
FinTech: Finding the sweet spot...

Getting out of the lab and into the business



 **FINOVATE**

Worldline
atos e-payment services

Atos

Introduction

On the 23rd November 2017, Atos and Worldline, in partnership with Finovate, ran a panel discussion and workshop involving digital leaders and innovators from Financial Services institutions and FinTechs.

This report provides you with an overview and consolidation of the discussions that took place at the event and draws out the key conversations, insights and thoughts presented to help, educate and inspire as you pursue your own journey towards getting out of the lab and into the business.

The event "Finding the sweet spot: Getting out of the lab and into the business", focused on the exploration of how best to foster and develop real world collaboration between Financial Services and FinTechs. As noted by Dan, innovative FinTechs bring great ideas on how to change processes and challenge established thinking. They have much to offer incumbent Financial Services institutions, but are often unable to surmount the barriers to working together. Creating a lab is only a first step on this journey, but the impact is only felt when innovation moves out of the lab and into the business.

Moderated by Eddy Claessens (Business Development and Innovation Lead, Global Financial Services and Insurance, Atos), the panel session at the event picked up on this theme, with the speakers engaging in a lively discussion on how to create an effective strategy. The panel discussion included Oli Harris (Head of FinTech and In-Residence, J.P. Morgan), Richard Kelsey (Digital Transformation UK&I, Backbase), David Galbraith (Partner, Anthemis), Remco Neuteboom (Chief Digital Officer, Global Financial Services & Insurance, Atos) and Matthieu Job (Founder, Shareholder & CEO of the Central European subsidiary Circeo Group). The panel debated how the role of the lab in simulating the future of technology innovation in the financial services industry was paramount.

Following the panel, there were facilitated discussions at the event targeting 4 key areas in the FinTech industry: Digital Lending and Loan Origination, Digital Assistant, Blockchain and Robotics and Process Automation. Each of which are separate, yet interlinked through challenges faced by both Financial Services institutions and FinTechs.

FinTechs take an unbridled approach. They don't have to deal with any of the legacy existing in banks and insurance companies that have been developed over the years.



The panelists



Oli Harris
Head of FinTech and In-Residence, J.P. Morgan

Oli Harris leads FinTech and In-Residence for J.P. Morgan's Corporate and Investment Bank. In this role, Oli is responsible for assessing emerging trends and their impact to J.P. Morgan, fostering relationships with the FinTech ecosystem and translating these connections into partnerships through In-Residence to transform the way J.P. Morgan and its clients do business.

Previously he worked for the Office of Tony Blair, a Project Manager at the World Economic Forum where he led their New Energy Architecture Initiative and as a Strategy Consultant at Accenture.

Oli is a passionate design thinker, having spent time at Stanford's d.school, and is particularly interested in the space between large corporates and emerging companies to generate real outcomes. He is a Tech London Advocate, member of Allen & Overy's Fuse Selection Committee, and mentor at selected accelerators. Oli is a graduate of Cambridge University.



David Galbraith
Partner, Anthemis

David Galbraith is a designer and serial entrepreneur with over 20 years Internet experience in London, San Francisco & New York. He co-founded San Francisco's most successful incubator, MRL Ventures, where he led the project which became Yelp; was co-founder of the first news search engine, Moreover, which was acquired by Verisign; Origins, the first online Genealogy service, acquired by D.C. Thomson and started the first Internet company, Realtime Anywhere, in London's tech hub, Shoreditch, in 1994.

David is a qualified architect and began his career working for Norman Foster (designer of Apple's HQ, London's 'Gherkin' and the German parliament). Having designed everything from skyscrapers to software to co-creating the Internet standard, RSS, he specialises in things that seem obvious and trivially simple, but prove crucial. He has created concepts now used by over a billion people.

David has strong business experience complemented by technical knowledge. He is a pioneer of the process of business design, where entrepreneurship is tackled from a design perspective by identifying market opportunities and coming up with ideas and plans for businesses and products.



Remco Neuteboom
Chief Digital Officer, Global Financial Services & Insurance, Atos

Remco Neuteboom is the Chief Digital Officer, Global Financial Services & Insurance with Atos SE. Atos SE (Societas Europaea) is a leader in digital services with 2016 pro forma annual revenue of €12 billion and 100,000 employees in 72 countries.

