



UNIVERSITY OF  
CAMBRIDGE  
Judge Business School

**Executive**Education

FinTech and Regulatory Innovation:  
Module 2 Live Session

# Unbundling Banking and Innovation Responses

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# Embracing **disruption** in banking



# The banking sector is currently undergoing a “disappearing act”

## Embedded Finance

Finance disappears from front of mind



Before the internet, technology was considered a vertical.



Technology

After the internet, technology became foundational, horizontal.



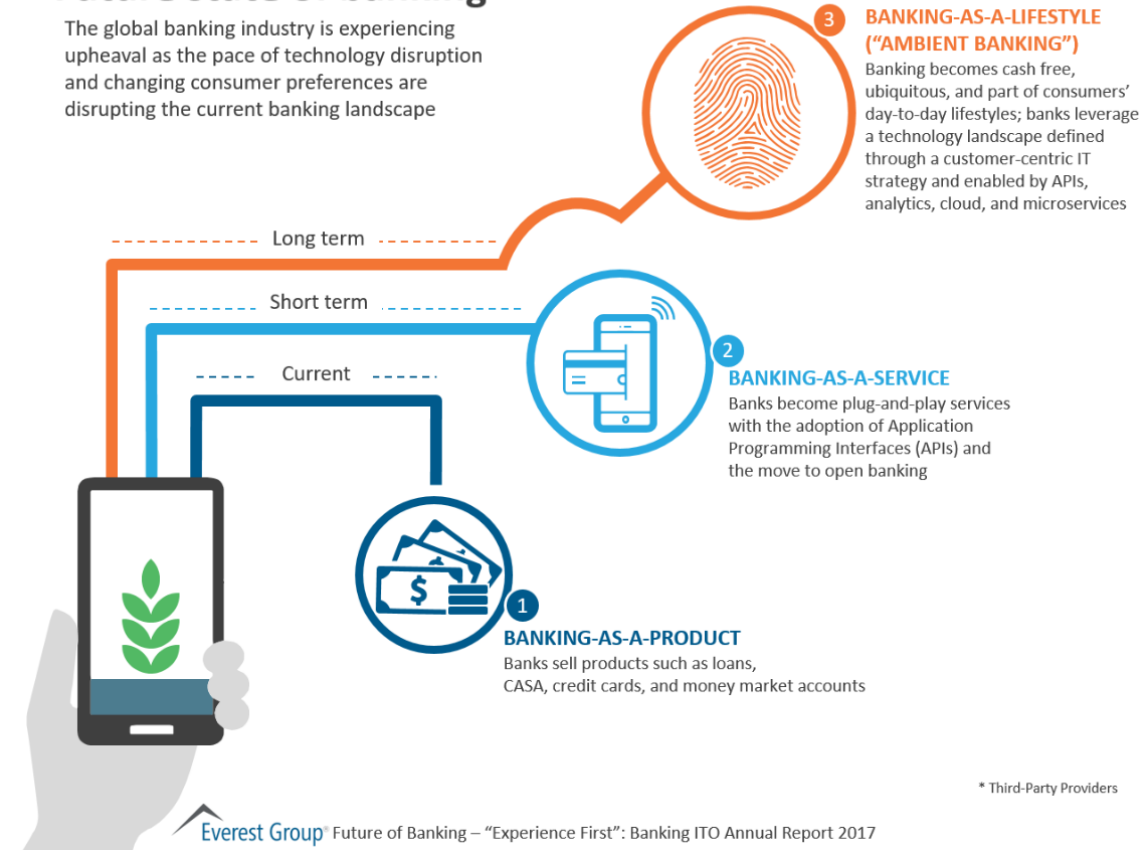
Technology

Financial Services

In the (near) future, financial services will shift from being an industry vertical to becoming an enabling horizontal.

## Future state of banking

The global banking industry is experiencing upheaval as the pace of technology disruption and changing consumer preferences are disrupting the current banking landscape



