WHITEPAPER

Digital Transformation in Finance:

What's igniting the rapid-fire adoption of new banking tech?

By some measures, change in the financial sector is both constant and rapid: Markets are temperamental, and how much actual cash is flowing in and out of banks at a given instant can change on a whim. But when you look at the industry outside of the actual dollars and cents, the rate of change is almost frustratingly slow.

To really grasp just how slow, you'll need to think back almost half a century.

Back then, retail and branch locations ruled the industry. Human interactions and int erpersonal relationships with customers were the industry's bread and butter, as people could go to their local branch and receive all of the services they need in a one-stop shop. While the ATM didn't emerge until the '80s, even this had a relatively minor impact on the fundamental structure of the industry: To retrieve their funds, people still needed to access a physical outpost of their bank, whether that's a kiosk or a machine in the bank lobby itself, while other services were still administered via bankers and tellers.

Then came the internet. This opened up an array of new channels for consumers to engage with their money. Users could enjoy the same services they used to get at their bank's branch office through online portals. This gave consumers the ability to do their banking on-the-go and through multiple devices.

Still, the intelligence and back office operations behind banking, until recently, have remained relatively unchanged, even with the advent of the Internet. But just as with other industries, financial services can no longer push off their digital transformations, as a number of key industry disruptions are turning the industry on its face.

Local regulations having a global impact

For starters, new regulations are forcing banks to tear down (or at least lower) some of the walls they used to keep around their assets. For instance, the European Union's Second Payment Services Directive (PSD2) went into effect in January 2018, which forced banks to open up their data to third parties. The goal of this was to make it easier for people to change their bank accounts and make more personalized arrangements with banks concerning individual finances. And while this directive is limited to the EU, it has had global implications when you consider many of the largest banks operating in the United States are actually headquartered across the pond.

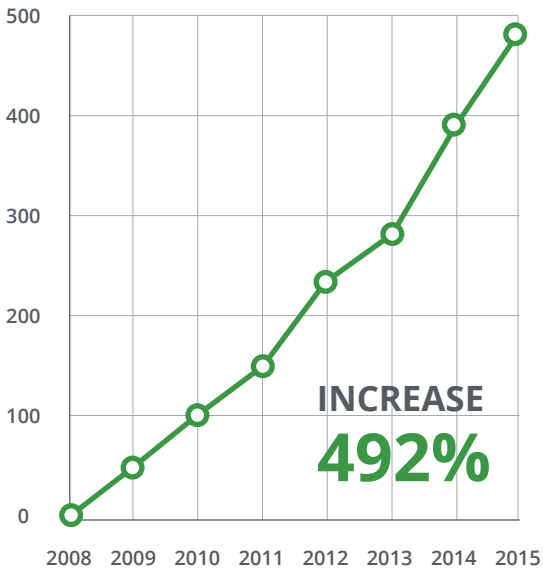
PSD2 isn't the only European regulation that's impacting banking globally. The much-hyped General Data Protection Regulation (GDPR) that went into effect last year also gave consumers greater choice and control of their data and finances, as well as somewhat unintentionally opening the doors for a wealth of financial technology (FinTech) and regulatory technology (RegTech) ventures to start coming out of the woodwork.

> **Traditional banks are having a reckoning where they need to adapt their back office intelligence to create a more "open" network infrastructure to stay both competitive and compliant.**

This includes incorporating cloud technologies, which to date have only really been employed on the customer-facing side of the business, to ensure banks can operate with the speed and agility that consumers expect. It goes further, however, as banks will also need to rely increasingly on software-as-a-service (SaaS) in order to adapt quickly to changing regulation and to keep up with FinTech disruptors that were born leveraging more agile network architectures. Many traditionally on-prem offerings for FinTech quickly become out-of-date or require constant maintenance to keep up with the rapid change in the sector.

Regulation fueling cloud migration rather than stymying it

It may seem counterintuitive, but the jump in regulatory standards in the recent past has been an unlikely boon for the introduction of new cloud-delivered tech in the financial space, not a deterrent. The conventional wisdom is that when data leaves a private data center, the security vulnerabilities are so great that it's not worth the risk for financial services to unload their hardware. But between 2008 and 2015, regulatory change has increased by 492 percent, which has called for companies to quickly adopt strict protections and transactional standards, lest they be on the hook for hefty noncompliance fines.



Just how companies have adopted SaaS solutions to help them quickly adopt and deploy new workflows without exhausting their budgets or creating lengthy upgrade projects, RegTech solutions delivered "as-a-Service" can help teams contend with the unprecedented rate of regulatory change without slowing down their ability to support and grow their customer base.

