Top 10 Retail Banking Trends and Predictions for 2018

This massive annual report combines the results of a major global research study with insights crowdsourced from a panel of 100 financial services influencers, industry analysts and banking providers.

By Jim Marous, Co-Publisher of **The Financial Brand** and Owner/Publisher of the Digital Banking Report

For the seventh consecutive year, we have surveyed a panel of over 100 global financial services leaders for their thoughts on retail banking and credit union trends and predictions. The crowdsource panel includes bankers, credit union executives, industry analysts, advisors, authors and fintech followers from Asia, Africa, North America, South and Central America, Europe, the Middle East and Australia.

We used the findings from our panel as the foundation to develop a global survey of executives involved in the financial services industry which provided a prioritization of our trends. Our global survey also provided an opportunity to do an end-of-year review of last year's projections. Finally, the survey collected insight into strategic priorities for 2018 and the fintech players that the industry believes will have the greatest impact in the upcoming year.

By collecting insights from leading influencers, ranking the trends using an industry survey, and including extensive analysis around each trend, we have developed the most comprehensive annual trend report in the banking industry. For the third consecutive year, the research, analysis and Digital Banking Report entitled, **2018 Retail Banking Trends and Predictions**, are sponsored by **Kony, Inc.**. The report will be available right after Christmas.

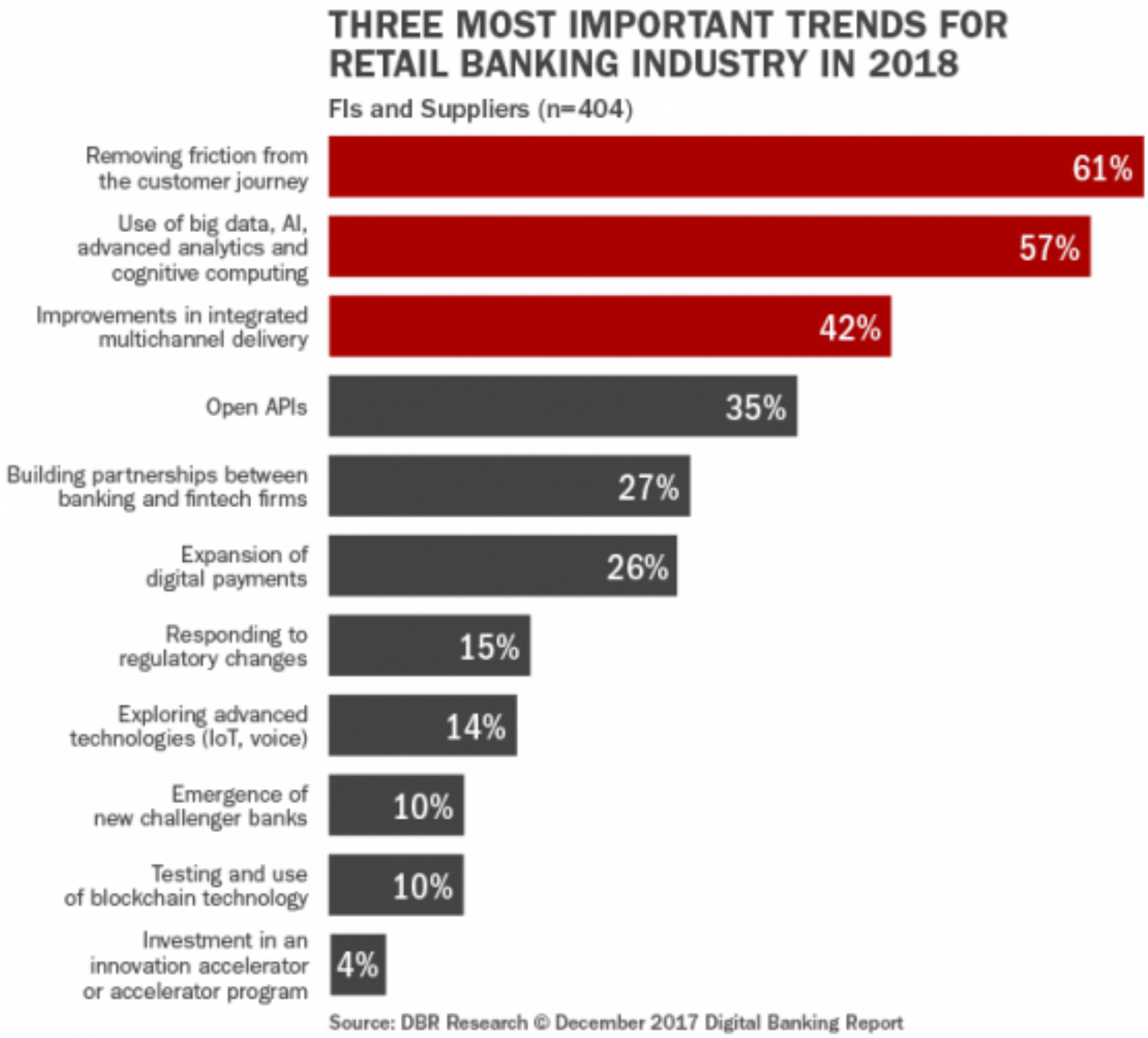
Top 10 Retail Banking Trends for 2018

The ranking of the top 10 trends and predictions was done by providing a list of trends identified by our crowdsourced panel and asking banks, credit unions and the supplier community globally to provide their top 3 predictions for 2018. Of the organizations that provided their top 3 trends, the highest ranking prediction was that the industry was going to remove friction from the customer journey (61%). The next two most mentioned trends were the improved use of data and advanced analytics, and refinements in multichannel delivery (mentioned by 57% and 42% respectively).

Interestingly, with the exception of one trend (testing and use of blockchain technology), the trends and order of these trends were the same as last year. Last year's trend of investment in innovation did not make the top 10 this year. The importance and underlying components of each trend differed in this year's research compared to the predictions for 2017.

The fact that the list of trends identified by the financial services industry has remained relatively consistent could be a symptom of a greater problem. The banking industry is moving much too slow, and legacy firms are failing to differentiate themselves. According to Forrester, "In a market where one-third of all customers say 'all banks are basically the same,' it would make sense for executives and their teams to obsess over how to differentiate. Unfortunately, 2018 will look more like a digital arms race between warring incumbents than a year in which firms find new ways to specialize and create value for customers."

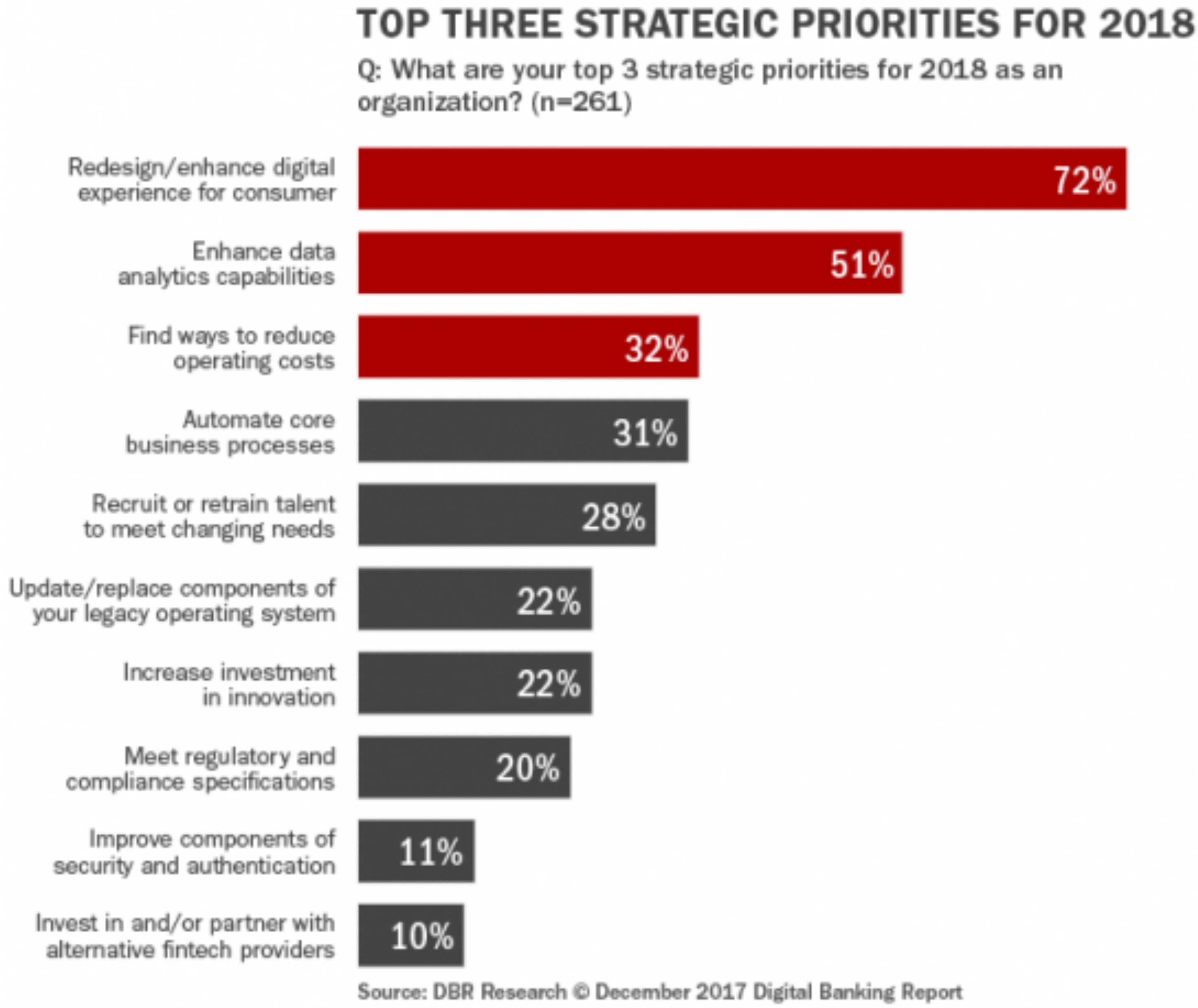
Regarding changes in emphasis for this year's trends, removing friction from the customer journey increased in importance from last year, with 61% of organizations placing this trend in the top three, compared to 54% last year. The trend around the use and application of data also increased in importance from last year, with 57% of those surveyed placing this in the top 3 for 2018, compared to 53% in predictions for 2017. Other notable shifts of importance included a greater belief that open banking APIs would be important, less emphasis on regulatory changes and a greater belief that advanced technology would have an impact in 2018.



Top 10 Strategic Priorities for 2018

When we asked financial services organizations worldwide about their top three strategic priorities for 2018, there was a significant change in priorities compared to last year's research. While the order of the top three priorities remained the same as last year, the priority of reducing operating costs dropped from 41% last year to only 32% for 2018. At the same time, the priority of investment in innovation dropped from the 4th position to 7th, with the number of firms mentioning innovation falling from 26% to 22%.

The biggest jumps in strategic priority in 2018 were seen with the emphasis on automating core business processes (up 13%) and recruiting talent (up 8%). These shifts illustrate the growing importance of becoming a digital bank and the impact of this transformation on the types of employees required to address new challenges.



Here is what some of our crowdsource panel had to say about 2018.

> "2018 will see developments across the banking industry, including a more mature application of fintech solutions, greater use of digital payments, the opening up of banking thanks to API built architectures, the first significant progress with blockchain technology, and the harnessing of AI and RPA solutions. These changes will all occur as global tech giants (including those from China) change the financial services battleground."