# Underlying factors for financial services disruption and the rise of Fintech

## Customer-centricity

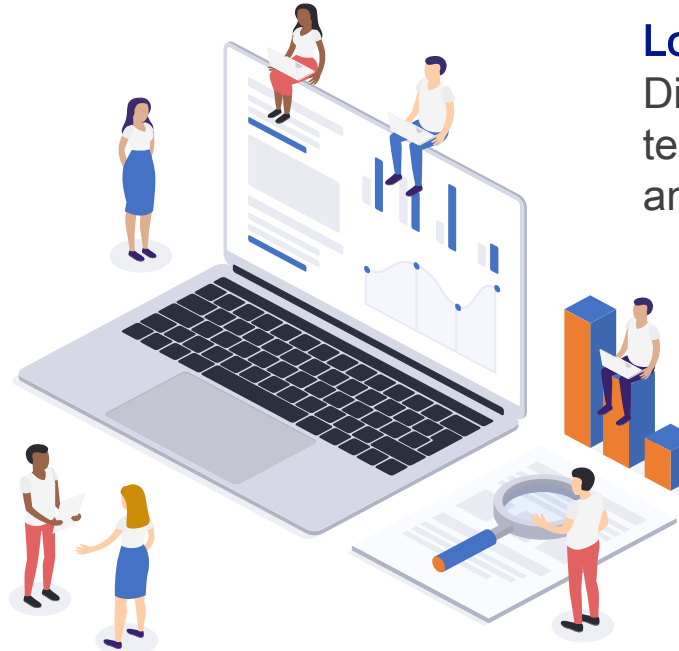
Fintech aims to provide the best consumer experience.

## Disintermediation

New business models (P2P, B2B, B2C) are challenging high intermediation fees and regulatory boundaries.

## Automation

Automated processes ease platform use.



## Low-cost operating model

Digital platforms enabled by on-demand technological services, resulting in cost-efficient and scalable solutions.

## Data usage and analytics

Technological and analytical capabilities to process vast amounts of data.

## Real-time traceability

Technologies like blockchain allow real-time verification of transactions.

## Enabling technologies



Cloud computing



Blockchain DLT



Artificial Intelligence and Machine Learning



Big Data and Analytics



Internet of Things

Emerging technologies enable **process automation**, **data intelligence** and **customization of solutions** for their users.



# The banking business model has shifted to attend customer needs... enabled by technology and driven by regulation

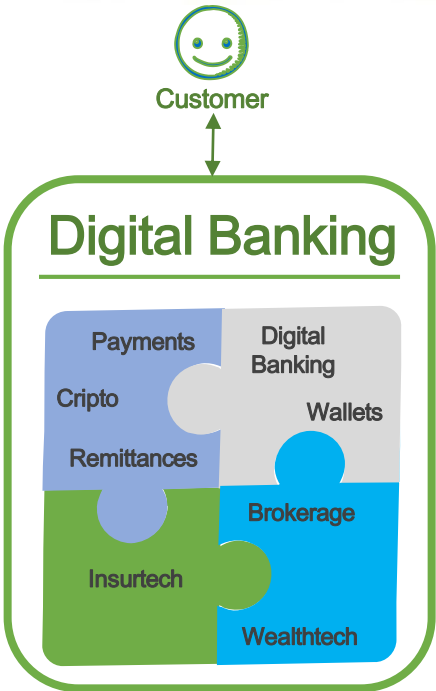
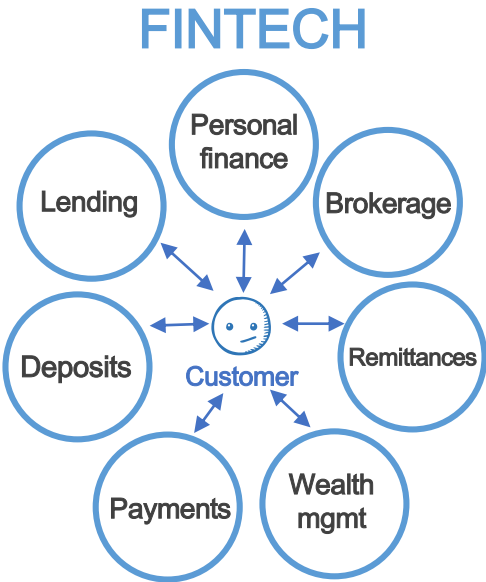
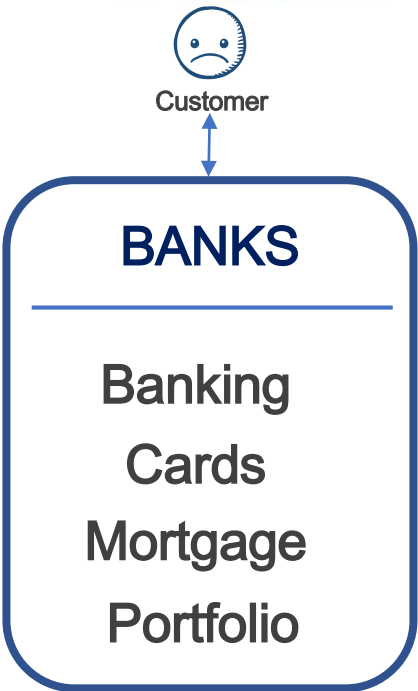
**Bundling**



