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# Technological Revolution in Financial Services: Ride the Digital Storm

# Financial Services and Their Inevitable Modernization

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As technology and consumer expectations evolve faster than ever before, financial institutions are competing to offer products and services that are increasingly technology-enabled. The evolution of mobile financial services and e-commerce have changed the game forever, making technology way beyond important: it is now critical. Yet many established financial institutions' systems are not designed to adapt and are expensive to maintain, making it harder for those companies to compete for market share and profitability. What today seems to be a radical technological revolution in the financial services sector is a result of long-overdue modernization.

The industry was one of the first to digitalize in the second half of the last century, but this was done within the luxury of a less globalized market where new players could not enter easily, and clients didn't have much choice but to consume established services. The advance in technology and other events with global impact over the last decade brought fierce competition in the financial sector. Very few – if any – players can weather the digital storm without automating, integrating, and constantly optimizing their processes to provide cost-efficient, secure, and user-centric services to their clients.

# To Compete Successfully with Disruptive FinTechs Is to Survive

## The Solution

The way ahead for financial institutions is to invest in state-of-the-art technology and get rid of outdated and rigid infrastructure. This will enable them to provide clients with a simple yet functional customer experience and stay relevant in the fierce competition they are facing from FinTechs. Introducing automated self-service tools also has the benefit of improving cost efficiency in the longer run.

Traditional banking and financial institutions are alive and kicking. But are they thriving? It is true that incumbents still hold solid positions in the financial services industry because of their large customer bases; however, this will not be the case much longer – modernization of core systems is paramount if they are to stay relevant. Probably the biggest barrier to success in the competition with FinTechs is aging technology. Systems designed decades ago have little chance against the optimally built IT infrastructure of born-digital players. Cloud and open APIs became standard before established financial institutions could adapt. Improvements in customer experience are also overdue because of the time needed to simplify operations and improve cost efficiency.

The pandemic prompted rapid digitalization, and most of us now work, study, and shop online. At first, we did not completely trust online platforms and even ourselves that things could be as efficient as before. It took very little time for most of us to embrace the new digital reality to the extent that we now

consider it normal, and we trust that we can keep living in it. Entrusting our money to born-digital companies is evolving in a similar way: we quickly overcame our skepticism with FinTechs, and they now enjoy a considerable customer base. What really matters to clients in the digital context is speed, simplicity, and flexible services. Even with all the expertise and capital, some established financial institutions still fail to be consumer-centric in a meaningful way.



# "If It's Not Broken, Why Fix It" Does Not Serve You



Many financial institutions operate with systems designed for use in a closed environment. In some extreme cases, these systems were developed decades ago in obsolete programming languages and supported by a handful of programmers who may soon be retiring. Others have built layers upon layers of systems, each relatively reliable and performing their designated functions. But the digital world requires greater flexibility. Technical debt accumulated over the years is becoming a more visible threat. Monolithic systems and process design make it hard for organizations to take advantage of market opportunities and new technologies. Legacy systems that are not designed for easy integration create security risks and often pose compliance challenges. Because of their technical limitations and despite their functional resilience, legacy systems often lack the flexibility to deliver the customer experience today's users demand. We often see cosmetic digitalization – modern user-facing solutions on top of robust legacy



## The Solution

Make long-term plans – the market did not change in a day. There are ample examples of how competitors succeed or fail to transform. The first step is to build a digitalization strategy and commit to it. Technology can be an obstacle for implementing business strategy, but it can also be an enabler for a better business strategy. Instead of investing in “quick and dirty” solutions and aiming at “low-hanging fruit”, embrace the fact that technology is part of your business. Proper transformation is the only way to proactively deal with a wide array of risks related to information security, operations, personnel, and the market.

environments. It may seem to do the job, but in fact, it adds to the technical debt. Sooner or later, digitalization needs to be planned and executed properly, starting at the core, so as to become an ongoing process. Only then will companies be able to evolve from the position of constantly trying to catch up and gain competitive advantages enabled by technology.

