

14 November 2019

Banking will be personalised to individuals, replacing traditional product sales and service

Banks will need to strike balance between technology innovation and risk mitigation

- *Technology and data will enable banks to serve customers in a hyper-personalised and automated way, but at the same time they will need to address risks around data and new areas of financial crime*
- *Customers will take much more control of their own personal data through digital ID profiles*
- *Banks could become the 'trust brokers' in the management and development of these profiles and the access to third-party services, like utilities or retailers*

Ho Chi Minh City - Technology and data advances will enable banks to provide customers with a hyper-personalised largely automated service within the next decade, replacing the traditional retail products-based approach. But the extent of the evolution of this 'banking of the future' model will be dependent on banks' ability to find the right balance between innovation and risk management.

According to a new report, *Banking of the Future, Finance in the Digital Age*, written by financial technology expert Professor Markos Zachariadis for HSBC, customers will start to take much more control of their own personal data through digital ID profiles. At the same time, banks will aim to become 'trust brokers' in the management, development, and safeguarding of these digital IDs - and access to third-party services outside financial services, like utilities and retailers. By mastering new data sources and analytical technologies, banks can build up a deeper understanding of customers' needs - and how they can help them - as well as unlocking new revenue streams.

Within a decade, this could lead to banking becoming largely frictionless for consumers. Instead of assessing each product category individually, like savings, borrowing and investment, to find the best option, they will be optimised in the background based on a customer's data profile. Digital voice activation will likely become the default channel for customer communication, along with augmented reality in real life situations, with the option to speak to a human advisor for more complex problem solving.

However, managing risks which are growing in the new digital economy, like data privacy and cybersecurity, will be essential to the development of this future system and building consumer trust. For example, further steps need to be taken to standardize work in Artificial Intelligence, how information is collected, presented and explained to consumers. Much greater international coordination will be required to truly take advantage of new technologies - which are by and large borderless - to avoid regulatory arbitrage.

Josh Bottomley, HSBC Global Head of Digital, Data & Development, said: "The journey towards banking of the future will accelerate considerably over the next decade. Customers can expect a highly-personalised service determined by their individual requirements, instead of being based around a set of savings, borrowing and investment

PUBLIC

products - each with their own sales and servicing characteristics. But for this to become a reality, banks will need to strike the right balance between what technology and data can enable to meet customers' expectations, with the need to actively address risks to their wellbeing, as well as protecting the financial system."

"Financial services has traditionally been slower to digitalise than other industries, but we're now seeing a real period of change, and there will be a number of significant opportunities for successful banks over the next decade. By leveraging technology to better organise and analyse the data, as well as using their trusted position to build a closer relationship with consumers, banks could expand their role at the centre of a more platform-based financial services model," added Professor Markos Zachariadis, author of the report and Professor of Financial Technologies (FinTech) & Information Systems at Alliance Manchester Business School.

The report explores three key areas and the likely developments over the next 10 years:

Technology & Data Enablement

- Partnerships between FinTech firms and banks will most likely increase exponentially
- Data and analytical technologies, like Artificial Intelligence (AI) and Machine Learning (ML), will define the 21st century banking and financial services
- Distributed Ledger Technology (DLT) could play an increased role in platform-mediated distribution in financial services
- Asset-backed crypto-assets (such as stable-coins) or central bank digital currencies (CBDCs) could become more widespread
- There won't be a widespread adoption of native cryptocurrencies that lack any asset-backing and issuer.

The Risk Management Advantage

- In the digital economy, data governance and privacy will be the most important ingredients to building a trusting customer relationship
- Further steps will need to be taken to standardize work in Artificial Intelligence, how information is collected, presented and explained to consumers
- Investment in RegTech will continue to boom, commoditizing certain compliance categories
- Cybersecurity will be an ever increasing Board priority and focus of banks' investment
- Regulation will only continue to grow and more non-traditional financial players will fall within its scope over time
- Regulation is unlikely to become entirely borderless, so there will always be a need for local, as well as a global outlook.

The Consumer Behaviour Revolution

- Neither cash, nor 'plastic money' will disappear in the next 10 years – as newer digital payments will have to be tested, adapted and trusted by consumers first
- Banks could no longer be bound by savings, borrowing and investment products – requirements will more be tailored to customers depending on their dynamic needs at any one time
- Consumers will take much greater personal ownership over their own data, leading to the formation of Digital IDs
- Banks may become the trust brokers in the management and development of these digital ID profiles - and the access to third-parties through a platform-based financial services model

- Digital voice activation may become the default channel for customer communication, along with augmented reality in real life situations, with the option to speak to a human advisor for more complex problem solving.

HSBC in Vietnam is investing heavily in technology to further streamline processes, deliver automation to our clients and enhance our digital channels to improve customer experience. On the corporate side, HSBC Vietnam has rolled out a range of e-solutions such as Trade Tracker (digital application to support customers in real-time tracking of trade transactions), executing the first live pilot blockchain Letter-of-Credit transaction and successfully deploying the first supply chain finance transaction on web-based platform... In the retail front, in 2019, the bank has digitalised the whole process of applying and approving credit cards, from front end to back end, enhanced its mobile app...

Tim Evans – CEO of HSBC Vietnam, said: “We are applying technology in innovation as a key differentiator for HSBC in the banking and finance industry. We complement our core strengths and values with the digital qualities valued by our customers to remain relevant, trusted and a force for good in the future. Besides, innovation in my view is to enable all employees so they can provide solutions to simplify processes and procedures, which I’m proud to see happening robustly in HSBC Vietnam.”

ends/more

Media enquiries to:

Giang Cao

+028 35203232

giangcao@hsbc.com.vn

HSBC Holdings plc.

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. HSBC serves customers worldwide from offices in 65 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,728bn at 30 September 2019, HSBC is one of the world’s largest banking and financial services organisations.

HSBC Bank (Vietnam) Ltd.

HSBC has been in Vietnam for more than 140 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank’s current network includes two branches and five transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and two full-service branches in Binh Duong and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, product range, and customer base.

Professor Markos Zachariadis – report author

- Professor and Chair in Financial Technologies (FinTech) & Information Systems, Alliance Manchester Business School, University of Manchester
- FinTech Research Fellow, Cambridge Digital Innovation, University of Cambridge
- Member of the Global Future Council on Financial & Monetary Systems at the World Economic Forum.

ends/all