes of Credit Suisse, Barclays and HSBC, are now bringing in executives from Silicon Valley with a strong technology background. Banks are stopping to build their IT systems in the traditional way, integrating tools from the application programming interface (API) school of computing. This enables construction of many different building blocks, which can be easily assembled and then re-assembled once bank and client requirements change.

The Digital champions not only adopt agile delivery methods for their own IT projects, but they also create open platforms and engage with partners that develop innovations on their platforms.

Adoption of Agile

We are no longer in an era where you have a one-off back office migration and then stability for 5 to 10 years. Client expectations are demanding Banks to be Agile. This means a constant monitoring of the market by banks, identifying the most efficient and client-friendly solutions being phased in by competitor institutions. Banks need news, research and data which can be analyzed by the system, thus combining structured and unstructured data to create new and unique proposition for all generations of customers.

The MVP approach encourages companies to release products to market with limited features so as to get immediate feedback through private or public betas.

Globally, more and more banks and financial institutions are moving rapidly to embrace Digital. Agile platforms are essential to banks' digital strategies. These "Agile platforms" will allow banks to engage with their clients to a much greater extent and more speedily than before.

While large financial institutions and Fintech startups are fundamentally different with regards to their ways of working, they both need to rely on the agile product development lifecycles. At the heart of this approach is the speed at which a company can create a minimum viable product (MVP). The MVP refers to 'the version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort.

Unified Testing Approach

The face of testing is also changing in the banking sector with the explosion of Fintech. While the customer itself now needs to educate themselves about the Fintech services on offer so they are better equipped to spot and avoid any scams, the financial organizations must ensure their applications are high quality, user friendly and provide a flawless customer experience.

The upshot of all this is that it becomes critically important to devise an end-to-end Unified testing methodology incorporating the full range of testing techniques, including test coverage of business requirements and workflows, performance and functionality, data integrity and of course concurrency. It also becomes of paramount importance to test much earlier on in the development lifecycle and roll out upgrades and new releases more frequently, admittedly with less functionality per iteration, but crucially with fewer errors and glitches for a better customer experience.

> *The glut of start-ups entering the banking sector increases the risk of questionable business practices, exploitation and fraud.*

The way forward for Fintech testing is Acceptance Test Driven Development, (ATTD) whereby the customer is brought in to collaborate on the testing process, so they can understand Customer expectations and Behaviour before starting to write the code.

The Fintech should align the Need-for-Testing with 5 key customer imperatives:

1. Channel amplification
2. Service accessibility
3. Customer serviceability
4. Data Privacy and security
5. Simplification

To be effective in maintaining the quality and stability that customers have come to expect from an organization, QA and testing teams need to:

a. Blend integration tests into the overall app lifecycle, which cleans up a product from top to bottom

b. Implement universal automation throughout the value chain, which streamlines test execution

c. Manage multiple apps, services, and platforms to guarantee smoother development of complex, sophisticated products

d. Functional testing has to be optimized across all digital and non-digital channels that customers interact with

e. Test environments need to simulate user behavior to ensure that the business experience is well-laid out and consistenUse realistic data sets and efficient Test Data management to represent as many scenarios as possible

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