# Lack of Integration Across Numerous IT Systems



Integration across IT systems is pivotal to accommodate data sharing among segregated applications hosted in different locations, on-site or in the cloud. Lacking or inefficient integration complicates communication and collaboration between teams or individuals and leads to information silos that not only hinder operations but also render managers unable to measure, analyze and improve performance. It is crucial for businesses to assess all elements of their IT system in terms of capability and flexibility.

Before any resource is invested, we must clarify which components to keep and what to change or deprecate – based on the current technologies used, how suitable they are to achieve the current goals, and how goals and technologies could change in the future. More often than not, we see examples of integrations implemented with a limited scope from a business or technology standpoint. These may solve short-term goals but usually create new silos that need to be dealt with in the future.



## The Solution

There are companies whose business is technological and companies whose business is technology. Combining the knowledge and resources from both worlds has proven to be the fastest, smartest, and most cost-efficient way to manage current challenges. There are many success stories of companies finding the right technological partner, compiling a comprehensive roadmap, and going the distance together. The alternative cost of delays and inefficiencies is growing together with the importance of having seamless, secure, and automated processes within our companies and among our partners.

In order to become data-driven and switch to a mode of constant improvement, businesses need to escape the habits that cause constant firefighting. Investing in the right future-proof solutions is just as important as investing in the right future-proof system architecture that will enable continuous business optimization.

# Poor Data Quality and Ineffective Decision Making



Data is an asset of great value. As such, it should be properly maintained. Failing to reconcile operational data with financial statements or having difficulties drilling down aggregated numbers to their source are just symptoms of suboptimal data management. Such symptoms make managers doubtful of the quality of data they use to make important business decisions. And rightly so: extracting high-quality data from multiple sources with minimal delay remains a challenge for most businesses, no matter how many systems and platforms they utilize. This increases a wide range of risks: decision bias, financial fraud, wrong financial statements, automation of erroneous processes, client churn, etc. We should also consider the potential value of employing predictive analytics and AI/ML tools that is beyond reach until reliable source data can be fed into the models.

## High-quality data is:

- **Accurate**
- **Relevant**
- **Complete**
- **Consistent**
- **Timely**



## The Solution

There are many great tools by reputable brands that can transparently manage well-designed data flows. The tricky part is to implement robust data-flow rules and processes. It starts with describing all the data across different systems and sources, how those systems exchange it, and the measures that must be in place to ensure data quality. Then comes the implementation plan that needs to align with all system upgrades, deprecations, changes in integrations, etc. It is a process that requires in-depth knowledge of the company, market, and technologies involved and should not be regarded as some IT project: becoming a data-driven organization is a business transformation project.

If you have ever been part of a new system implementation or a group reporting project, or a merger, you know the value behind each requirement and the cost of compromising even one of them.

# Customer Experience Has Always Been King



## The Solution

It requires a level of maturity to clearly define and accept where we excel and where we lag behind the competition. The dynamics of the financial services market does not allow companies the comfort to build all necessary knowledge and skills internally. Some big names have already made steps by supporting innovative startups and later incorporating the successful ideas into their services. Others have invested in companies that specialize in customer-facing platforms. Another successful strategy is not to acquire but to partner with companies that have the proper industrial and technological experience. Either way, innovation through collaboration is the successful model.

Customer experience is a game changer when it comes to choosing a vendor of financial services. The quality of that experience is now probably the most important factor in clients' decision-making. Differences in UX between traditional vendors and digital-born companies often come from the fact that new players build their processes around optimal UX while others try to implement modern UX on top of their established processes. Wrapping legacy systems with layers of user-friendly customer-facing platforms can only work if the underlying processes are designed appropriately. If not, these solutions can't really compete with digital-born platforms. Interfaces are still difficult to use and hinder the creation of the seamless customer journey modern users expect. Incumbents tend to digitize products separately, causing fragmentation in the customer experience, and there is no united vision that includes all the products and services available. Fixing this issue is the only way financial organizations can form an engaging connection with their clients and ensure a lasting relationship.

Improving customer experience, with all the underlying system modernization processes, must be financial institutions' primary focus if they want to respond to market opportunities quickly and effectively.