This kind of software also can evolve immediately with new regulation, putting the control burden on the RegTech provider to stay on top of best practices opposed to financial IT. With shrinking IT teams, SaaS offerings take much of the burden of setup and maintenance away, allowing them to focus on other mission-critical work.

> **Regtech can offer consistency of regulatory application, speeding up the time it takes to identify information and documentation that requires specific protections or permissions.**

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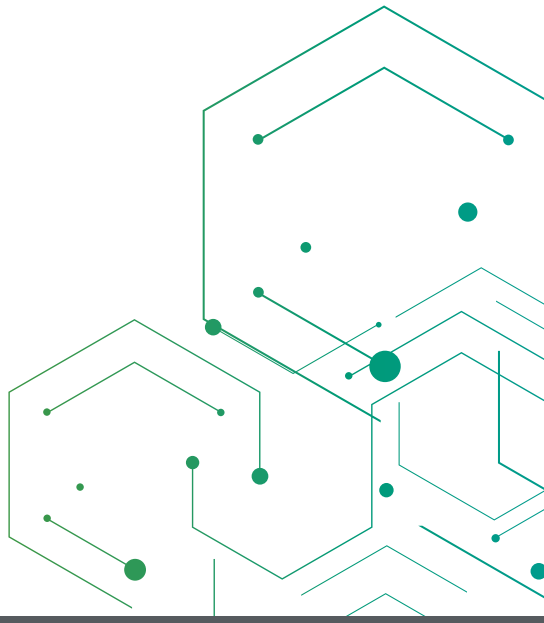
But when banks put control and management of essential software in the hands of third parties, they save on maintenance overhead, but inherently lose visibility into both the performance and the specific behavior of those apps over their private network and in third-party environments. If a RegTech platform isn't performing up to par or meeting an SLA, the trickle-down effect of this slowdown can permeate the whole business.

To that end, network operation teams must employ another solution — network performance monitoring — in order to hold their RegTech providers to task. But more importantly, teams need these tools to gain visibility into the entire delivery path of these applications and the associated data they take with them, hop-by-hop and between Autonomous Systems. This ensures that diagnosing the problem when RegTech isn't performing doesn't itself create a service bottleneck.



FinTech emerges in tandem with changing consumer tastes

We're approaching a tipping point as a society where an entire generation will have grown up in a primarily digital world

The rise of FinTech has been less of a response to how banks can function than a reaction to both consumer tastes and industry disruptors. As consumers have become more accustomed to using mobile apps for practically every transaction (from Venmo to Zelle to ApplePay), traditional banks need to look into developing their own solutions to stay competitive.

venmo Zelle Pay

This signals a big departure from the days when digital transformation was only considered the realm of retail banking. Today, corporate, commercial, business and investment banking clients all demand fast and convenient digital experiences akin to what's available through every other channel they interact with in their day-to-day lives.

We're approaching a tipping point as a society where an entire generation will have grown up in a primarily digital world — aka, digital natives — by the end of the decade. Regardless of industry, the businesses that are able to deliver value and convenience through digital channels are the ones that are going to succeed in the future. That means old-school banks will need to shake off their fears about moving to the cloud, leverage solutions that help them implement new workflows with ease and security, and maintain visibility across their networks.

The importance of maintaining this visibility to both ensure back-office and consumer-facing functionality emphasizes the criticality of banks employing a comprehensive network performance monitoring solution. At the same time, with teams adopting a wealth of new SaaS solutions and opening up their network architectures to embrace cloud, they can't employ a new tool that will itself take up network capacity that should be allocated elsewhere. It only makes sense that this monitoring tool, too, is a SaaS solution that's capable of taking a deep dive into network activity with minimal overhead.

By maintaining visibility across their network, especially in the face of so much change to the fundamental underpinnings of the banking business, these institutions can not only adapt but excel in a new age of banking.

Download our whitepaper to learn more about what a SaaS-approach to network performance monitoring looks like and how it's essential to any business embarking on a digital transformation.

ABOUT APPNETA

AppNeta is the only network performance monitoring solution that delivers deep, actionable, end-to-end network performance data from the end-user perspective. With AppNeta's SaaS-based solution, IT and Network Ops teams at large, distributed enterprises can quickly pinpoint issues that affect network and business-critical cloud application performance, regardless of where they occur. AppNeta is trusted by some of the biggest Fortune 1000 companies, including 3 out of the 5 largest corporations in the world, as well as 4 out of the 5 largest cloud providers.

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