Remco focuses with his team of industry directors on digital transformation in Financial Services, with a specific focus on: Customer Experience, Operational Transformation, Trust & Compliance and Business Reinvention, ranging from new data driven business models till cloud strategy. Remco is responsible for the group FinTech strategy and go to market approach to work with innovative start-up companies.

Remco strives with his team to create the bank/ insurer of the future: "We believe that bringing together people, business & disruptive (FinTech) technology is the way forward. At Atos, we embrace this journey, striving to remain the trusted partner that delivers digital empowerment to our clients."

Remco is working with 8/10 tier 1 European banks and 7/10 tier 1 European insurers. As well as this, he has more than 20 years' experience with digital business transformation and has spent more than decade working in financial services.



Matthieu M. Job
Founder, Shareholder & CEO of the Central European subsidiary Circeo Group

Matthieu M. currently works with Circeo and studied at Sciences Eco. He is located in Hungary.

Matthieu M. is founder and shareholder, CEO of the Central European subsidiary at Circeo, Luxemburg since 2014. Circeo is the provider of the Loan Factory, platform for retail loans distribution and management. Handling all type of loans (including leasing and islamic financing products) through the Loan Factory, get free of all investments and of infrastructure problems, move to the SaaS solution for your loan activity. All distribution channels, all countries and all solutions included (banks, financial institutions, microcredit, peer-to-peer, brokerage).

Previously Matthieu M. worked at Statlogics (Hungary) as the VP Sales and C.E.O. from 2004 - 2013. Prior to that Matthieu M. worked at Société Générale (France, Romania, Algeria) as the Head of Retail and Head of Marketing and Sales, from 1996 - 2004.



Richard Kelsey
Digital Transformation UK&I, Backbase

Richard is a digital technology specialist with 10 years experience covering digital marketing, AI and financial customer experience. Responsible for Backbase commercial activities in the UK and Ireland he guides banks and insurers on their digital strategy.

The Backbase Omni-Channel Digital Banking & Insurance Platforms empower financial institutions to accelerate their digital transformation and effectively compete in a digital-first world. It unifies functionality from traditional core systems and new FinTech capabilities into a seamless digital customer experience, drastically improving any customer channel.

Panel discussion

Atos, Worldline and Finovate have long been focused on enabling Financial Services institutions, FinTechs and innovation, demonstrating the value of bringing key innovation leads together and sharing experience through this event.

'The Future is being made today', quoting Dr Bunsen Honeydew from the Muppets, Eddy Claessens noted the extent to which ideas (sometimes quite rightly) get stuck in the lab. There may not be a textbook to which to refer when creating cutting edge technology and innovative methods for developing software and simulation. The challenge is in getting out of simulation mode and into real world implementation.

With this in mind, a number of questions were posed to the panel by Eddy, with the core findings

The importance of structure

Oli Harris (J.P. Morgan) kicked off the panel discussion by noting that J.P. Morgan actually doesn't believe in labs. Their focus is on how to innovate from the core by bringing together the right internal stakeholders and enabling them to innovate from within. The creation of a separate lab, he noted, can act as an inhibitor to the objective of bringing together those different groups and functions. This, in turn, may well create barriers when trying to integrate innovations back into the larger organisation. There is, of course, the question of the culture of an organisation in devising the right programmes and how that matches with the organisational realities of a financial services institution.

Richard Kelsey (Backbase) saw a lab in taking three potential forms: 1) As an incubator where a bank has partnered with a FinTech; 2) Collaboration with a software company or FinTech in a 'sealed' environment, launching the innovation back into the larger organisation or as 3) Creating and in a lab environment, such as a new digital bank and allowing that institution to grow out the lab.

David Galbraith (Anthemis) focused on what the lab is there to solve. For example, the first wave of FinTech, which focussed on solving the challenge of digitisation and the requisite industry upgrade or the next more innovative wave where the intersection between technology and innovation created a real potential for disruption, suited more to the lab environment.

