

Headline	Dynamic new partnerships and initiatives are at the heart of the digital future' for banks		
MediaTitle	Business Mirror		
Date	06 Mar 201	Language	English
Section	Banking and Finance	Journalist	n/a
Page No	B3	Frequency	Daily



KPMG Perspectives

Dynamic new partnerships and initiatives are 'at the heart of the digital future' for banks

Part Two

MANY organizations have set up or are turning to innovation labs, incubation hubs and accelerators that provide crucial links between financial institutions and fintechs. For some organizations, particularly those faced with the challenge of finding a suitable fintech, an accelerator or incubator can provide crucial support in providing ideation, exploration, experimentation and piloting of certain opportunities or solutions.

KPMG's new Digital Village in Singapore and mLabs fintech accelerator program in Australia are two examples of initiatives designed to bring together the key players, expertise and capabilities needed today to drive effective transformation for financial institutions.

KPMG recently launched mLabs, a new fintech accelerator connecting seven Australian mutual banks with 14 fintech start-ups that are looking to help identify and develop commercial solutions to business challenges. KPMG's mLabs is designed to drive various commercial outcomes for participants, whether designing and launching new digital products and services, enhancing the customer experience or improving internal efficiencies.

Using a 12-week structured innovation program, mLabs is providing a crucial new platform for collaboration and a safe space for experimentation regarding new services for mutual banks that have a combined customer base of more than 2 million people.

What we've done is curate and select fintech companies that we think are the leading firms in Australia to solve key organizational challenges and opportunities," said Ian Pollari, global coleader, KPMG fintech practice. "It is an 'accelerator' in the context of helping these organizations drive quickly toward commercial outcomes. We are matching the needs of organizations with the specific expertise of various fintechs that have the capabilities to meet a particular need. The outcome is mutually beneficial to the banks and the fintech companies."

As an example of what can be done in such a setting, four banks are collaborating in examining the application of a new mortgage blockchain solution with a fintech company to reduce the mortgage application, settlement and funding

process from an average of 42 days today to just five days and, over time, potentially 80 minutes. This would be game changing for the industry.

That's a good example of cross-industry collaboration to explore and develop new capabilities and processes in an area that banks typically find too difficult to solve or improve. They find tremendous value in being able to experiment in a collaborative manner. Other banks are looking at how to work with fintechs to enhance their customer experience by digitizing processes and services, while others want a fintech to help them solve back-office inefficiencies. It's proving extremely valuable for everyone involved.

Banks are discovering new ways to collaborate

BEYOND driving change, such initiatives are demonstrating to banks how to work effectively with fintechs in the future. "Banks are learning how to be more meaningfully engaged, how to articulate what their problems are, what questions they should be asking, and so on," Pollari says.

The KPMG Digital Village brings corporates, start-ups, investors and government bodies together in a collaborative ecosystem to drive the adoption and integration of innovative solutions. It is like a living lab for innovation, coinnovating to turn innovative ideas into robust, practical solutions with mentorship; market access; proposition support, including market validation and business-case development; fund-raising and access to investors; and operational support.

For corporates, the Digital Village offers:— innovation workshops to explore challenges and opportunities; access to start-ups; a methodology to test and validate digital product innovations; and global expertise in digital strategy, innovation and design.

Our overall approach is to help clients understand and make sense of the critical and rapidly emerging developments occurring in the market, and to recognize what the implications are for them, the potential future scenarios that might play out," said Jan Reinmueller, the head of KPMG's Digital Village in Singapore. "It's broader than financial services and involves technology, demographics, economics—basically all of the externalities that are shaping and influencing consumer attitudes and behaviors and how those

are evolving. Initiatives such as these help organizations answer the 'so what?' question that many of them are struggling with, in terms of understanding what the future holds, how trends will impact them, how to strategically assess new opportunities and threats and so on.

In this environment, organizations can test or assess whether new strategies and initiatives are desirable to the market, technically feasible and commercially viable.

While many schemes exist to support innovative start-ups from concept to early funding, much more can be done to bridge the gap between ideation and the commercialization of innovations," Reinmueller added. "Our Digital Village program is the heart of a digital future, powered by collaboration between all significant players in the ecosystem. It will help start-ups to further accelerate and grow to the next stage and equip corporate clients with the latest innovation technology."

The complexity and velocity of change can be overwhelming for many firms today, but the emergence of new initiatives and partnerships are already generating benefits and competitive advantage for organizations that are taking a strategic approach," Pollari concluded.

These are such challenging times and there is no time to waste as disruption of markets and business models continues to entirely reshape traditional ways of doing business along with the expectations, needs and demands of customers everywhere," Pollari said. "With challenge comes opportunity, and forward-looking organizations are embracing new initiatives and relationships that will drive new forms of competitive advantages and value."

The article was taken from KPMG's publication entitled "Dynamic new partnerships and initiatives are 'at the heart of the digital future for banks' by Jan Reinmueller, head of Digital Village KPMG in Singapore, and Ian Pollari, global coleader, KPMG Fintech practice.

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