

# Transforming financial services

*Banks and credit unions have seen a rapid growth in the use of digital and mobile apps but this doesn't mean that customers feel closer or more engaged with their bank*

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For financial institutions just starting on their digital transformation, the journey can appear daunting. Many are realising that their core systems for banking, lending or payments processing provide little differentiation and it's difficult to make their offerings stand out. Surrounding the core with unique, innovative applications that appeal to customers will be key. Financial institutions must move away from a 'not invented here' mindset and embrace the fact that innovation can come from anywhere. Leveraging APIs and connecting to FinTechs through an open, platform-based approach is a great way to tackle the challenge.

Choosing the right technology partners is essential. In many cases financial services providers and fintech application creators need an intermediary who can help them connect and collaborate more easily and to access the latest innovations, without having to rip out existing infrastructure.

A third-party platform frees the financial institution from the overhead of needing to manage and run the platform itself. This allows the financial institution to access and deploy innovative apps from FinTechs that have been tested and, in many cases, pre-integrated with the core banking systems it is already using. As a result, banks and credit unions can quickly deploy new apps and capabilities that deliver real benefits to customers and keep them highly engaged.

## Prepare for a new landscape

Success will be about embedding finance seamlessly into customer journeys – and delivering 'banking as a service' through a platform-based approach. We are already seeing how technology is bringing industries together around new marketplaces that are focused on making life better and easier for the customer.

This places increased importance on financial institutions collaborating and working with partners, including other banks, FinTechs, BigTechs, and non-banking brands in a new interconnected financial services ecosystem. A banking-as-a-service approach can allow banks to reach new audiences and achieve scale by exposing specific back-end services via APIs to non-banking brands, enabling these third parties to offer such services directly to their customers. For example, mortgage provision could be provided directly through real-estate agents, with



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the bank managing the lending process behind the scenes. For the financial institutions involved it can mean offering largely commoditised banking services and a loss of brand identity for those services, but the trade-off is that it can bring a level of scale and reach that financial institutions may not otherwise achieve.

The key to making the 'right' progress is to think about all of this from the customer's point of view. Work to fill in the gaps with systems and processes via open APIs within a strict governance and security framework, using an open platform. Insights into data, both historical and real-time, will create opportunities to build personalised services and new revenue streams.

My advice to financial institutions is two-fold. Firstly: champion the use of platforms and open APIs – recognise that they can get you to the end game faster. Secondly, embrace collaboration and innovation – there's no need to invent everything in-house, work with partners and other brands in the market to leverage innovation and find new routes to market.

We are really just at the beginning of the transformation journey in financial services – exciting opportunities lie ahead for all those ready to seize them!