A lab isn't necessarily a physical location but rather a process where you are working with range of stakeholders. Agreeing with Oli's view, Remco Neuteboom (Atos), noted that it is about engaging the right stakeholders and enabling the ability to look from the outside in. The focus should be on improving an organisation and creating the mechanisms to meet a set of objectives. Labs play an important role in allowing for a proof of concept and demonstrating tangible results. It is a means of showcasing that what Cicero, for example, offer is real, with a clear value proposition and not hypothetical.

Whilst the views of the panel varied on the role and structure of labs, they embraced a shared view of moving away from the hypothetical and towards implementation. A key factor in determining success in the 'real world' was the role of culture. Eddy asked the panel for their thoughts on how to bridge the cultural gap between financial services institutions and FinTechs, as well as cultivating an internal culture supportive of innovation across an organization.

Creating the right culture

Matthieu M. Job (Circeo Group) shared that the main difference was that banks dream of innovative systems whereas FinTechs have created them. Banks also think in 'pieces' whereas FinTechs see the whole picture. Oli followed by asking why large incumbent financial services institutions should work with FinTechs. It demands sharing knowledge, competitive intelligence, collaboration and co-creation. There are some real pain points (from the perspective of a financial services institution) when working with early stage companies due to their processes and culture. The purpose of the In-Residence programme at J.P. Morgan for example, was to alleviate some of those pain points. Start-ups can be dwarfed by processes in a large institution and need support in overcoming those cultural barriers; a steer to the right internal stakeholders and support in navigating processes, creating clear paths to production or enabling fast failure.

Oli continued to express that it's not simply a matter of wrong culture, but the result of very different organizations at very different stages of development. This doesn't preclude, however, working towards a shared goal. Richard noted a move in the right direction over the past few years evidenced by the creation of new roles in banks specifically focussed on digital and transformation. The real test is to make sure they carry real decision making power and are not merely a box ticking exercise, bearing in mind the real differences generated in a highly regulated industry requiring a large balance sheet.

Supporting the move out of the lab

Given those institutional, regulatory and capital frameworks that are driving cultural and operational differences, what, therefore, is the role of a systems integrator in overcoming those obstacles and enabling the move out of the lab?

As Remco noted, you can't just bring a FinTech into the value chain. FinTechs are challenging processes across the bank and the speed process of innovation and development for financial services institutions. There is a need to move fast and there are many challengers on the horizon. A modular approach, based on who does what the best (financial services institution verses FinTech) should ultimately drive customer focussed decision making.

Regulation is creating more challenges for incumbents (with PSD2 and Open Banking), but can also aide the move out of the lab by creating regulatory frameworks that are supportive of innovation. Regulators should regulate business models and not technology. Business model innovation, still in the early stages, is the most important driver of change. The role of regulators becomes very important in not preventing innovation.

The panel concluded that compliance by design and consideration can work in favour of FinTechs, as can challenging the incumbents to reconsider their belief that scale and security will win. Consumers are becoming more demanding and their preferences and priorities will determine the future shape of the financial services industry. Relying on brand alone will not be a winning strategy.

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There is a huge amount of complexity to integrate FinTech offerings with large Financial providers. Atos understands the architecture of banks to be able to fully integrate the two worlds together.

Remco Neuteboom
Chief Digital Officer, Global Financial Services & Insurance, Atos

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Banks that do it well, are where Digital Transformation Directors are seen as Leaders within the organization and trusted to work with FinTechs to guide the company to new ways of working.

Richard Kelsey
Digital Transformation UK&I, Backbase

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Breakout sessions

Digital lending and loan origination

Following on from the panel session, a number of breakout sessions took place, under the Chatham House rules, focusing on the key learnings and barriers to innovation between financial services institutions and FinTechs. Practical examples and ideas were discussed on how digital services organizations or large-scale integrators could help bridge this gap between innovators and incumbents.

Getting digital lending right has the potential to deliver substantial rewards to financial services institutions. It can expand the customer universe and ease the customer journey significantly. In a fast-evolving market, speed is of the essence, with participants focusing on the imperatives, issues and approaches to fast paced innovation.

The view of the participants was that the digital lending sector is mature and that technology enabled process improvement and product innovation can be implemented at speed and need not be a risky exercise. The dual rewards of lower costs and a far superior customer experience are clear drivers.