**Unbundling**



**Rebundling**



Partnership ecosystems (BaaS)

Emergence of non-financial platforms (Marketplace / BaaP)

**Drivers**

Leveraging existing customers base to decrease Customer Acquisition Cost (CAC)

**Enablers**

Brand, Consumer desire for trust

Mobile-first customer expectations, CAC dropping dramatically, businesses hyper focus on single experiences/markets
















Mobile app stores, open APIs, cloud infrastructure, bank regulation

CAC is high with increased competition, customers desire for simplification and end-to-end best-of-breed products

More APIs, Open Banking, Banking-as-a-service (BaaS), Artificial intelligence

Source: Based on Victoria Cheng, Citibank Venture Investing.

# In most countries, the existing regulatory framework enables different business models of digital banking

	Traditional banks 	Challenger banks 	Neo-banks 	BaaS 'Bank as a Service' 
Authorisation (Licence)	✓	✓	X Business partnership with a bank	X Multiple business partnerships with financial institutions
100% digital	X	✓	✓	✓
Property of distribution channels	✓	✓	X 3rd party distributors	X Open platform
Extensive financial services portfolio	✓	✓	X Limited banking (niche segments)	✓
Financial education and personal finance functionalities	X	✓	✓	✓
Lower fees and rates	X	✓	✓	✓
Examples	CHASE  BBVA  BARCLAYS 	N26  Revolut  Atom 	BNXT  SIMPLE  monese 	2gether  solarisBank 

