

Fintechs and banks: From competition to collaboration

The emergence of new financial technology companies is having a profound effect on the transaction services industry. First greeted with caution by banks wary of disintermediation, fintechs are now increasingly viewed as potential partners. Indeed, working together, banks and fintechs can use their complementary strengths to provide ever higher levels of service to their clients, says Gabriele Marksteiner, Head of Product Management, Clearing & FX, at UniCredit.



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The rise of financial technology – or “fintech” – companies was originally met with apprehension by many in the banking sector. The fear was that these newcomers – typically agile, fresh-thinking start-ups – would lure away bank customers with fast and user-friendly services.

Yet banks’ fear of disintermediation is now turning to optimism at the prospect of collaboration. Certainly, banks’ extensive and deep client relationships, grounded in years of mutual trust, will prove difficult to prise apart. What’s more, fintechs tend to have different strengths and goals from banks – focusing on bringing new levels of speed, efficiency and convenience to specific parts of the value chain, while banks deal in comprehensive offerings, covering the whole spectrum of transaction services.

With these differences in mind, collaboration represents a highly promising avenue for both parties – with banks benefiting from fintechs’ technological expertise, and fintechs gaining access to banks’ deep industry experience and client bases. Through such collaboration, banks and fintechs can develop advanced solutions to support existing offerings.

The shape of collaboration

This raises the question of how best to shape such a collaboration. There are a number of options in this respect. One option is for banks to invest directly in promising fintechs – encouraging them to develop products that will supplement and enhance their existing services. Similarly, banks can help fintechs by supplying the supporting infrastructure for their solutions – providing them with the underlying settlement capability for trade finance services, for example.

A third approach is for both sides to develop solutions in tandem – with teams from banks and fintechs working together to forge a joint solution. In any case, banks must be sure that their fintech partners are reliable – with a particular focus on the quality, integrity and security of their products. UniCredit takes this particularly seriously – with a dedicated unit for screening the quality and sustainability of prospective fintech collaborators as well as developing use cases with those that show enough potential.

Client-focused solutions

Of course, for these collaborations to be successful, there is a third

party that must be considered – the client. It is critical for banks to work closely with clients and fully understand their needs and the practical requirements for building solutions into their existing workflows. To this end, we are already working with pilot customers and fintechs to develop proofs of concept and practical applications for new technology.

These efforts are now beginning to bear fruit. Blockchain technology, for instance, promises to solve many of the problems created by time-consuming paper-based processes in trade finance – replacing them with fast, efficient and transparent procedures that will benefit all participants.

In cash management, meanwhile, payments will also evolve significantly – with greater synchronisation between payment and service provision. For instance, while payments are currently triggered by the receipt of an invoice, in future the confirmed receipt of goods or services could serve as the trigger instead – leading to vastly more efficient business processes.

These projects are smaller, more agile and more cost-effective than past bank innovations, meaning many more can be pursued at a given time than was previously possible and those that prove successful can be brought to market faster than ever.

Sustainable development

However, these new technologies will have to be standardised if they are to realise their full potential. Industry bodies and regulators have an important role to play in this respect – creating standards and rules that will ensure clarity and fairness in the market.

UniCredit is among the pilot banks supporting SWIFT’s Global Payments Innovation Initiative (GPII), for example, which will enable banks to provide their customers with same-day cross-border payment execution, supported by transparent and efficient processes.

Likewise, we are also part of the R3 bank consortium, which looks to combine bank and fintech expertise to create collaborative, standardised solutions using blockchain technology.

This is just the beginning of an exciting future for bank-fintech collaboration, as advances in technology and standardisation drive an ever more integrated financial services landscape. This is something we are keen to build upon at UniCredit – combining our strengths and those of our partners to provide the best possible service to clients.

For further information: www.gt.b.unicredit.eu