Given the clear business case, why wasn't this change happening at pace? To date, in the case of the larger financial services institutions, the focus had largely been on cost cutting outcomes utilizing new technologies rather than improving the customer journey and end-product. Financial services institutions need to move quickly to leverage their strengths including the vast amounts of customer data available to them and need only to look to markets in China and the Americas to see the ease with which other non-financial digital platform businesses can leverage their data to move quickly into consumer lending.

Digital assistants

Some of the key takeaways from the session included the challenge of meeting the demands of particular customer segments (not everyone will want to deal with a digital assistant), the importance of test and learn rather than a 'big bang approach' and demonstrating tangible benefits to the end consumer. As is seen with other technologies, financial services institutions need to take their customer on a journey of learning and increased adoption.

To move successfully from the lab to successful implementation, the right stakeholder groups need to be involved from the start. A financial services firm operates under a different regulatory framework from Amazon or Netflix, for example, and recommending a financial services product, whether done by a digital assistant or a human, needs to comply with financial services regulation. Consumer trust needs to be built as does trust between internal stakeholders, which requires cultural shifts. Risk departments would need to learn to trust digital assistant forecasts, for example, before they will agree to the digital advisory solution.

Blockchain

When looking at the potential of blockchain technology, the consensus was that the merit of technology needs to be assessed based on the value it can bring rather than as a potentially disrupting technology pushed by the hype it has become. Like the early days of the internet, a vision is needed to understand what it enables. And, again, like the early days of the internet, barriers to widespread adoption need to be addressed including regulation, interoperability and the challenges presented by legacy technology estates.

In examining some current use cases, Santander is utilizing Ripple to speed up cross-border payments and AXA is using Ethereum to create and manage smart contracts for flight insurance product. The potential of the technology to create faster, more secure and more resilient products and services was also highlighted and generated much enthusiasm around the table.

In conclusion, it was agreed that further education and successful use cases, in addition to overcoming some barriers noted above, would be needed to demonstrate the true value of Blockchain to financial services institutions. Again, signposting an important role for digital services organizations.

Robotics and automation

Unlike some of the other technologies discussed in the breakout sessions, the view of participants was that we are at the beginning of the journey towards robotics and the automation of processes in financial services institutions. Key to success is moving in step with the customer and monitoring customer acceptance. Financial services institutions need to keep an eye on the needs and demands of all customer groups - not just millennials, including those that wish to deal with a human. The key lesson being that the technology cannot outstrip the consumer comfort zone.

Many in the breakout groups also shared the view that the role of the technology was to augment people-driven processes and that from a bank perspective, proper governance was needed to connect financial services institutions and FinTechs. Understanding the economic value of automation and augmentation and the art of the possible was a key entry point for any organization.

“FinTechs are not going to suddenly replace the banking and insurance players. A lot of mergers and acquisitions will be happening.”

David Galbraith
Partner, Anthemis

Atos Global FinTech program: A catalyst for innovation in Financial Services

The opportunity for FinTechs, banks and insurers

Atos and FinTech: Quick facts

- Atos has launched a global FinTech program.
- Atos is judged to be a Global Leader in FinTech Services by NelsonHall and IDC.
- Atos partners selectively with FinTechs which align with pressing market needs and which complement Atos's capabilities.
- Financial Services organizations can benefit by engaging with Atos on its Industry Solutions which deliver business benefits through expertly integrated FinTech content.

The mission of the program

The FinTech phenomenon has shaken the foundations of the Financial Services sector - offering new ways to create value in an ageing industry. But not every bank or insurer is going to make the FinTech transition. And not every FinTech is going to outlast the initial burst of activity. So how are you going to exploit opportunities to survive and thrive in Financial Services? As a leader in integrating FinTech solutions, answering this question is our primary focus. That is why we established the Atos FinTech program with three clear aims:

- To give FinTechs improved access to established Financial Services institutions so they can work together to rapidly achieve global scale in their chosen markets.
- To partner Financial Services providers with pre-vetted, quality-assured and road-tested FinTechs, InsurTechs and RegTechs.
- To offer unique insights, commentary and research into the rapidly changing FinTech landscape.

How is Atos FinTech organised

FinNet: FinNet is our knowledge portal covering the latest trends in FinTech around the world. Find FinNet at atos.net/FinTech to learn about market developments, emerging sub-markets, and forthcoming innovations.