– **Roberto Ferrari**, Chief Digital and Innovation Officer at Mediobanca Group

"Financial institutions have spent the last few years painting the vision of what it means to be a digital bank. In 2018, we'll see a significant shift from optimization streamlining and automation – to creating new revenue streams. This revenue may come from new business models or simply new products and services, but it signals a recognition that simply doing the same things better is no longer enough."
– **Nicole Sturgill**, Principal Executive Advisor at CEB now Gartner

"Investing in new skill sets will be critical. The digital talent gap is only widening and organizations that can't keep pace will be crippled by it. Now more than ever, the right talent is truly a competitive advantage."
– **Danielle Guzman**, Global Head of Social Media and Distributed Content at Mercer

“2018 will see a radical change in how traditional financial institutions approach digital transformation. The Chief Digital Officer concept will be replaced as companies seek to embed digital transformation for both customer value proposition and business model transformation - into the roles and expectations for every job in the organization and every initiative undertaken. Digital management, much like risk management in recent years, will become everyone[1]s job. This will launch a wave of transformation, especially in traditional banking.”
– **Mary Beth Sullivan**, Managing Partner of Capital Performance Group

> “2018 will be an amazing year in banking. The debate on cryptocurrencies will rage on, with jurisdictions legalizing and defining ICO token issuance and definitions around cryptocurrency use. Regulators will increasingly compete for dollars, talent and fintech innovation through more open banking and fintech licensing provisions, putting markets like the US further behind the eight ball on basic capabilities like payments and challenger models. Blockchain POCs will move to implementation, neobanks will start to go global, and global technology experiences surfacing bank and credit utility will start to emerge that undermine traditional charters.”

– **Brett King**, CEO and Founder of Moven and author of Bank 4.0

Regarding the use of an industry leading group of financial services industry influencers, **Jay Palter**, Chief Engagement Officer at Jay Palter Social Advisory, said:

“As technological innovation accelerates and financial systems globalize, social networks (such as LinkedIn, Twitter and Facebook) have emerged as indispensable and efficient tools for following key developments and insights from thought leaders. Knowing who you need to follow and pay attention to online is more important than ever.”

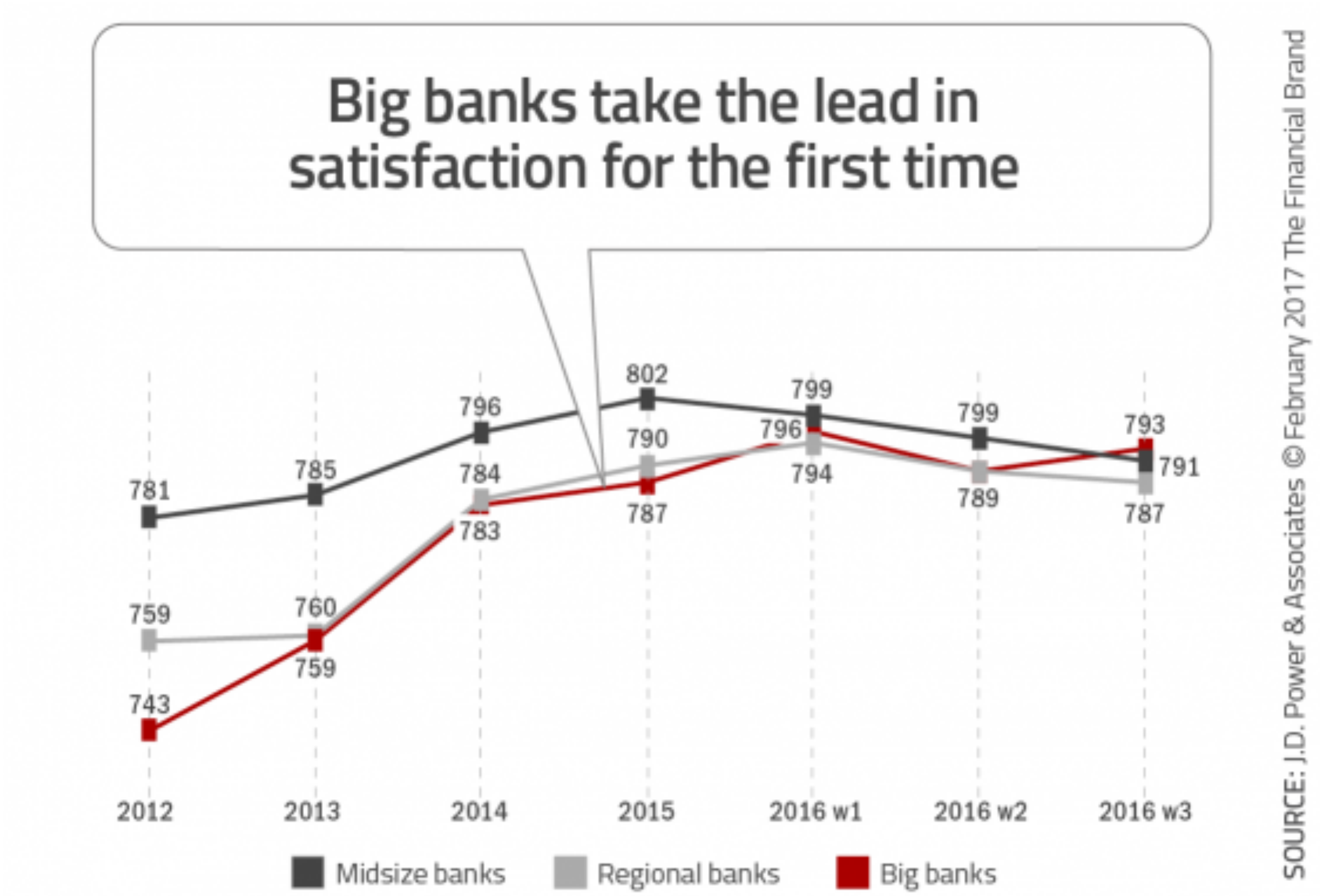
1. Removing Friction from the Customer Journey

While the banking industry has talked about ‘customer-centricity’ and ‘improving the customer experience’ for decades, most organizations have had difficulty breaking down product silos or leveraging internal data to deliver a contextual digital experience. “Long-term sustainable growth in the banking industry seems only possible with a radical departure from a sales- and product-obsessed mindset to one of genuine customer centricity, and further rationalization of strategies to target the right markets, customer segments, and solutions,” states Deloitte.

According to the 85-page report, **Improving the Customer Experience in Banking**, the objective of delivering a positive customer experience has become secondary to other bank priorities, resulting in a transactional banking relationship for the customer. For financial organizations to change this dynamic, and meet the evolving needs of today’s customers, there are five areas that have emerged as crucial priorities:

1. Move focus of digital engagement from cost reduction to experience enhancement.
2. Leverage advanced analytics, machine learning and contextual engagement to provide a highly personalized experience.
3. Allow the consumer to engage with their bank on the channels they prefer at the times they want to engage.
4. Transition advisory and sales activities from being reactive to being proactive.
5. Engage end-to-end throughout the customer journey, from shopping to account opening, to onboarding and through relationship expansion.

A positive customer experience is channel sensitive, with customers placing a higher weight on digital customer experiences more than physical or call center channels. In fact, in a recent J.D. Power, survey, the largest banking organizations improved in overall customer satisfaction, while midsize banks declined and regional banks plateaued. This was attributed primarily to improved mobile and online satisfaction.



As the banking industry responds to the "Age of the Individual", big data and advanced analytics will define the winners from the losers. It is critical for banks and credit unions to deliver on the personalization promise to win the battle of having the best customer experience.

How customer insight is used can make a big difference to the customer experience – and ultimately to the profitability of the organization. The right information, analyzed in the right way, can ensure that the financial institution can provide the right offer at the right time – along with a seamless service at a lower cost. And that has to be good for everyone involved.

> “Financial companies need to introduce experiences that are more like Tinder and Instagram rather than the traditional services they provide today. It’s not just digital innovation or transformation, where banks can compete for the future, it’s also about re-inventing dated policies, processes and products for new and more discerning generations of connected consumers. UX design strategies and principles and human-centered design belongs in the C-Suite now more than ever.”

– **Brian Solis**, Principal Analyst and Futurist at Altimeter Group, a Prophet company

“Most forward-looking banks have realized that a purely customer-oriented experience will never enable a really defensible differentiation towards competitors. Huge customer-driven programs have helped provide “error-free” transactional experiences to their customers, but this isn’t enough. Organizations must activate structured top-down initiatives to detail the brand promise across every touchpoint and front-line behavior, with the final goal to create a deep and durable alignment with the human side of their customers – moving from ‘customer experience’ to ‘human experience’.”

– **Ambrogio Terrizzano**, European Financial Services Lead at Accenture

“We are about to tear down product silos that confuse customers and get focused on being relevant, convenient and frictionless. Our new go-to-market will be driven by attention and engagement. The winners will be the most efficient at manufacturing and the most effective at engaging. Ecosystems will win beyond single individual providers.”

– **Nigel Walsh**, Partner at Deloitte UK

“Human first: The core of banking and insurance is social – not the abundant technology but understanding human behavior and decision making will be relevant to differentiate and design a superior value proposition.”

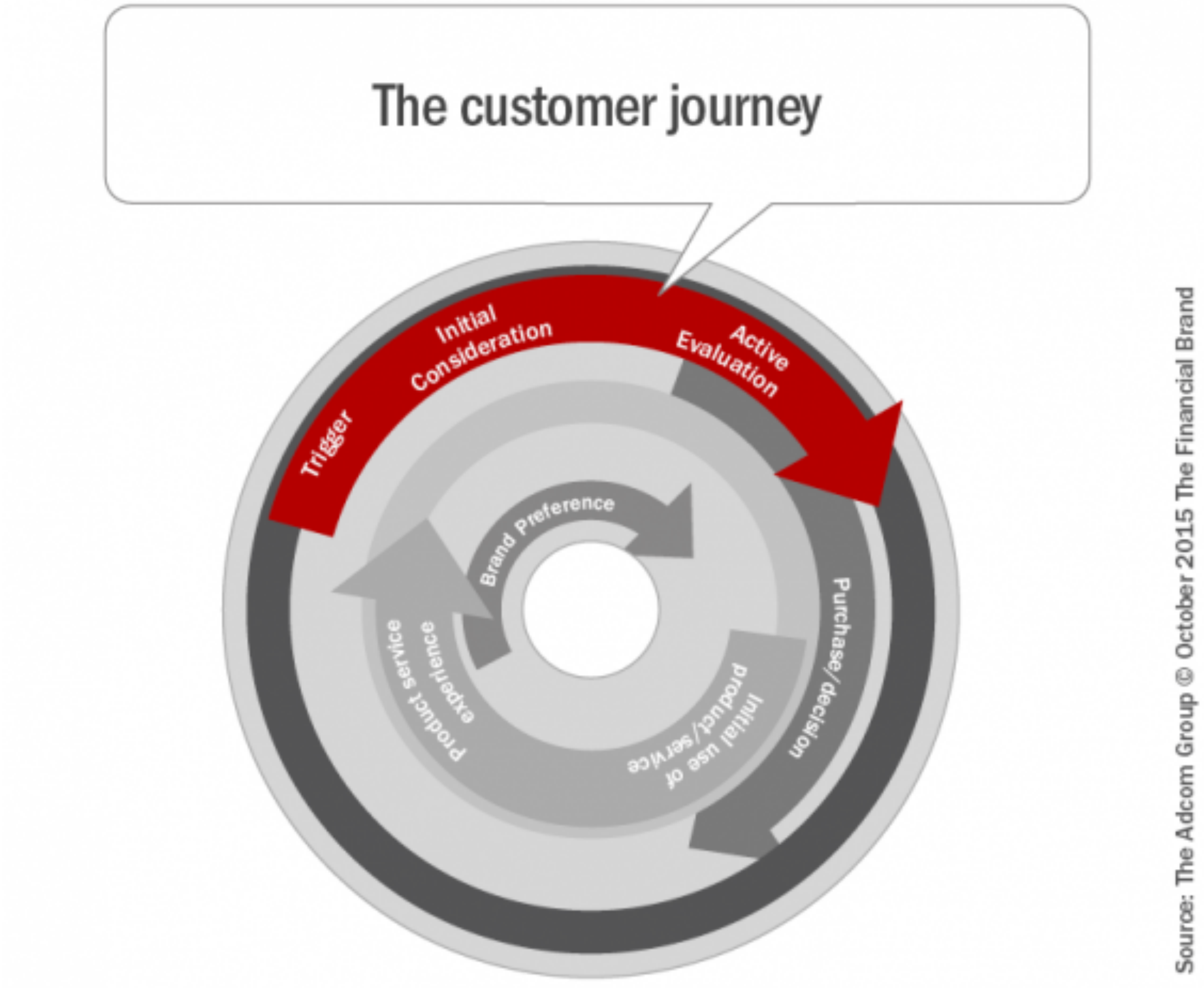
– **Andreas Staub**, Managing Partner at Fehr Advice

“2018 will bring more capabilities for shifting more control of one’s finances from banks, merchants, or processors to the end-user. These highly intuitive, trust-creating controls will ultimately drive higher spend, loyalty, and trust, with lower misuse.”

