



The New Normal – Banking for the Future!

*Article has been published by Traydstream, written By **Sam Sehgal & André Casterman**, members of the ITFA Fintech Committee and ITFA Technology Experts for Regulatory Action (TERA)*

1.0 The History

Who could have imagined a few months back the widespread and rampant disruption that Covid-19 would cause. The pace at which the pandemic has spread and the unprecedented lock downs it has caused with almost 60% of mankind now at home, has questioned literally all facets of our work life that were literally a given, less than a few weeks back. While, in many industries working from home would not be possible, simply because of their dependence on manufacturing and production, it is definitely more realistic for industries such as Banking and Finance and probably adjacent sectors such as Insurance.

One could actually argue, Covid-19 has presented a watershed moment, from which banking and finance would never be the same. Let's explore how and why.

For starters, the technology sector and specially software within that has experimented with and quite successful with working from home. The software sector assumes developers working for hours in concentrated attention on their piece of the code. This assumes long stretches of writing, rewriting, testing and chiselling on the underlying algorithm and ensuring it's efficient, elegant and effective. As the need for connecting with other developers is concerned to align and coordinate their respective pieces of work, digital and virtual tools have been around for quite some time for engineers to work in teams. Given that Tech is one of the fastest growing industries in the world, surely the results of this culture have not been bad at all. In fact, one could argue that with the growing reach of technology, Apps and digital tools in our day to day lives, technology has been hugely successful.

So why have other sectors not explored Working-from-home? Surely it can't be because the tools were not available. If Tech can do it so can the others. And one would specifically ask the question of sections of banking that sit at the cusp of technology and finance?

Well, we would think the answer is in the need. Technology and software development moved to working remote, since the need was for hours of undivided focus which made a) commute and b) working from a common office at most times redundant. Offices literally became less of a necessity, since the focus shifted on 'content' irrespective of where it came from.

But Banking and Finance never needed working remotely. The legacy of banking was in the quintessential three-piece suited and tied bankers, smartly dressed, and in large opulent offices that prospective clients went to, to conduct their business. As technology in the early 90's started making its way into high finance, it started to change the access points for clients – ATMs, online banking, credit cards, but did very little for wholesale banking. It's only in the last 20 years or so, that technology has substantively started impacting wholesale or corporate banking. However, in this all, the culture in banking still remained very much working from an office set-up. Working remotely was an exception rather than the rule.

So while other industries continued to test and succeed with technology to make radical changes into the way they worked, banking remained pretty unchanged in its operational culture.

2.0 The opportunity

As the saying goes 'never let a crisis go waste'. Learn and evolve, such that one can leverage the opportunity from the adversity. Obviously with the banking disruption over the last few months, we would never want it to



hurt us again the way it has this time. Covid, has presented a new angle to Continuity of Business, which was never there in any of the test books – the assumption always was that a 'back up site' will always be available to continue operating albeit with a lag. Under Covid that's now changed forever when everyone is at home and access from home, as against a 'chosen back up site' is the question. No one was ever ready for this eventuality.

However, this then provides a huge opportunity, for if we could make ourselves operational through digital tools while lock downs are in place, there is reason to extend that into the new normal as well. Which would mean connecting people, providing access and ensuring secure, scalable means for individuals and teams to operate from anywhere, anytime.

The good news is technology is available to do that. We are all connecting on remote conferencing tools like Teams and Skype already. Extend that to cash management, trade finance, payments etc and banks can operate from home. The tools are available for such activities to be performed as well if not better, in more scalable, accessible and efficient manner. In case of Trade and Commerce it will likely mean a) accepting digital signatures b) accepting digital documents including systems like Enigio that ensure the management of Bill of Exchange title c) using Digital transport systems like Bolero that allow a safe and seamless management of title to goods and d) our acceptance of cloud solutions which by the way are as secure and likely more scalable than most on-prem installations. However, there is enough attention from the ICC, WTO and Law Commissions to fast track the acceptance of these concepts above, so that we have the framework to operate in the digital world. Imagine how easy and convenient it would be for all – corporates and banks, when digitally anyone could request a payment or a Trade to be processed and the same could be processed online real time. Imagine how effective, efficient and transparent the process would be?

So what's the next step, well for one, this is the moment and we need to seize it. The digital world is ready. The Tools are here. With a few changes in the underlying laws and rules, we could seamlessly move to this digital operating world in the next few years worldwide. Covid-19 has presented that inflection point, where we can graduate to a more seamless, efficient, convenient and scalable model which makes banking and trade finance more digital, less paper based and hence more invisible – as it should be.

Call to action

As members of the ITFA Technology Experts for Regulatory Change (TERA), we are convinced that regulatory action holds the key to maximise the benefits from the digital world in Trade Finance. If you are willing to drive change in the industry through regulatory advocacy, contact us and join the IFTA TERA initiative.