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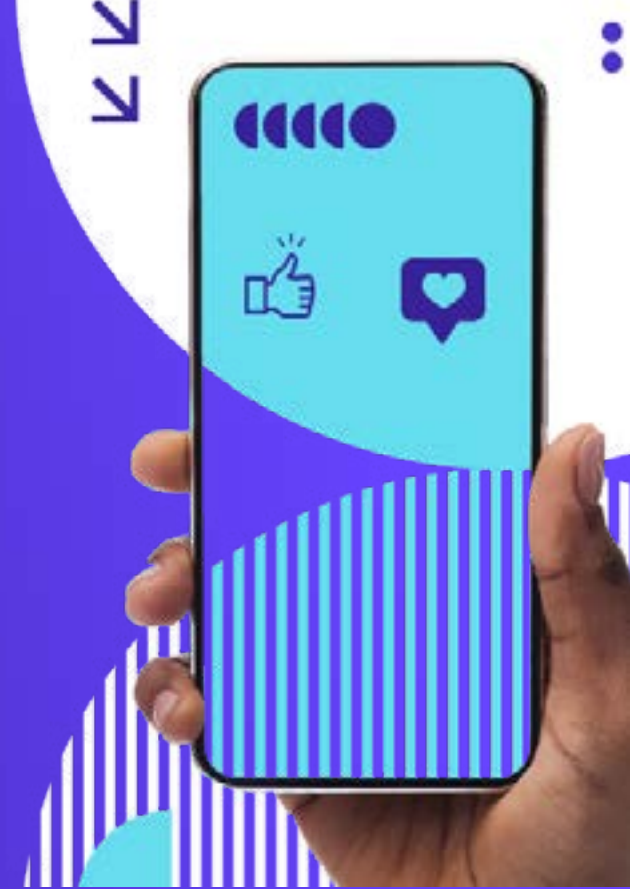


SPEAKER SPOTLIGHT

# FUTURE OF FINANCE

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How are consumer behaviours  
shaping digital payments?





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## Taking the next step in banking innovation

Begin any feature with the ‘revelation’ that legacy banks and payment infrastructures need to update their core platforms and it’s likely to elicit an instant eye-roll. Everyone in the finance world and probably quite far beyond has been aware of this for a good while. Yet, there is, or at least should be, a real sense of urgency today. The new breed of mobile-only challenger banks is well established now.

Thanks to their cloud-based operating model, they can be agile, experiment and swiftly make changes in response to customer demand. In short, they give customers what they want from a bank, whether it is real-time transactions, insights on how they are spending their money, or tighter fraud and security controls. What’s more, customers have responded very positively. People expect the banking equivalent of the Apple or Netflix experience where their service constantly updates and improves.

Meanwhile, traditional banks that are still reliant on inefficient, interdependent and poorly documented banking code and highly manual operational processes just don’t have the ability to respond. It’s impossible for them to adopt the mindset of a neobank. Like the proverbial large tankers, they take an age to turn around. Achieving a MVP (in the true sense of its meaning) in any sort of respectable time frame is a challenge, meanwhile, there is always the looming risk of a big bang failure.

Most major banks will report that their IT is already cloud native, thank you very much. The truth is though, cloud adoption and migration are decidedly patchy. In the main, take-up is focused on front-end functions, such as mobile apps and

customer touch points whilst middle and back offices tend to lag behind. At first sight, that might look like simply a question of priorities;

**give the customers what they want  
and we’ll sort out the rest later.**

But, it is not ideal and ultimately stymies innovation. These changes need to occur at the core. The next generation of banking software needs to be run from the ground up for banks – and ultimately their customers - to truly benefit from all the scale opportunities, cost and operational efficiencies and faster-speeds to market offered by the cloud, powered at both the front and back ends.

Think about it this way: it’s well known that all banks strongly believe in products, legacy banks included. In fact, those in our team who hail from big banks – including our founder Anne Boden – talk of endless departments dedicated to innovation, each with their own leader, whether it is a head of mortgages, or head of personal loans and so on. Each executive is tasked with thinking in the way of the customer within their own discipline.

This approach is fine as far as it goes, but the solutions being mooted are only ever as good as the technology that is available to realise them. The core infrastructure needs to be in place so components can be swiftly swapped in and out as necessary. Banks need a developer-friendly platform with a standard set of adaptable APIs and programmable code so new products can be efficiently and effectively built and deployed.



It's for these same reasons we've also seen some of the payment infrastructure schemes embrace cloud technology in recent times. Credit and debit card firms also appreciate the customer service benefits of faster processing capabilities within the cloud.

### **There's no need to start from scratch.**

Legacy banks can work in partnership with a new generation of core banking platforms such as Engine by Starling which are sharing the modular architecture of challenger banks with their traditional counterparts to give them the technology foundations they need.

Like all such services, Engine by Starling was born in the cloud. In our case, Engine offers the same cutting edge, flexible technology pioneered by Starling Bank, which saw it named as Best British Bank four years running. By working in partnership with a cloud-native platform like this, large banks can address issues with system integration and truly embrace an innovation mindset.

Cloud technology has the potential to make banks more agile in response to customer feedback, seamlessly scale, or descale according to changes in demand or market conditions, and ensures that real-time services are available 24-7, with no downtime. This all delivers a better customer experience.

### **It's not just legacy banks that are benefiting from updated core banking platforms.**

Many new banks have chosen the cloud because it offers scalability, which is ideal for a rapidly growing customer base. Cloud native platforms also deliver lower cost of ownership for setup and change. Driving innovation, new service builds and scalability while keeping costs low.

Not only that, a cloud-based system also offers banks much needed reliability and resilience. Any financial institution that is reliant on a data centre, rack-based system will always be vulnerable to potential outages. This is something no bank wants to experience, not least because intermittent service falls far below what the average bank customer expects today.

Embracing these benefits is not simply a case of lifting and shifting to the cloud. There needs to be a platform in place to withstand the transition, which means finding the right core platform partner and, ideally, one that was designed to be there from the off.

Leveraging the benefits described here may also require a shift in culture and process for some banks and financial institutions. Banks also need to be very certain of the end goal, have a clear vision for the future to drive business strategy, and an aspiration for the end-to-end journey.

Again, these are all elements a core banking partner can help with. Then, once financial institutions have the core technology, they will be freed to focus on thinking like a neobank, learning and iterating as they go so they can deliver the high level of services and products customers demand today. So, yes, while there is nothing new in saying change needs to happen, right now, there's everything to play for.

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