– **Jim Van Dyke**, Founder and CEO of Futurion.Digital

> “The banks that have done the hard work of changing their internal culture in order to welcome and foster change and elevate the experience will retain the relationship with the consumer and will compete successfully with new entrants whether they are new challenger banks or the big tech firms (GAFA).”

– **Duena Blomstrom**, Chief Growth Officer, Marketplace at Temenos



“The great opportunity of 2018 will be to align cross-functional teams around an early stage adaptive and collaborative process (using agile and scrum road mapping). To move rapidly from a myopic operational and technology focus to working from the ‘outside-in’, letting targeted customer segments/persona needs, pain points and lifestyle triggers guide and inform strategy, experience design and personalized content and tailored new products.”
– **Mark Weber**, CEO of Weber Marketing Group

“Mobile will be at the center of the customer experience in 2018. Voice banking will become more prevalent, especially for customers of larger banks, while smaller community banks will continue to work to catch up, adding more mobile banking options that remove friction and improve functionality.”
– **Lori Philo Cook**, Owner of InnovoMarketing

“2018 will be the year of bringing human connection to the forefront of the customer experience. Whether through digital, voice or face to face, financial services firms will improve on the delivery of the most fundamental of human needs: to connect with customers, let them know they have been heard, acknowledged and understood.”
– **Joe Sullivan**, CEO of Market Insights, Inc.

> “Mobile banking will continue to accelerate past standard banking in customer preference as their digital, user, and customer experiences become more enriched

and data-informed. This will include consumer-to-business frictionless digital banking, consumer-to-consumer one-click payments, new cryptocurrency opportunities, password-free biometrics, locational services and offers, and conversational interfaces."

– **Kirk D. Borne**, Principal Data Scientist and Executive Advisor at Booz Allen Hamilton

"Banks will increase experimentation with chatbots and interactive assistants to find ways to interact with customers in a more meaningful way and to provide a better customer experience. The focus will shift to evolving these experiences by integrating more sophisticated data to gain insight, using machine learning to understand and predict what a customer may need, and deploying bots that can help their agents do their jobs better."

– **Tiffani Montez**, Senior Analyst at Aite Group

2. Expanding Use of Data and Advanced Analytics

Over the past 18 months, the Digital Banking Report has seen a growing gap between the organizations that are embracing the power of contextual insights and the potential of digital transformation vs. those that continue doing things the same way they have in the past. There is no reason to see this gap narrowing in 2018.

Best-in-class financial institutions will apply advanced analytics and artificial intelligence to increase automation, improve personalization, reduce costs, enhance the customer experience and even assist with compliance. The potential of advanced analytics grows exponentially over time. Each iteration, additional data source and performance measurement results in learning that enhances the accuracy of the predictive models. It also allows organizations to refine data sources as opposed to simply adding more and more data.

Finally, with each iteration, predictability goes up while costs can go down, improving marketing efficiency. From the customer's perspective, the messaging in more "on target," improving the customer experience, satisfaction and lifetime value.

According to **David Gerbino**, Principal of @dmgconsulting, "Financial institutions that effectively leverage data and advanced analytics across the enterprise will be in a position to capitalize on newer technologies such as machine learning and automation. Those firms who fall behind will need to quickly overcome barriers that are preventing them from enjoying the benefits of advanced analytics or they will find themselves too far behind to catch up."

> "Many banks have built their core operations on fragmented systems aligned to products. This has distributed customer data across multiple platforms, and banks recognize that they cannot use AI effectively on data spread across the business. As a result, organizations will develop strategies for building an Enterprise Data Architecture in 2018 which rationalizes and cleanses their fragmented data stores."

– **Chris Skinner**, CEO at The Finanser, Ltd.

"2018 we will see tech- and data-driven leaders being appointed into c-level positions in the financial services industry. This will occur because advisory board, shareholders and established

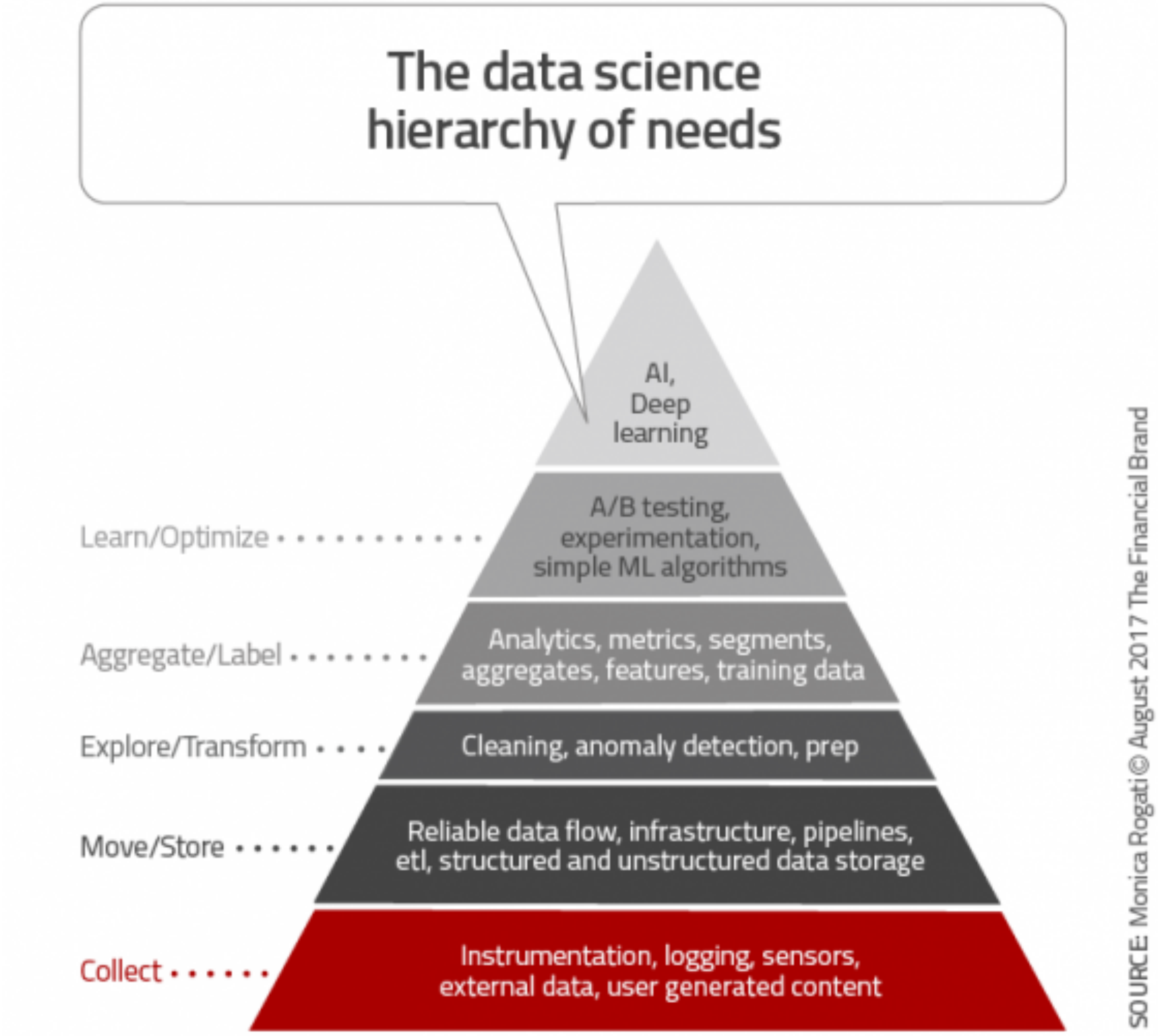
CEOs recognize that the new era of customer-centric digital ecosystems demand leadership with a digital and tech-driven mindset."
– **Dr, Robin Kiera**, Fintech, Insurtech, Digitalization Speaker and Influencer

"Machine Learning applications will continue to mature, with each vendor featuring a domain specific solution. Organizations will work towards fully integrated, end-to-end data management platforms to handle increases in different data streams, including Deep Learning applications, transforming data into actionable insights. AI and Deep Learning applications in voice recognition and video analytics will also accelerate."
– **Ronald Van Loon**, Director at Adversitement

"A new generation of AI solutions focused on the effectiveness more than on the efficiency. Tools able to evolve from the pull conversation to the push sales. The proactive offer of the right product at the right time with the right message, as was done physically by the best sales for decades. Something able to address the body of the customer base and not only the long tail of the most rational person."
– **Matteo Carbone**, Founder and Director at Connected Insurance Observatory

> "Virtual replicas will move beyond industrial applications and into financial services in 2018. A digital twin will not only propose an action plan for a human to review/do, it will intervene on its own. As cloud-based processing power rises and tools become more operative, running behavioral digital twin simulations will become more prevalent."

– **Mike Quindazzi**, Managing Director at PwC



"In 2018, organizations will embrace more automation and AI to provide a better experience for customers across digital channels and to empower employees with the tools and knowledge they need to improve their performance."
– **Jenni Palocsik**, Director of Solutions Marketing at Verint

"AI will become a necessity for financial services to deliver better experiences, lower costs, reduce risks and increase revenue – providing a competitive edge. Most firms will need to evaluate a buy/partner decision to deploy solutions such as chatbots, biometrics, fraud and voice or else fall further behind."
– **Dennis Gada**, Regional Head, Financial Services at Infosys

> "Artificial Intelligence (AI) will start to bear fruit, supporting more complicated use cases for older adults such as decumulation and financial planning for longevity. The combination of advanced analytics, Internet of Things (IoT), and big data will allow banking to be more seamlessly integrated into our daily routine, transforming voice into the new UI."

– **Theodora Lau**, Director of Market Innovation at AARP

"Anticipatory UIs will grow as a result of natural language processing and AI, prompting a shift in customer interaction from pull (the customer having to trigger the interaction with the bank), to

push (the bank initiating the interaction in a non-invasive way)."
– **Paolo Barbesino**, SVP and Head of Digital at Unicredit

"With many organizations searching for deposits, those that do not have a sound data-cleansing and enriching process, combined with a data-driven acquisition and retention strategy, backed by a marketing automation platform, will find themselves on the losing end of 2018. Marketing teams and technology teams will need to be in 100% alignment going into this year."
– **John Waupsh**, Chief Innovation Officer at Kasasa

> "Data will reach a point of critical mass not in terms of volume, but in organization, collation, correlation and democratic distribution. This will not just empower real time or strategic decision making ("if this, then that"), but also determine long term road maps, capacity planning, customization of products and services for new acquisition and revenue channels, and critically cost management. Data will be the constant atmosphere in which we work and breath, rather than the 'lake' or 'warehouse' we visit."

