FINASTRA

The top 10 considerations when building a new digital bank

The rapid advance of technology and seemingly endless access to venture capital has made the process of launching digital banks and spin-offs easier than ever. Billions of dollars have now been invested in the digital banking sector.

Is there a way to blend the worlds of traditional financial services and start-up digital banks?

Whether building a digital start-up or digital spin-off, we believe there are 10 big considerations for teams to bear in mind.

1
Digital banking is led by customers, not by banks, and there is now no choice but to digitize.

- ☑ To remain relevant to their clients, firms need to work backwards from how their customers wish to interact with them.
- ☑ Governments and regulators around the world are encouraging to build digital-first, inclusive societies for their populations.

2
"**Should you digitize a traditional bank or launch a separate digital bank?**"

Consideration drawing upon *shared resources* when developing under an established bank.

3
"**New ventures should be given free reign to develop a future roadmap.**"

- ☑ Banks diverting from existing legacy solutions and spinning off a venture that takes a faster approach to implementing innovative ideas
- ☑ Giving space to the team building the digital bank to try new approaches

4
"**The question is whether fintechs are the same as banks. How can banks build trust with the regulators?**"

5
"**One model for mainstream banks is to digitize existing operations, which can be an absolutely mammoth task.**"

- ☑ Avoid building technical debt by trying to digitize legacy technology.
- ☑ Upgrade the old tech stack while building a new offshoot, enabling partnerships with third party providers via open APIs.

6
Having an open platform able to support integrations quickly is essential to stay competitive.

Questions to ask:
- ☑ Is it viable to get into a completely new business area?
- ☑ How much investment is required?
- ☑ Can a bank compete with other organizations that are already offering similar products?

7
"**Anticipate the requirement for embedded finance and integrated banking.**"

- ☑ How should digital banks find their niche in this new world of finance?
- ☑ Will finance eventually become an invisible element of transactions?
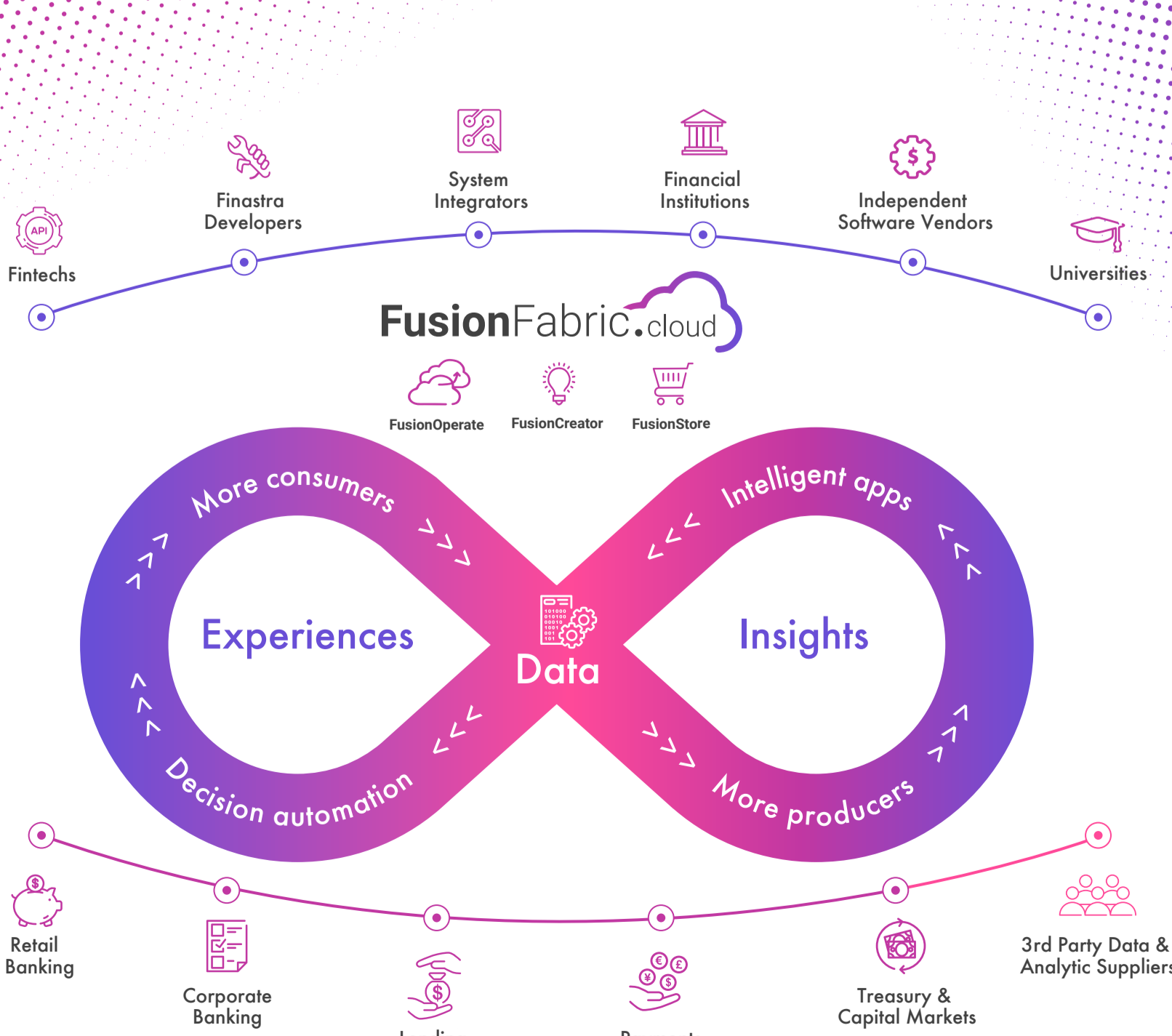- ☑ Will banks risk losing their relationships with customers?

8
"**Be prepared for change and ongoing orchestration, especially with third party systems.**"

9
"**Develop a culture of curiosity to question the old ways of operating.**"

10
Deliver well-designed UXs inside and out, to customers, staff and partners.

Looking to the future: culture plus technology will win the day in digital banking.

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