

A man in a grey suit and a woman in a white top are standing on a light-colored tiled floor. The man is on the right, looking towards the left. The woman is partially visible on the right side of the frame, looking towards the man. The background is a plain, light-colored wall.

Voice of core banking system vendors and BPO service providers



As mentioned earlier, as part of our research for this report, we also interviewed a number of core banking system vendors and business process outsourcing (BPO) providers active in the Luxembourg market, in order to understand their perceptions of the digital maturity and ambitions of their own customers — i.e. the private banks.

Main areas of focus of private banks

Unsurprisingly, in the opinion of these vendors and service providers, many “pure play” private banks are still in the process of defining their digital positioning, whereas private banks that are part of universal banking groups are more advanced in this regard.

From a general viewpoint, all private banks aim at providing the correct balance between offering relevant features, to the right client, on the appropriate channel, and avoid pushing unwanted responsibilities onto their clients.

In this sense, the current tendency is seen to be more about exploring how to extend the banks’ platforms and applications on the bankers’ tablets, than developing self-service features for the client. Both vendors and service providers have observed three clear areas of focus from their private bank clients. The banks are:

- exploring how to interact with their clients in more seamless and more fruitful ways
- betting on digital to achieve a higher operational efficiency and simplify the banker’s job
- striving to better equip their bankers with digital tools for advisory and portfolio management. Some vendors and service providers believe that execution-only clients will probably move to pure digital brokerage in the future.

According to vendors and service providers, many private banks are still lagging behind in terms of their data and analytics capabilities, as well as in artificial intelligence (AI) — and for the very same reasons previously highlighted by the banks themselves, i.e. lack of data quality, and limited use of information from CRM and transactional applications. Banks do perform analysis of transactional data, but are still building capabilities for the development of decision-making tools.

Finally, vendors and service providers are inclined to think that private banks could probably invest more in the change management effort linked to the implementation of a digital culture.