– **Rob Findlay**, Managing Director at Accenture Interactive and Founder of Next Money

"Many financial institutions will attempt to roll out tools powered by artificial intelligence and many will fail due to a lack of clean and usable data. Leading institutions will focus on getting their data organized, accessible, and clean, building a solid foundation to ultimately win the race toward AI."
– **Matt West**, Global Strategic Account Executive at MX

"Could data scientists be last year's hot occupation? Software could reduce the demand, integrating deep learning and code into packages that detect fraud, improve targeting, etc. Software goes where there's demand — look for more data science expertise to be deployed as software."
– **Tom Groenfeldt**, Writer for Forbes

> "Banks must continue to gain a deep understanding of their customers or they will fall further behind. Transaction analytics and data categorization are the foundation of all data-driven initiatives. If financial institutions cannot categorize their data and identify the right audience, they will find it difficult to move forward in more advanced areas such as AI, Virtual Assistants and Customer Journey Mapping."

– **Rob Heiser**, President and CEO of Segmint

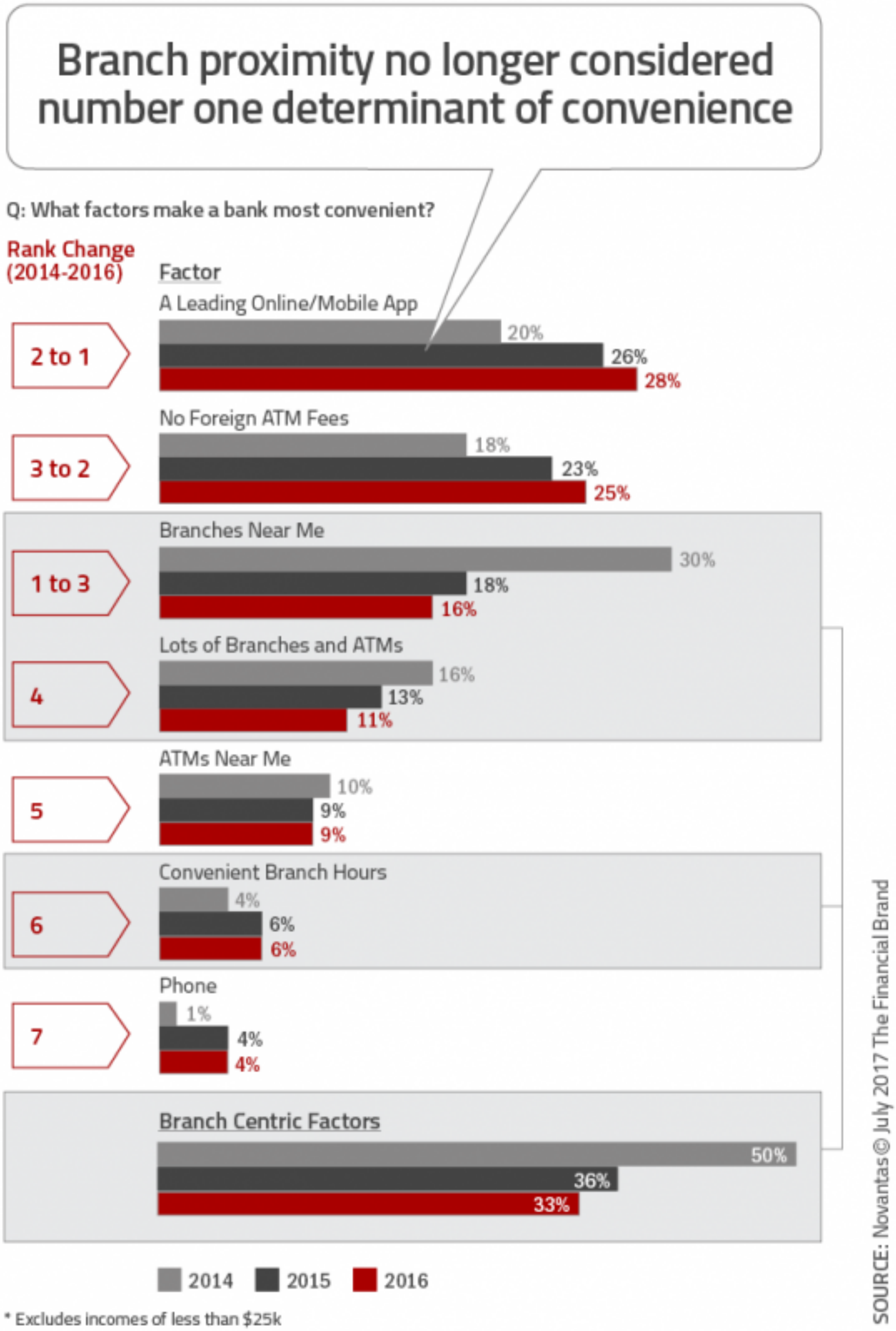
3. Improving Multichannel Delivery

Banks and credit unions will see less than half their customers face to face in 2018. Instead, an increasingly digital customer base will use self-service touchpoints as a first point of contact, only reaching out to contact-center agents or branches for the most complex engagements. This movement of transactional interactions to digital channels will mean that branch and contact-center interactions are more important than ever in building human relationships with customers.

Winning financial services organizations will provide all customer contact personnel with the digital tools required to access answers quicker, and will invest higher trained personnel who are better equipped to use these tools and present high value responses to inquiries.

The traditional definition of convenience in banking has revolved around the proximity of the branch. With the growth in digital technology and the increased acceptance of online and mobile banking, access to banking products and transactions is no longer tethered to a physical location, resulting in a redefinition of convenience. Today, while convenience is still the primary driver of initial consideration, the importance of branches in that definition has gone down.

Novantas found the correlation between ‘perceived convenience’ and ‘consideration’ to be slightly stronger than the correlations between ‘perceived convenience’ and ‘purchase’, with both being very strong. The biggest news is that the drivers of ‘perceived convenience’ start with an organization’s digital capabilities. In fact, the importance of branch-centric factors have dropped in each of the past three years of the study. This is especially true for consumers aged 18-54.



Aligned with the preference to shop digitally, there has been a corresponding increase in the preference to open accounts digitally, according to Novantas. Over a third of consumers prefer to open their account digitally, with the number being significantly higher (46%) if the consumer shopped using digital channels exclusively. In fact, the mobile channel has replaced other channels as the centerpiece of the banking relationship.

> "In 2018, mobile will surpass desktop as the top digital channel for retail bank account opening. Consumers will move from just browsing to actually buying financial products from their phones. This move will be supported by superior security from mobile, vastly improved customer interfaces, and the convenience of off-hours access that mobile provides."

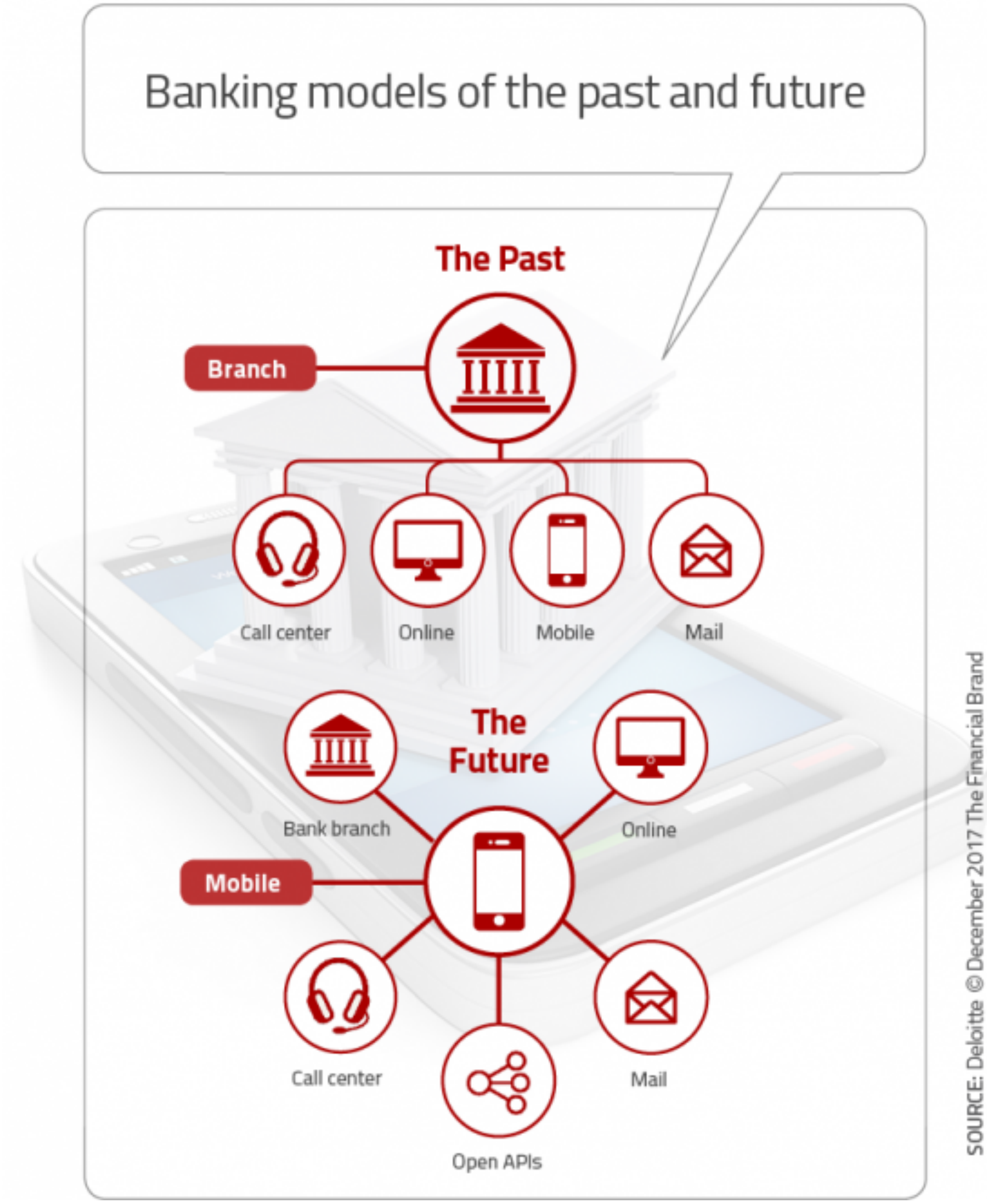
– **Don Bergal**, CMO at Avoka

"Operational processes and technology infrastructure created for branch-centric workflows will become the limiting factor for adequately serving digital-first customers. Institutions will be forced to migrate from digitizing self-service to providing exceptional service digitally."
– **Wade Arnold**, Advisor at BillGo

"Advertisers will realize that context does count. While they've appreciated the precision targeting of social platforms, there will be a growing appreciation in 2018 that the trustworthiness of the content on each platform has a big impact on their brand message."
– **Jennifer Grazel**, Global Director, Vertical Marketing for LinkedIn

"One of the biggest trends is clicks to bricks. We are working with many of our clients to connect the online digital experience to the traditional branch experience with the use of tablet friendly, open branch workflow experience for loans and deposits."
– **Kyle Kehoe**, President, Action Division of CRIF Lending Solutions

"The emergence of Gen Z (born 1996 and after) will underscore the urgency for small- and mid-sized institutions to accelerate their digital evolution; both in terms of customer experience and workplace culture. As this constantly-connected generational cohort enters adulthood, their digital preferences (e.g. mobile-only, immediacy, personalization, security) and pragmatic, independent personalities will challenge financial service managers and marketers alike."
– **Jim Perry**, Consultant and Strategist for Market Insights



> "2018 will see banks getting much more serious about digitizing their current analog processes with a particular focus on their commercial customers and on mobile. Loan processing, account opening, service subscriptions, problem resolution and one-to-many payments are all examples of current processes that are ripe to be reimagined in order to gain speed, efficiency, and scale."