FinHub: FinHub consists of a team of industry thought-leaders and trend watchers who develop our community of pre-vetted, quality-assured, and road-tested FinTechs.

Via a stringent selection process, we identify, assess, and partner only those with the strongest possibility of delivering new value with us.

FinLab: FinLab is a cloud-based API platform for you and your partners to create banking or insurance services. We provide the technical blueprints and integration support to fast-track your go-to-market proposition.

FinLab focuses on completing end-to-end customer journeys by bundling FinTech services to demonstrate ways to challenge the status quo.

FinTech and opportunity with Atos

The FinTech, InsurTech and RegTech communities are vital in reshaping front and back-end processes that touch everyone's lives. They positively disrupt the industry to improve value to all who play by changing conventional thinking. It is important to Atos to be there both to disrupt and facilitate the change by leveraging our capability to mitigate the risks associated with the delivery of this much desired innovation on all sides of the client-to-customer transaction.

With the emergence of FinTechs, banks and insurers are facing new competitive pressures. At the same time, FinTechs face challenges with international regulatory compliance, credit issuance and global distribution channels. Our cloud-based FinTech propositions, engagement program and research offer new ways to meet the industry's core transformation challenges head-on.



Customer experience

How can banks and insurers give customers a personalized experience in tune with their digital lives?

By partnering with the right FinTechs through Atos to redefine their service portfolio.



Business reinvention

How do businesses of all sizes redefine their ambitions to respond to demand?

By working with a partner to understand the customer, implement change and take advantage of advanced technologies.



Trust and compliance

How can FinTechs, banks and insurers re-establish trust and protect data in a fast-paced world?

By working together to provide innovative services, meet changing regulatory obligations and establish state-of-the-art security.



Operational excellence

How can FinTechs maintain an upward trajectory to ensure they meet customer or regulatory expectations?

By relying on an experienced partner to introduce robust risk management and scale up while staying compliant.

How you benefit

For banks and insurers

- Faster access to prepared, pre-vetted and quality-assured FinTechs.
- End-to-end management of FinTech integration within your service ecosystem.
- Delivery of new services that customers want with selected FinTechs.

For FinTechs

- Partnership opportunities with major Financial Services players.
- Co-creation of prototype services within a wider customer journey.
- Developing a collaborative go-to-market offering that customers want.

Atos FinTech: Global Market Recognition

Atos is positioned as a Leader in FinTech Services in Banking by analyst firm NelsonHall.

- The NelsonHall research noted Atos strengths in FinTech services as its technology capabilities and proprietary IP in credit origination and management, data management and fraud detection; its close relationships with many leading FinTech software vendors and its investment in software-defined data center capability¹.

Atos is named an IDC FinTech Rankings Top 25 Enterprise Company by IDC Financial Insights.

- The IDC Financial Insights Rankings categorise and evaluate the top global providers of financial technology based on calendar year revenues from financial institutions for hardware, software and/or services².

1. https://atos.net/en/2017/awards_2017_07_17/atos-positioned-leader-FinTech-services-banking-analyst-firm-nelsonhall

2. https://atos.net/en/2017/awards_2017_09_12/atos-named-idc-FinTech-rankings-top-25-enterprise-company-idc-financial-insights

About Atos

Atos is a global leader in digital transformation with approximately 100,000 employees in 72 countries and annual revenue of around € 12 billion. European number one in Big Data, Cybersecurity, High Performance Computing and Digital Workplace, the Group provides Cloud services, Infrastructure & Data Management, Business & Platform solutions, as well as transactional services through Worldline, the European leader in the payment industry. With its cutting-edge technologies, digital expertise and industry knowledge, Atos supports the digital transformation of its clients across various business sectors: Defense, Financial Services, Health, Manufacturing, Media, Energy & Utilities, Public sector, Retail, Telecommunications and Transportation. The Group is the Worldwide Information Technology Partner for the Olympic & Paralympic Games and operates under the brands Atos, Atos Consulting, Atos Worldgrid, Bull, Canopy, Unify and Worldline. Atos SE (Societas Europaea) is listed on the CAC40 Paris stock index.

Find out more about us
atos.net

Let's start a discussion together



For more information: atos.net/FinTech @Atosfinancial

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