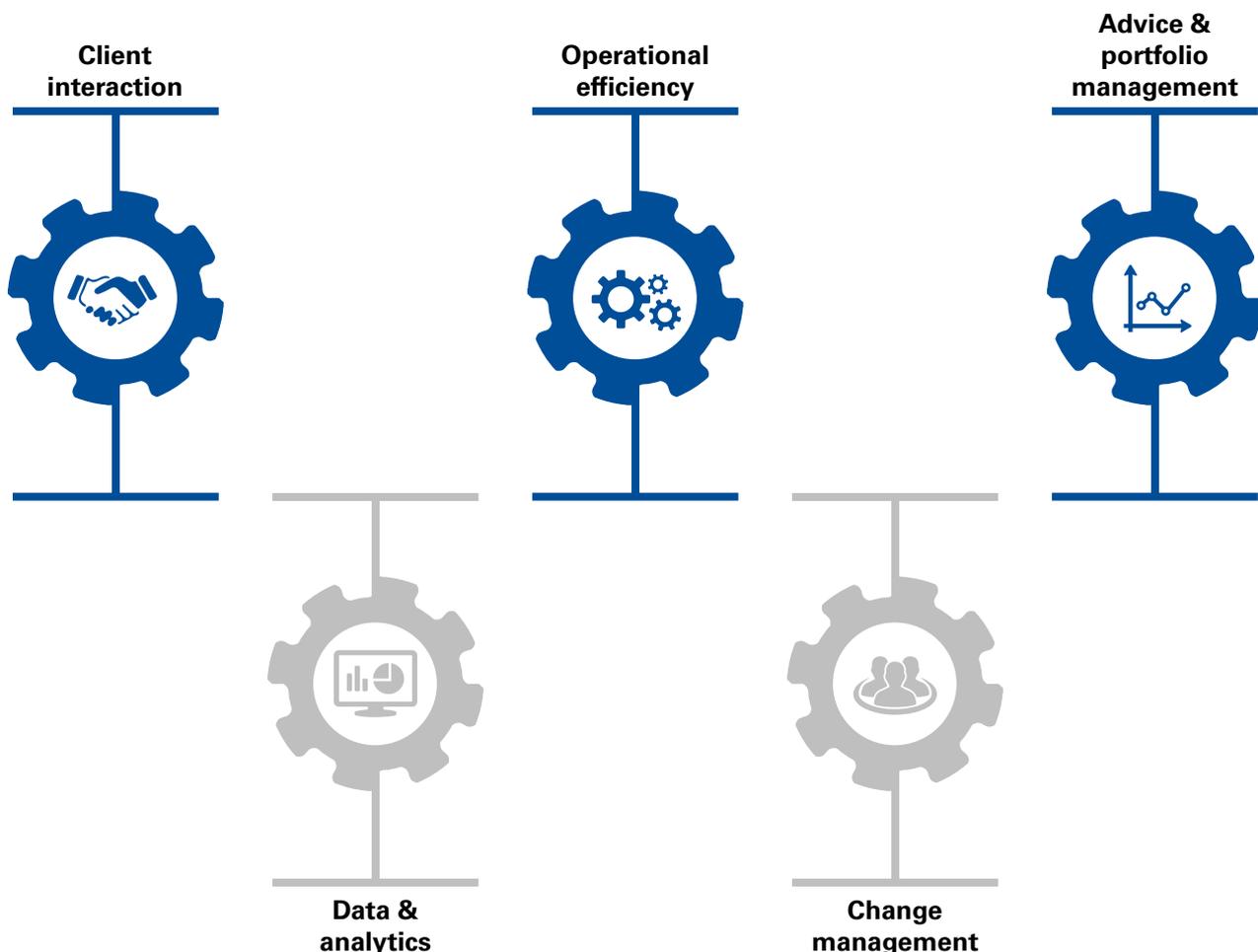


Private banks' expectations depend on their size and on their clients' countries of origin

Private banks have varying expectations of their core banking system vendors or service providers, depending on their own size and organisation. Larger private banks usually have their own digital teams and have already invested heavily in front office solutions, including digital solutions — they therefore want their providers to be able to integrate these solutions. Conversely, smaller banks tend to expect out-of-the-box and integrated digital front-ends, for reduced costs and quicker deployment. Finally, some private banks opt for the hybrid option of developing their own user interfaces, integrated into their existing portals.

Vendors and service providers observe that there can be significant differences between the Luxembourg market and other locations. For example, in terms of client interaction, Asian private banks are developing online “chatbots” to respond to the basic enquiries of their clients — a feature which is, to date, barely an option in Luxembourg private banking. Also, while advisory and discretionary portfolio management are core offerings in Luxembourg, it is noted that, in Asian private banking centres, private clients tend to favour execution-only services.

Figure 41. Key areas of focus of private banks





Vendors and service providers invest heavily in the development of digital solutions, with a strong focus on open architecture

In general, digital ranks highly in the priority list of service providers, which translates into a significant effort and investment to deliver their digital roadmap. Their challenge is not only to respond to their clients' demands, but also to strive to anticipate how digital will continue to evolve.

They therefore put a strong focus on innovation, be it with the creation of collaborative factories with fintechs, or by playing the role of facilitator for fintech selection by banks. They invest heavily in open architecture and the development of application programming interfaces (APIs), to ensure that they will be able to integrate fintechs' solutions in an agile manner when required. For instance, there seems to already be a strong demand for securities account aggregation, as well as for client profiling and client onboarding solutions.

All vendors and service providers stress their key role in ensuring security for their clients, including in the integration of external solutions.

BPO service providers also invest significantly in developing efficiencies by means such as: maximising business process automation, using robotic process automation (RPA) and exploring machine-learning technologies.

Finally, although demands with regard to data and analytics so far remain limited, some vendors and service providers are currently working on the development of solutions that will enable them to integrate data from multiple sources and multiple countries — and are developing AI capabilities towards “hyperpersonalisation,” as well as more sophisticated analytical models — with the objective of anticipating future demands from private banks.

Figure 42. Private banks' expectations of their vendors and service providers in terms of functionalities



Client interaction

- Virtual meetings with clients (video, chat, screen sharing, shared documents)
- Secure messaging



Advice & portfolio management

- Real-time statements
- Automated risk optimisation through algorithms
- Solutions including regulatory constraints
- Guiding the banker in the dialogue through to investment strategy
- Online signatures for transaction authorisation



Client onboarding

- Front office tools for more efficient processing, integrating AML/KYC, etc
- Electronic signatures
- Digital onboarding: upload of documents, verification of signature/ID



Transactions

- Cash and securities transactions (to a limited extent). Fewer securities transactions on mobile banking than web banking
- More efficiency in transaction execution, taking into account regulatory constraints
- Transaction simulations (cost, risk and impact on financial planning)



Security

- Confidentiality and security
- Authentication
- Penetration tests