– **Chris Nichols**, Chief Strategy Officer at CenterState Bank

"Especially for emerging markets around the world, there will be increased importance of the mobile channel and increasingly the growth of smartphones changing access to banking (and financial services in general). The use of new ways to interact with customers, and increasingly the use of chatbots, will be a key trend."
– **John Owens**, Senior Advisor for Digital Financial Advisory Services

"Financial institutions will pull back from dramatic changes and take a more practical approach to the industry's challenges, such as service delivery and channel utilization. With 2018 being the year of small business banking, there will be increased investment in technology (or partnering with fintech firms) to simplify business loan processes, using branch staffs for selling these services."
– **David Kerstein**, Founder of Peak Performance Group

4. Embracing PSD2 and Open API Banking

While APIs are not new to banking and are nothing more than a structure for how software applications should interact, they provide the gateway for innovative, contextual solutions that would be difficult to offer without Open Banking. As outlined by the World Retail Banking Report 2017, published by Capgemini in conjunction with Efma, there are three types of APIs:

1. **Private APIs**: These are APIs that are used within the traditional banking organization, reducing friction and enhancing operational efficiency. A vast majority (88%) of banks viewed private APIs as essential in 2015.
2. **Partner APIs**: These are usually between a bank and specific third-party partners, enabling the expansion of product lines, channels, etc.
3. **Open APIs**: In this scenario, business data is made available to third parties that many not have a formal relationship with the bank. Because of the structure of open APIs, many banks have a greater concern around security.

Most banks ease into the use of APIs, moving from private, to partner and sometimes to open APIs. It is believed that, over time, APIs will evolve to the more extensive options in response to the consumer desire for greater digital solutions not currently provided by legacy organizations. This will also occur as both fintechs and traditional banking organizations understand that they need each others strengths. This collaboration will enable both banking organizations and fintech firms to offer more to customers than previously possible.

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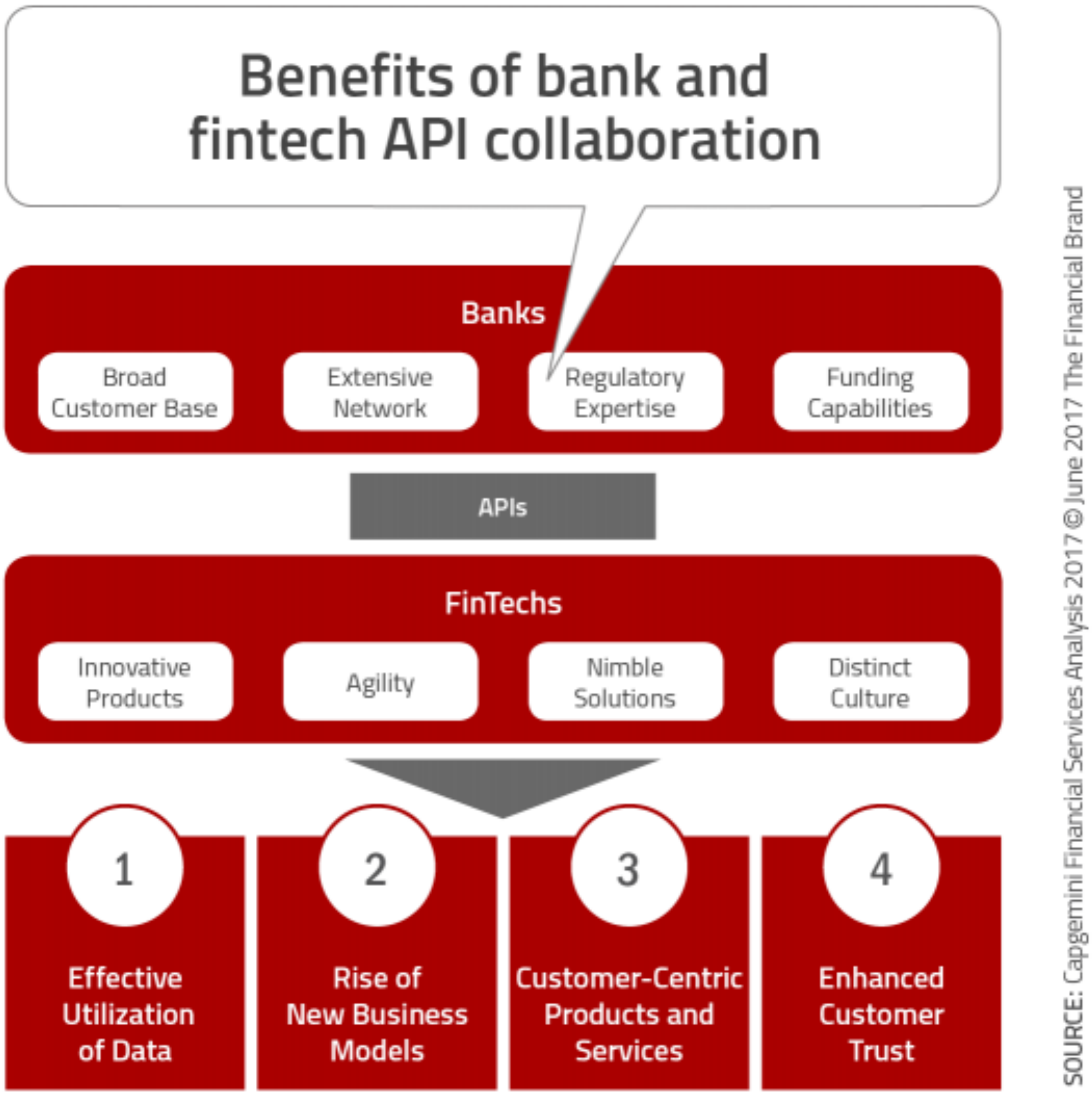

Deloitte believes there are four distinct strategic options for banks and credit unions in the future. In two scenarios, an institution remains in control of the customer/member relationship. In the other two, products and distribution become unbundled.

- Incumbent as a full-service provider
- Incumbent as a utility
- Incumbent as a supplier
- Incumbent as an interface

It must be mentioned that the options are not mutually exclusive. Organizations may want to play in multiple quadrants. For instance, they may want to be a supplier of services as well offering products in a third-party interface.

Perhaps the greatest risk of open banking is that it will allow consumers and merchants to execute direct transactions without going through banks, making it more difficult for banks to have a full view of the customer transactions and maintain customer relationships. It is hoped that the open banking concept can avoid this demise, as traditional banks and fintech firms work together to build the customer's trust and offer products and services that will improve a consumer's lifestyle.

The foundation of these partnerships will be the data that can be collected and cultivated for the benefit of the customer, the bank and the fintech firms. If applied diligently, the improvement in customer experience could be the differentiator that retains the overall banking (and non-banking) relationship.

> "As PSDII enters in force at the beginning of the year, some truths will be revealed about the effects of such imprecise regulation, about the misplaced expectations of some start-ups, and about the real open banking strategy of the European banks. Over the year, I expect the bumps in the road to open banking to get smoother as

> new players learn to work together and deliver banking services in new ways. The rest of the world will be watching and learning from this."

– **Andra Sonea**, Solutions Architect at Anthemis Group

"The era of Open Banking is upon us. Banks have moved beyond exploration with Fintech companies and moved towards established partnerships. This evolution will continue in 2018 as consumers move closer to having the power to completely customize their banking relationship."
– **Matt Wilcox** , SVP, Marketing Strategy and Innovation at Fiserv

"We'll reach peak API excitement, but despite the investment, there won't be many success stories from banks opening their APIs just yet as they realize its not a case of 'build it and they will come!'."
– **James Haycock** , Managing Director at Adaptive Lab

"The rise of open banking will force banks to decide whether they want to be the interface (in control of the relationship), or the pipe (providing third party ecosystems) with digitally savvy product and systems. Big internet players will test the water and offer unbundled financial services to support their core business (eg payment services, lending)."
– **Paolo Barbesino**, SVP and Head of Digital at Unicredit

> "I believe 2018 will be a year of demistifying open banking driven by API, when many institutions will start seeing it as a new channel of customer acquisition and engagement, rather than a threat that will diminish their business."

– **Sonia Wedrychowicz**, Head of Technology, Consumer Banking Group at DBS Bank

"I'm looking forward to U.S. specific "lessons learned" from the PSD2 enforcement in the UK. As usual, we will bastardize the guidelines to fit our unique needs. But open banking is coming whether we like it or not."
– **Sam Maule**, Managing Director, North America at 11:FS

"2018 will be the point of no return due to PSD2. This will place banks and fintech services into equal positions, thus taking user experience design to the forefront as the main edge of competition."
– **Alex Kreger**, CEO of UX Design Agency

"European MiFID2 and PSD2 will realize internationally the need and opportunities of digital wealth management, accelerating all B2B and B2C wealthtech trends."
– **Paolo Sironi**, Director at IBM Watson, Financial Services

> "As the fintech ecosystem gets more complex and end users look for more self-service tools, the 'platformification' of digital banking will be a trend that will bring consumer, business, and employee under one single solution to save money and

> lower the maintenance/complexity of managing disparate systems."

– **Tom Shen**, CEO of Malauzai Software

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"Open Banking will be a massive game changer. The best hope is that banks become the next financial platform – finance 2.0 – offering consumers more choice and competition. Worst case scenario is that the big tech giants (Google, Facebook, Apple, Amazon, etc.) will leverage their data and open platform to dominate the market."

– **Liz Lumley**, Global Fintech Commentator and Adisor to Financial Services Industry

"Open banking is the dawn of the next wave of banking like we haven't known before. New entrants will be able to access interesting new sources of data and make payments, and old incumbents will be pushed to embrace the next wave of digital … with the result being intelligent digital services either as an end to end experience or as part of a distributed ecosystem. This is the year that David and Goliath will win, but which one wins most is going to be the most interesting thing to see. Its way too close to call."

– **David Brear**, CEO and Founder of 11:FS

"PSD2 and open banking represents a huge opportunity for change and innovation in the coming year. Benefits will come to organizations with a PSD2-ready API and regulatory permissions to open a marketplace which collects and connects other financial services providers, all within the banking app."

– **Anne Boden**, CEO of Starling Bank

> "The frontlines in the battle for the new customer will shift in 2018. Tomorrow's conversational commerce, AI, and big data will transform the Facebooks, Amazons, Googles, and Apples of the world into the key gateways for new customers. The only way to compete will be through real customer insights from personas/journeys and integration requiring API ready infrastructure."

– **Craig McLaughlin**, President of Extractable

"The availability of APIs is a game changer for the industry as FIs gain the ability to decouple from inflexible vendor development processes and take more control over customer experience."