# Being Cyber-Proof in the Digital World Is a Must

## The Solution

Companies must implement proven best practices and policies in all their processes, and these should extend to employees and vendors alike. This means experienced risk officers and/or consultants are always involved in decision-making on all relevant levels to ensure compliance with the adopted policies and practices. It is best to diversify both the adopted measures and solutions, e. g. implement multiple protection layers, as well as the regular penetration tests, social engineering initiatives, and other vulnerability assessment services. Lastly, companies should be prepared to make quick changes in their security-solutions portfolio because cyber security threats change as quickly as the value of assets on the financial market.

Cyberattacks are very common in the financial services industry, and the more vulnerable the organization, the greater the risk of losing customers' trust. In the event of a breach, companies risk enormous fines and irreparable reputational damage. As more financial institutions digitize their services, the exposure to cybercriminals grows. To ensure that critical assets are protected, companies need to implement an effective cybersecurity program. The cybersecurity mantra is that there is no obsolete layer of protection, and some institutions have surrounded their services with multiple circles of security solutions. This creates a comforting but not entirely reliable feeling of security and increases two risks: (1) the cost of protection may become unsustainable for the company, and (2) the complexity of services may become intolerable for users. The real challenge is to find the balance between sufficient security, service simplicity, and affordable cost in a digital world where new vulnerabilities are discovered and exploited at an alarming rate.

To reach this balance, security considerations should be implemented in every element and process: client interaction, back-office, data management, software development, system support to state the most obvious. On top of this, companies need to find efficient ways to regularly challenge and validate their security solutions and test the resilience of all elements: both digital and human.



## Case Study

# Next-Gen Digital Platform for an Illiquid Asset Management Leader



**Holistic Platform**



**Transparency**



**Transactional Efficiency**

We partnered with a FinTech trailblazer in illiquid asset management to develop a platform streamlining trading and operations for Banks, Corporates, and Insurance companies. The multi-product system digitizes different asset classes to facilitate information sharing across participants, increase transparency and make transactions faster. We built an agile solution with intuitive interface in which one legal agreement allows large-scale transactions with all parties. This next-generation network makes it as simple as

a few clicks to safely buy or sell assets in multimillion-dollar Trade Finance deals. Our main priority upon completion of the comprehensive platform was to prepare it for constantly evolving industry and client requirements. As part of this strategy, we developed a White Label Solution enabling corporate clients to deliver the platform services to their own clients. To ensure continued growth, our development plan focused on further expanding the capabilities of the system, both from operations and client-facing perspective.

## Case Study

# Building the First All-Digital Bank in the Middle East

✓ Fully Integrated

✓ Superb UX/UI

✓ Easy-to-Use Features

Our client is a FinTech from the Gulf Cooperation Council (GCC). With 80% of their operations taking place online, they give investors and traders all the necessary tools to capitalize on their funds via a state-of-the-art online platform. Through a single login, traders get access to regional exchanges and more than 20 international financial markets, creating a diversified portfolio of assets. To keep pace with consumers' changing preferences and to serve them in the best way, our client decided to expand their core business by creating the first

fully integrated digital bank in the Middle East with an online-only set of offerings. The digital bank Scalefocus built provides an exceptionally engaging experience and offers consumers frequently used and value-added features, such as loyalty programs and discounts through mobile. We managed to ensure its scalability, performance, and efficiency within aggressive deadlines while onboarding a high number of team members. In a fast-paced marketplace, moving towards online banking to meet digital demands is the only way to remain relevant.

# Why Scalefocus?

**800**

**Strategizers and  
problem-solvers**

**7**

**Delivery  
locations**

**100+**

**Awards and  
recognitions**

**300+**

**Satisfied clients  
around the globe**

**500+**

**Successful  
projects delivered**

**9.2**

**Customer Net  
Promoter Score**

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Scalefocus provides tailored software services and solutions which empower businesses to grow and meet the challenges of tomorrow by bringing together a world-class engineering team, industry expertise, and technology excellence.

We are a worldwide organization with a global perspective and a proven track record in accelerating innovations for companies in North America, Europe, and the Middle East.

We are Scalefocus – a trusted partner of 50 financial organizations spanning across banking, insurance, investment, and analytics domains.



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