

The Inevitable Evolution: Financial Inclusion, Open Banking and the Cloud

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Agile fintech players offering a range of services have built tremendous customer bases, taking business from the traditional banking network. Three key elements have helped them deliver unique products and services to a wide range of customers, with the help of cloud technology. Banks must be aware of these pillars that now hold up the market, driving and shaping financial services.

1. Cloud-availability

Firstly, fintech players realized long time ago that the cloud is going to be the new normal. Speed-to-market, agility to support modern business demands, in-depth safeguards that exceed on-premises security and lower total cost of ownership (TCO) are the main factors making cloud technology the backbone of every innovation in the market. It attracts more customers outside the boundaries of a bank's traditional customer base, which is also aligned to the financial inclusion narrative that every bank is pushing for.

2. Complete cloud platform

Another key element is the adoption of complete cloud platform including IaaS (Infrastructure as a Service), PaaS (Platform as a



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Service), SaaS (Software as a Service) and DaaS (Data as a Service), giving fintechs and financial institutions the agility to build more blocks to their service offering like blockchain, chatbots, artificial intelligence and machine learning. Oracle, the software giant, is a good example of a complete and competent cloud platform, where banks can enjoy operating on their banking application such as ICS BANKS Universal Banking Application from ICS Financial Systems.

3. Open banking

The major factor for all of this to work is the foundation of Open Banking within the cloud itself. Again, Oracle; for example, provides Oracle Identity and API Cloud services to support PSD2 (Payment Services Directive 2) by providing a mechanism to third parties and fintech companies to connect securely while still giving total control to banks and customers themselves.

PSD2 will provide new opportunities to make use of banks' internal data and external market information in real-time, and will open up financial services and payment markets to new competitors and service providers. In simple terms, PSD2 will give customers access to their data - so a Barclays customer in the UK can make an online purchase from any fintech store, such as Amazon, which will connect with his bank account directly without mediators. In return, this will reduce the transaction cost for everyone: the customer, the bank and for Amazon in this case.

Financial inclusion

In this context and after the global financial crisis, financial inclusion became one of the most important agendas for banks to deliver their services for different segments in society - especially that 50% of the world's population that is as yet unbanked. Within the ideal of financial inclusion subject, transaction costs should be reasonable to everyone, while still

presenting revenue streams for financial services. Here, the Open Banking revolution, which allows fintech startups, financial institutions and end users to connect directly to banks without mediators and keep transaction costs low, has been crucial.

The inevitable evolution

In conclusion, cloud and the innovations associated with it seem like an inevitable evolution. Banks should accelerate now to protect and expand their market share in the age of fintech companies, and the era of financial inclusion. The speed of transaction is aligned with the speed of innovation, and banks must not turn a blind eye. They must embrace this evolution, by first realizing that innovation is not something they can do alone, but instead consider the newcomers in fintech. And remember: the new world is moving faster than the old guards.