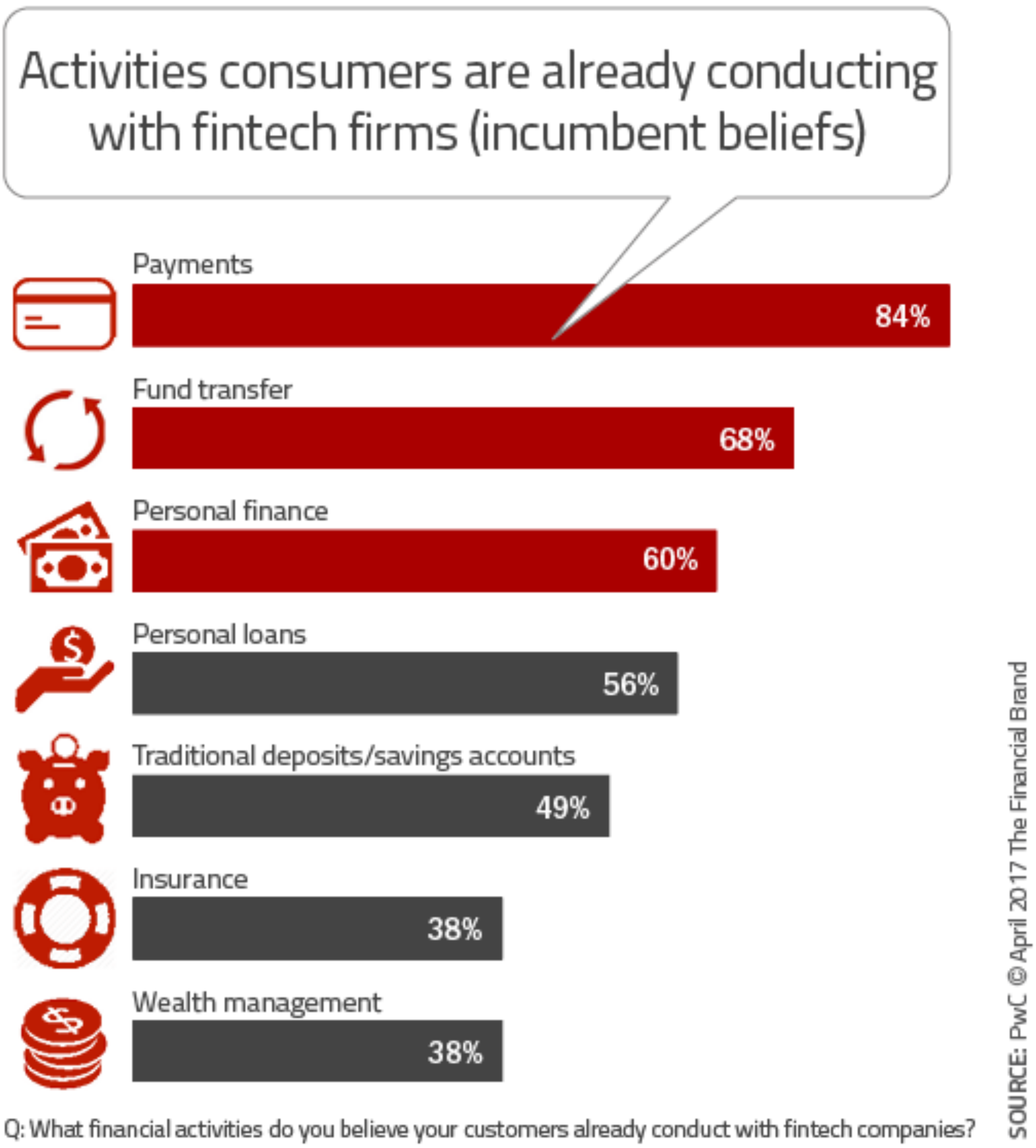
– **Alpine Jennings**, Director, Deposits at State Farm Bank

5. Building Fintech Partnerships

In the past, many traditional banking organizations looked at fintech start-ups as more of a nuisance than a threat. Today, many are viewing these non-traditional providers as a threat as well as either a partner or potential acquisition.

In its latest Global Fintech Report, **PwC** found that 88% of legacy banking organizations fear losing revenue to financial technology companies in areas such as payments, money transfers and personal loans. The amount of business at risk has grown to an estimated 24% of revenues.

In related DeNovo's research from PwC, it was found that 30% of consumers plan to increase their usage of nontraditional financial services providers, with only 39% planning to continue using solely traditional service organizations. This is an additional wake-up call to legacy organizations to determine how they will retain the key components of an existing banking relationship.



In response to this threat, 82% of traditional financial organizations stated a plan to increase collaboration with fintech companies in the next three to five years. Similarly, almost 50% of financial services firms are planning to acquire fintech startups over the same period.

Fintech startups realize that it takes more than a great solution to attract a scalable customer base. To reach beyond early adopters and the tech-savvy takes massive amounts of capital for promotion and product support. Partnering with an established banking organization who will support the expansion of users among their client base seems like a logical means to an end.

Alternatively, legacy banking organizations, struggle to keep up with consumer expectations. Size, organizational structure (silos) and even traditional leadership styles hamper the ability to deliver the new digital solutions consumers receive from other industries. Partnering with a fintech startup alleviates some of these issues, allowing the established organization an opportunity to keep pace with marketplace demands.

Fintech collaboration is not about grabbing for the 'next shiny object' — it's about intuitive product design, ease of use, and 24/7 accessibility.

> "Vendors that create marketplaces to aggregate/integrate enterprise banking apps and tools for banks and credit unions – will gain traction in 2018. FIs will more easily integrate and deploy best-of-breed solutions, reduce their reliance on a single, large core provider, differentiate their offering by offering a wider range of choices to their customers, and find effective and efficient approaches to core transformation."

– **Ron Shevlin**, Director of Research at Cornerstone Advisors, Inc.

Read More: Banking Options Narrow: Partner or Acquire Fintech Firms

"Banks will put pressure on core providers to become more open and accommodating, resulting in the core's increasing appetite to acquire fintech, digital banking and data companies. The cores will begin proving they can support the changing needs of the banking industry."
– **Bryan Clagett**, CMO at Geezeo

"Collaboration between fintech startups and financial services organizations will heat up further, fueled by regulatory changes such as PSD2, and by industry groups like TruSight. The challenges of fintech firms' scaling up and the FIs' innovation are addressed by partnerships. Regulatory changes should also aide in making collaborations easier."
– **Alex Jimenez**, VP and Senior Strategist at Zions Bancorporation

"Banks will be more open to the idea of partnering with fintech firms, incumbent vendors, and even competitors, and they'll actually begin to enter into partnerships. Like any new skill, partnering will take practice, but those financial institutions that do it well will have a significant advantage over the competition, both traditional and new."
– **Dan Latimore**, SVP of Banking at Celent

> "In 2018, we will see more financial institutions working together on innovation projects. They are finally warming up to the idea that they don't have to invent everything in house, and that the network effect can be very valuable for certain efforts, as we saw with Zelle in 2017. Professionally managed consortia will allow more institutions to make up lost ground on the innovation leaders."

– **JP Nicols**, Managing Director at Fintech Forge

"More core providers will begin to embrace the API, like FIS has done with Code Connect. This will create healthy tension that exist between data aggregators, digital banking providers, and nimble startups who all want a financial institution's business. The net result will be cheaper and faster collaboration between a financial institution and their chosen technology partners."
– **Keith Armstrong**, Co-Founder of Abe AI

"The banking industry will follow the path of the computing industry, whereby the most successful players morphed from a build model to a buy model. The most successful banks and credit unions will learn to better position and build their brands and enable a new era of banking by harnessing unlimited innovation from fintech providers."
– **Don MacDonald**, CMO at MX

> "Fintech startups merging with more successful fintech players, or hoping to be bought by incumbents, will be one of the biggest trends in 2018. AI and machine learning will play an increasingly key role for the startups as well as for the incumbents differentiating winners from losers in an increasingly competitive environment."

– **Spiros Margaris**, Founder of Margaris Advisory

"After years of aggressive cost-cutting due to the aftermath of the 2008 financial crisis, banks will look to partner with bank technology and fintech providers that provide solutions that can directly impact revenue. Digital lending and account origination will be the early areas of focus."
– **David Gerbino**, Principal of @dmgconsulting

"More banks will see fintech startups as an "enabler" rather than a "disruptor" and there will be more collaborative initiatives between banks and startups. More banks will focus on digital transformation as a key strategic agenda, rather than focusing on digital innovation in a limited emerging technology area."
– **Makato Shibata**, Head of Global Innovation at Bank of Tokyo-Mitsubishi UFJ

"Big retail players will realize they don't have the technology or the reach to capture data previously only available through financial institutions or third parties, and will collaborate more with startups. It will be the year of Fintech for people."
– **Matteo Rizzi**, Co-Founder of FinTechStage Limited

"The innovation function grows up and moves from the Lab to the Factory. Bank IT teams will

meld with business and deliver new solutions by using ideation, design development and business modeling into a complete ability to deliver customer ready solutions. This is the end of innovation islands and will be the only way to deliver true financial services innovation."
– **Dion Lisle**, VP, Head of Fintech at CapGemini

> "While there has been a perceived slow down in venture capital fintech investment, startup activity, corporate partnership, investment and experimentation with smaller technology players will not slow down in 2018. Many banks will need sherpas and interpreters to bring these activities inside the bank to change the culture from within."

– **Bradley Leimer**, Managing Director and Head of Fintech Strategy at Explorer Advisory and Capital

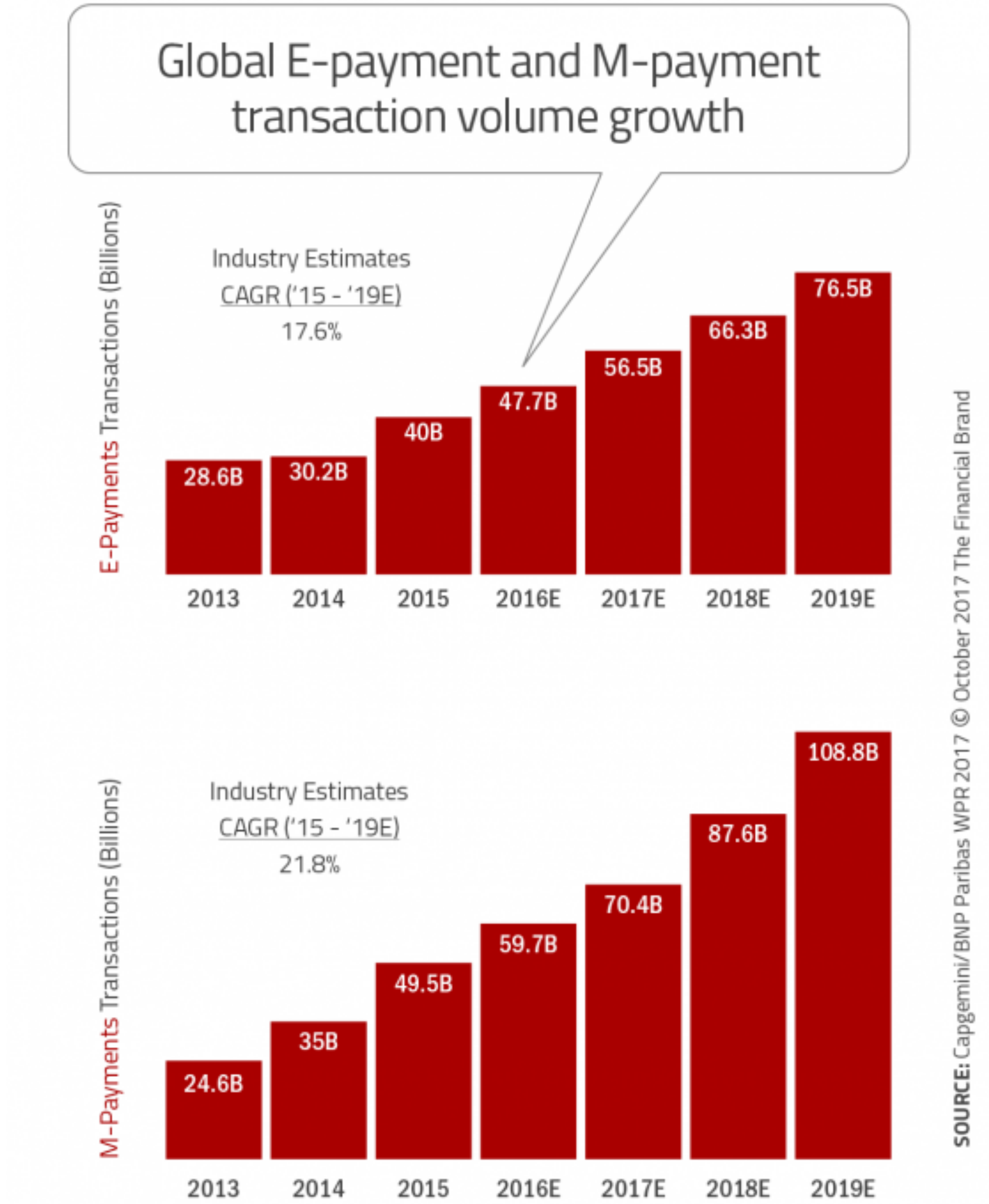
"2018 will be a year of stretching limits for fintech partnerships.Banks want bigger impact from fintech technologies and bigger/faster results, and they will invest heavily in technologies and tools that can create a human-like experience across all channels. This may also be the year the regtech space finally gets the attention it deserves."
– **Devie Mohan**, Co-Founder and CEO of Burnmark

"2018 will see deep integration of AI/ML into fintech and financial processes. Fintech as an industry will mature significantly, making 2018 the year when fintech will leave puberty behind."
– **Alex Nechoroskovas**, Founder of Fintech Summary

6. Expansion of Digital Payments

Despite increased adoption of digital payments, cash remains a primary form of payment for many, especially for low-value transactions and by certain demographic groups. Attributes of cash contributing to continued use include speed, universal acceptance, anonymity, lack of fees, etc. Some emerging markets also still lack a modern payments infrastructure while certain cultures don't have trust in the banking system. In other words, the reports of the death of cash are still exaggerated.

While e-payments are expected to grow at a CAGR of 17.6% from 2015 – 2019, the yearly growth rate is expected to decrease, as more transactions move to mobile payments (m-payments). Mobile payments are expected to have a CAGR of 21.8% from 2015 – 2019, helped by an increased proliferation of mobile devices. As with many of the payment trends, the impact of China on growth numbers is significant.



The integration of customer analytics, improved fraud management, dynamic wallet solutions and other value-added services will have a positive impact on both the consumer and the merchant. It is expected that ongoing improvement in biometrics and secure payments will become mandatory in the future, while integration real-time financial management solutions will become commonplace.

Finally, as fintech firms continue to bypass traditional value chain components, traditional financial services organizations will need to determine if they should partner with, buy or ignore these new competitors. Given that most of the fintech activity in the payments space has targeted the most lucrative components of the payment value chain, significant decisions are necessary.

There is no clear path to success in the new payments ecosystem, with many variables, opportunities and challenges still in an embryonic state. It does seem to be clear that success will require collaboration between players and markets. Especially as new technologies and new structures of solutions emerge in connection with open banking APIs, AI and big data, organizations will need to determine their best role in the new ecosystem.

In the end, the consumer and commercial marketplace will determine the winners, but there are tremendous opportunities for firms that embrace collaboration of insight and solutions to develop an improved value-added proposition that can address the need for speed, insight and security.

> "With the fast-paced development of applications, technology and recent upgrades to Apply Pay, we can expect mobile payments to continue to grow at a rapid pace. With the surge of Cyber Security data breaches on the rise, it will be essential that these mobile payment applications and systems be put through vigorous security tests performed by third-party auditors."

– **Michael Fisher**, Full-time Analyst at TechCPU

"Adoption of alternative payment technologies will expand exponentially as consumers ditch cash for the convenience and security of emerging payment methods including contactless payments, digital wallets and biometric verification."
– **Todd Linden**, CEO of Paysafe Group

"With most larger U.S. banks utilizing the Zelle platform, we will start to see a tremendous acceleration to digital payments, especially P2P. The benefit of having a common set of rails across the majority of the largest banks in the U.S., allowing seamless payments to the majority of U.S. banking clients, cannot be over-emphasized. Watch out cash!"
– **James Anthos**, SVP and Director of Strategic Planning at BB&T

"PayPal and Venmo will see major competition with the continued roll out of Zelle and the move to (near) real-time payments transfer. All solutions will likely continue to grow, but it will be interesting to see if Zelle is able to penetrate into known Venmo demographics."
– **Chris Fleischer**, Director at Fiserv

"2018 will see the consumer adoption of P2P payments accelerate to the point that this way of payment becomes a serious alternative to existing payment methods such as cash and cards."
– **Ron van Wezel**, Senior Analyst at Aite Group

> "2018 will see the first deployments of real-time retail payments platforms powered exclusively by mobile phone access. Driven by financial inclusion, these super-scalable and ultra low-cost platforms will connect mobile wallets to institutional payers and merchants, as well as traditional bank accounts. These platforms will also enable easy access to payments for the new applications of the future, such as the solar battery leasing companies, transport companies and

> others."

– **Konstantin Peric**, Deputy Director of Financial Services at Bill & Melinda Gates Foundation

7. Navigating Compliance and Regulatory Changes

Similar to what we saw in 2017, most banks and credit unions worldwide are continuing to do business under a cloud of regulatory uncertainty that is expected to a challenge for the foreseeable future. Even though lawmakers and regulators aren't expected to make many definitive changes, most financial institutions continue to do their best to meet risk and compliance parameters and supervisory expectations.

Since most institutions realize that they don't have the ability to wait to see how things will eventually end up, many banking organizations are making progress, trying to keep in alignment with what is anticipated from a risk and business perspective. As one banker stated this past year, we are in a position to 'beg for forgiveness' rather than 'asking for permission.'

According to Deloitte, "Banking organizations need to keep moving forward as planned, with deliberate linkage between regulatory strategy; business strategy; and building infrastructure for governance, regulatory reporting, and risk management that scales and is flexible.The good news is that many of the changes banking organizations are currently implementing make good sense from a business perspective—not just a regulatory perspective—and are worth doing no matter how the future unfolds."

> "Regulatory and consumer attitudes to data protection, controls, and data sharing are undergoing important changes in many markets around the world, and especially in Europe (e.g. PSD2 and GDPR). Managing customer consent for data usage and data sharing is rapidly becoming a critical skill for banks. While regulatory compliance matters, forward-looking banks will be thinking beyond compliance and seeking to turn customer consent into a valuable asset.."

– **Zilvinas Bareisis**, Senior Analyst at Celent

"The complexities and nuances of data management, privacy and security will come to a head for financial institutions and fintech. Both will need to assure data platforms are designed around the principles of transparency and trust, as governments role in oversight continues to evolve."
– **Bryan Clagett**, CMO of Geezeo

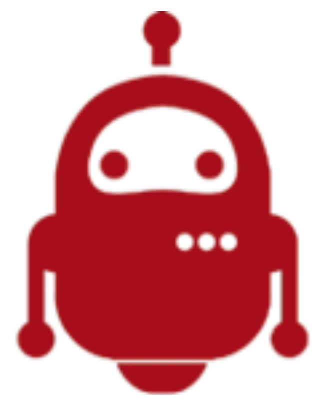
"The most exciting activities in banking are happening in Asian markets, where commerce and financial services are blending within new everyday customer experiences and where government regulatory activities are encouraging and directly involved in innovation. The policies of the U.S.

and Western Europe need to more rapidly evolve or else the banking and technology centers of innovation will continue to shift eastward."
– **Bradley Leimer**, Managing Director and Head of Fintech Strategy at Explorer Advisory and Capital

"I worry about FIs response to regulators' review of sales practices in the wake of Wells Fargo. Especially at a time when alternative service providers are expanding. Banks can ill-afford an over-reaction here."
–**Alpine Jennings**, Director, Deposits at State Farm Bank

8. Exploring Advanced Technologies

At a time when most organizations are still playing catch-up, a new wave of digital technology has the potential to change the way organizations deliver banking services even further. These new technologies include artificial intelligence (AI), the internet of things (IoT), blockchain, open banking platforms with application program interfaces (APIs) and robotic process automation (RPA).



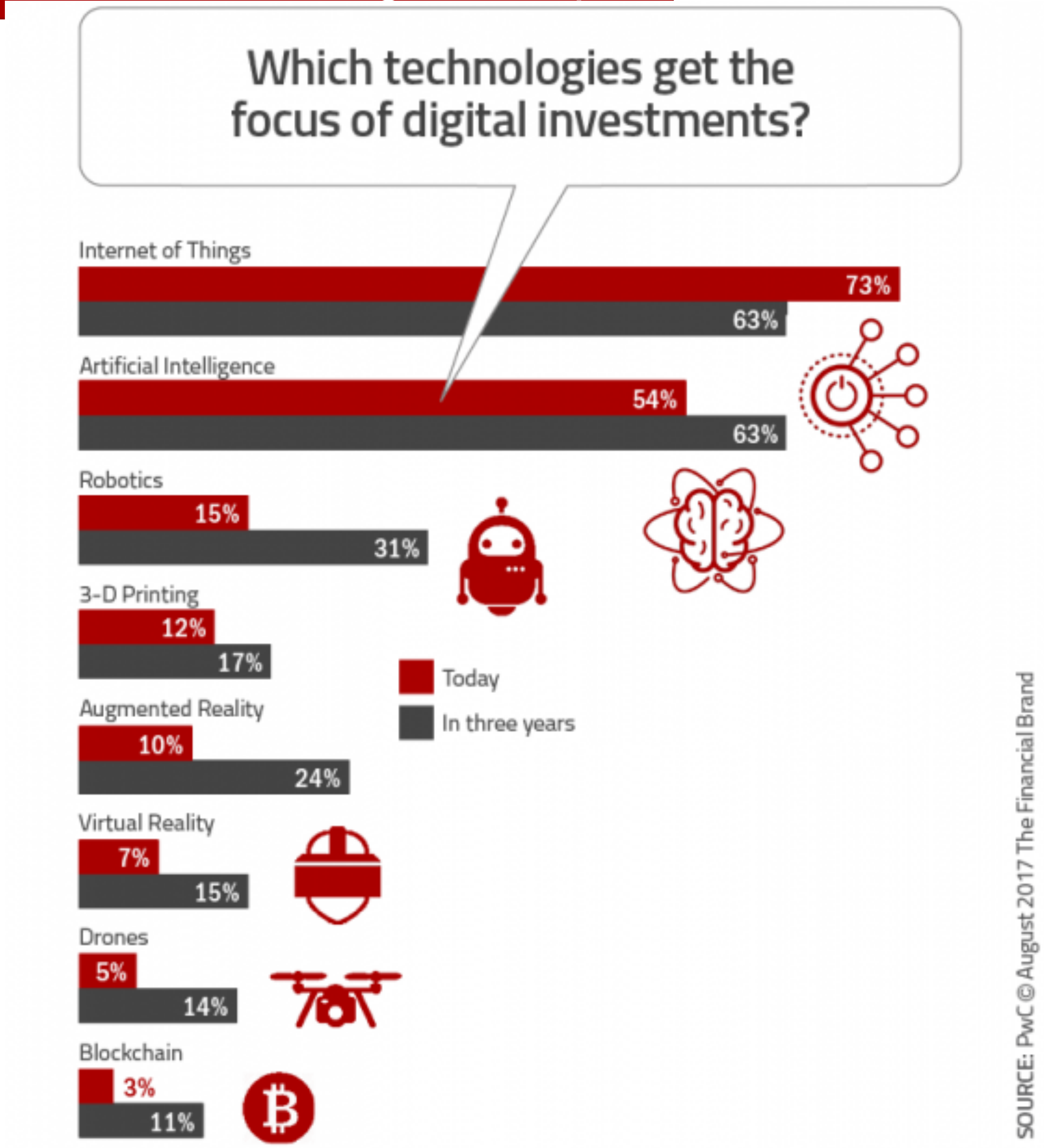
With the potential to increase efficiency, decrease costs and enhance the customer experience, these digital-enabled technologies will result in disruption of the way people do their banking and potentially what organizations deliver these services. We are already seeing organizations testing many of these digital technologies, hoping to win the battle to become the 'bank of the future.'

As quickly as past technologies have become the norm, a new wave of emerging technologies will combine digital technologies and the power of data to set new standards. According to PwC, these 'essential eight' technologies include:

- The Internet of Things (IoT)
- Artificial Intelligence (AI)
- Robotics
- 3-D Printing
- Augmented Reality
- Virtual Reality
- Drones
- Blockchain

Obviously, the prioritization and investment in each of these technologies will vary based on the industry, business model and strategic goals of each organization. For instance, while the marketplace as a whole does not foresee investing much in blockchain technology, the financial services industry ranks this as a high priority.

That said, investment in emerging technologies as a percentage of overall technology investment has not increased since 2007 (across industries). In fact, the share of the overall technology budget that is allocated to emerging technology is only 17.8%, according to the PwC research.



Especially for the financial services industry, it is imperative to think beyond individual emerging technologies. With the advent of open banking APIs as a way to bring external technologies and innovations directly to banking customers, and the emergence of non-traditional banking ecosystems that may include non-banking services, combinations of technologies will become the norm.

For instance, the use of customer data insights and advanced analytics may be combined with IoT technologies to allow payments directly from smart home devices. Likewise, the the expanded use of conversational AI and VR devices may come together, providing methods of banking interactions only imagined in sci-fi movies.

Being a leader in emerging technology is no longer a luxury only for the big players. It is important for all financial organizations to make emerging technology a 'core competency,' with engagement throughout the organization (not just the very top). In addition, the focus of every implementation much be both internal and external human experiences, as opposed to revenue, profit and cost savings.

> "Artificial Intelligence is an 'event horizon' for financial services. You just cannot speculate on what is beyond the introduction of true AI in the financial sector. Why? Because the customers will have robots too. How exactly will the bank's robot go about selling a pension to my robot? My robot couldn't care less about the free pen, the nice advertisement on television or the reassuring mahogany in the advisor's office."

– **David Birch**, Director of Innovation at Consult Hyperion

"The most exciting of technology trend, as it enables unprecedented speed of innovation and requires a severe cultural change, is the DevOps evolution of many banks. This may be the single most important change to banking in the next few years."
–**Duena Blomstrom**, Chief Growth Officer, Marketplace at Temenos

"In 2018, chatbots will become mainstream and grow out of the bank-owned channels (e.g., bank's website, internet banking, mobile banking) and into the conversational platforms customers use most often. These platforms include messaging apps (e.g., Facebook Messenger, LINE, etc) and personal intelligent assistants (e.g., Google Assistant, Amazon Alexa, etc.)."
– **Danny Tang**, Channel Transformation Leader, Global Banking at IBM

> "I see 2018 as a year of wide application of AI-driven solutions that will be mostly voice-driven, fast development of biometric authentication with special focus on facial recognition and voice, as well as a boom of commercial applications of blockchain, especially in SME and trade finance areas."

– **Sonia Wedrychowicz**, Head of Technology, Consumer Banking Group at DBS Bank

"Virtual (VR), augmented (AR), and mixed reality (MR) will enable a 4th wave of computing power via a spatial computing revolution that integrates disruptive technologies such as sensors, Big Data, the cloud, AI, and wearables. Together with other innovation accelerators – AI, robotics, Big Data, and wearables – AR/VR/MR will drive efficiencies, transform established sectors, and create new business opportunities."
– **Dennis Gada**, Regional Head, Financial Services at Infosys

9. Competing with New Challengers

Modest-sized fintech firms and large tech giants continue to make retail banking inroads worldwide, providing services that leverage the best in digital technology to deliver a customer experience that removes cumbersome steps from both routine and more involved banking engagements. Relative financial newcomers like AliPay (China), WeChat (China), Rakuten (Japan), Atom (UK), Monzo (UK), Starling (UK), N26 (Germany) and Revolut (UK) have joined household names like PayPal, Amazon and Google to disrupt the banking ecosystem, leveraging modern infrastructures and innovative cultures.

According to **Bain**, “Many of the tech giants possess the ingredients of success: digital prowess, large customer bases, organizations well versed in improving the customer experience, and ample leeway to extend their corporate brands into banking.” More concerning may be that some of these firms are generating a level of trust previously reserved only for traditional banks and credit unions. As a result, an increasing percentage of consumers are willing to use financial products offered from these non-traditional firms – especially where the experience is superior to that offered by legacy organizations.

It is expected that demand for products and services from fintech firms and large tech companies will only increase as more consumers become familiar with new digital offerings. This is especially true for younger consumers, who have grown up with digital devices. More and more, people will get annoyed when they’re forced by bank policies and processes to use non-digital channels for everyday banking business, states the Bain research. This includes rudimentary transactions as well as being able to open new accounts or apply for loans.

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The best way to prepare for the inevitable increase in competition that the continued expansion of banking services offered by Amazon, Google, PayPal, Facebook and an increasing number of start-up banks will bring is to be proactive in the development of personalized digital solutions. This will most likely involve new partnerships inside and outside of traditional banking organizations and a redefinition of what a banking ecosystem includes.

In other words, if banks don't reorient their approach and radically accelerate their rate of progress, loyalty will suffer, and they will watch technology firms poach more business. Meanwhile, their economics will erode as too many routine transactions continue to flow through expensive branch and call-center networks.

There is a great advantage in the customer and member insights that traditional financial institutions possess. The key is to apply these insights in ways that directly and positively impact the digital experience, similar to how large tech firms currently improve shopping, social, search and payments.

> "The most significant change in the financial services industry next year will be the entry of 4th gen competitors. Not banks, not fintech firms, and not tech giants, but left-field players challenging banking indirectly with their own virtual currency ecosystems. Expect plays from the likes of Lego, Starbucks, Disney, McDonalds, Coca Cola, Shell & Budweiser."

– **Chris Gledhill**, CEO and Co-Founder of Secco

“In 2018, we will see one of the tech platform players (Amazon, Alibaba, Tencent, Baidu, Google, Microsoft, Facebook, etc) make a move in Fintech that will make all existing FinTech startup innovations look futile.”
– **Peter Vander Auwera**, Founder, Petervan Productions

“In 2018, open banking will move forward significantly in some markets. At the same time, firms such as Alipay will expand internationally, with both Alipay and Amazon pushing their payment solutions and getting into lending and other services.”
– **Alain Enault**, General Manager and Program Director at Efma

“E-commerce and payments giants from China (Tencent, Alibaba) will make significant inroads in the U.S. market, raising the stakes for Amazon and WalMart, and just about everybody in the payments space. Consumers will benefit from new digital-enabled experiences, simplified payment options, and heightened competition.”
– **Steven Ramirez**, President of Beyond the Arc

> “2018 will see a US fintech get a full bank charter. Whether it’s with the OCC fintech charter, or SoFi is succesful in getting an industrial bank charter, it will happen one way or another. .”

– **Bryan Yurcan**, Senior Writer at The American Banker

“Insurance will stay on top of fintech trends in 2018, as the industry faces a challenge to generate and collect more data on customers. We will see more incumbants developing ecosystems of tech/startups/partnerships around them to build the next insurance generation and better compete with new players (GAFA-BATX).”
– **Florian Graillot**, Partner at astorya.vc

10. Testing Blockchain Technologies

Satoshi Nakamoto, the unknown person or persons who designed the cryptocurrency, went on to say “digital signatures provide part of the solution, but the main benefits are lost if a trusted third party is still required to prevent double-spending” in the original whitepaper.

In the proposed solution, the “network timestamps transactions by hashing them into an ongoing chain of hash-based proof-of-work, forming a record that cannot be changed.” He further described the concept of miners where “a majority of CPU power” would generate the longest chain and outpace attackers or malicious intent.

Today, blockchain is no longer just about bitcoin or the broader category of cryptocurrency; it’s an exploded view of the underlying technology. It’s unique and differentiated in that it’s an immutable ledger with a single version of the truth of the transaction.

And unlike other immutable datastores, it is also a shared or distributed ledger across a peer-to-peer private or public network. It leverages a consensus mechanism to create permanent records of transactions through a distributed and decentralized network, removing the need for a central authority.

Ultimately it intends to create a trustless exchange of goods, services and/or real assets in a more trustworthy way. And with a potentially much lower cost of transaction.

Why should we all care? While financial services is the sector most likely to be disrupted, blockchain technology is poised to improve customer experience, streamline product features, and enable our global economic system to reshape market structures that will impact us from Wall Street to Main Street.

Financial services marketers, retail bankers, product managers and customer service executives will all be impacted by the progress of blockchain technology. One of the first overarching impacts could be in the development of a system of universal identity verification, that will impact everything from new account opening to cybersecurity.

Leaders must be prudent and act now in evaluating blockchain as the types of deployments evolve, while regulators need to re-evaluate policies and processes given the enhanced transparency the technology promises.

Read More: What is Blockchain… And Why Should I Care?

> "It has long been anticipated that blockchain will eventually transform the way we transact – largely by automating processing and reducing costs. 2018 will be the year banks get real traction with their blockchain initiatives and when we see banks implement solutions that address areas like KYC, loan fulfillment and cross-border payments."

– **Nick Bilodeau**, Head of Insurance in Canada for American Express

"2018 is when banks start to realize the value of crypto currencies and start offering mainstream wallet services for normal people to store their crypto currencies. The current offerings (like coinbase) have so much friction that this market is ripe for taking for banks."
– **Deva Annamalai**, Director, Innovation and Client Engagement for Fiserv

"Blockchain will definitely see the light in banking in the field of Supply Chain Finance, saving tedious paper work, reducing settlement times, risks, fraud and costs and increasing transparency."
– **Maria Jose Jorda Garcia**, Chief Innovation Officer at BBVA Microfinance Foundation

"The hype around block chain, and specifically bitcoin, has risen to fever pitch. The trend next year will be to consolidate interest in blockchain, as a technology having the capacity to disintermediate many financial services companies altogether."
– **Don Peppers**, Futurist and Founder of CXSpeakers

> "Blockchain technology will start to be used more extensively in the financial services industry in 2018. Permissioned distributed ledgers will be used for the sharing of contracts, documents, data and the processing of certain payments. Then the technology will fade into the background, just another piece of the IT machinery for many companies."

– **Penny Crosman**, Editor at Large for American Banker

"2018 will be the advent of the Hashgraph (blockchain competitor) opening disconcerting cases of decentralized use of applications such as micro-payments, distributed capital markets, live collaboration applications, distributed MMOs, auctions and more."
– **Jean Baptiste LeFevre**, Intrapreneur for BNP Paribas

Some Closing Thoughts from Our Panel

"The monetization of underused resources that started with Uber and Airbnb will become

mainstream in financial services. Thanks to secure decentralized systems, untapped sources of individual capital can be invested and lent in new ways. The larger trend behind that is the emerging tokenization of the economy."
– **Sebastien Meunier**, Senior manager at Chappus Holder & Co.

"The great advancements we saw in finance digitalization and fintech creation will strongly impact financial inclusion in 2018, helping democratizing finance for the 2 billion adults missing in the game. It is time for a new digitized banking ecosystem to reach more people, allowing for more business creation and economy improvement."
– **Maria Jose Jorda Garcia**, Chief Innovation Officer at BBVA Microfinance Foundation

"Diversity and inclusion will become a primary topic in board room discussions and strategic plans. Seats at the boardroom table will be a new metric that matters. And yes, the 2017 climate impacted this dynamic."
– **Lisa Kuhn Phillips**, VP at Allied Payments Network

"2018 should be a year of very visible divergence, where the most tech-savvy companies will accelerate their investments in innovation and new strategies, while those slower to adapt will just try to automate their processes."
– **Huy Nguyen Trieu**, CEO of The Disruptive Group

"2018 will be known as the year of action. There's been a lot of conversations, meetings, demos, plans, etc, but there is an urgency now to get projects planned and funded to create new customized engagement models and variety of products/services from which to choose for more personalized client experience."
– **April Rudin**, Founder and CEO at The Rudin Group

> "There is an ever growing talent gap that is keeping banks and credit unions from maximizing their digital growth potential. In 2018 the leading banks and credit unions will bridge this digital talent gap through short-term outsourcing or partnering, while they plan for ongoing training ."

– **James Robert Lay** CEO at Digital Growth

Thanks

I would like to thank the more than 100 members of this year's crowdsourced panel who accepted our invitation to be interviewed for this expansive annual report. The insight shared was extraordinary, and the continued support of this effort is greatly appreciated.

I would also like to thank the more than 300 banks, credit unions, suppliers and vendors who took the time to help us prioritize the trends from both 2017 and 2018. We know you're busy, so some special thanks.

I would also like to thank Carol Ryan, Jim Booth, Jeffry Pilcher, Geoffrey Rucinski, Ron Shevlin, Brett King and the rest of the Fintech Mafia for the daily support, inspiration, insights and laughs. My wife, Linda and son, Cameron also get a huge thanks for putting with me daily (it's not easy).

Finally, and most importantly, I would like to thank the sponsor of this year's research, **Kony, Inc**. Without their support, this research would not be possible.

I don't think there is any annual research available that provides as in-depth a review of annual trends from such a diverse audience. But I'm always open to suggestions.