# Innovation Responses & Paradigm Shifts

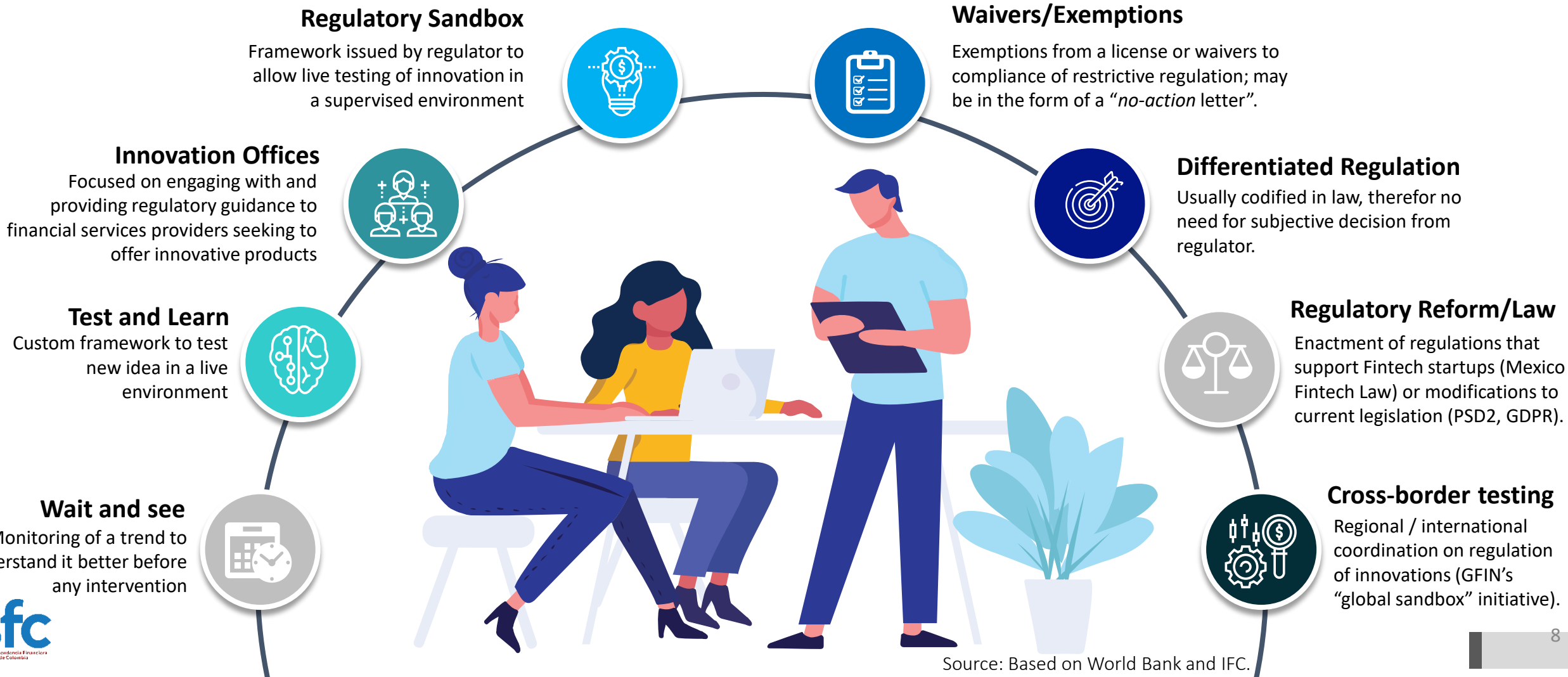




# Innovation responses: choosing from an ample “toolkit” for a “tailor-made” approach to innovation

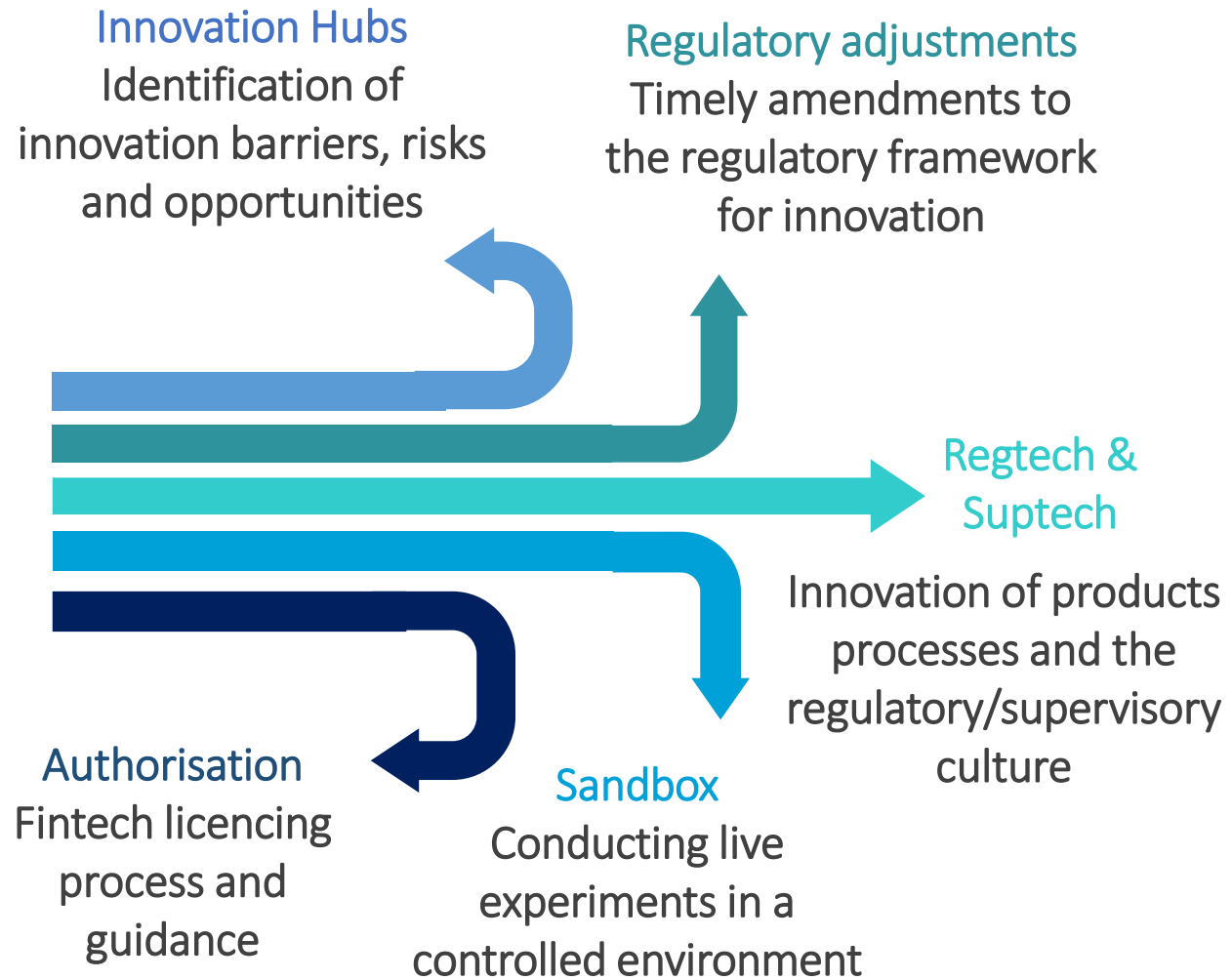
Passive approach – Less resources

Proactive approach – Resource intensive

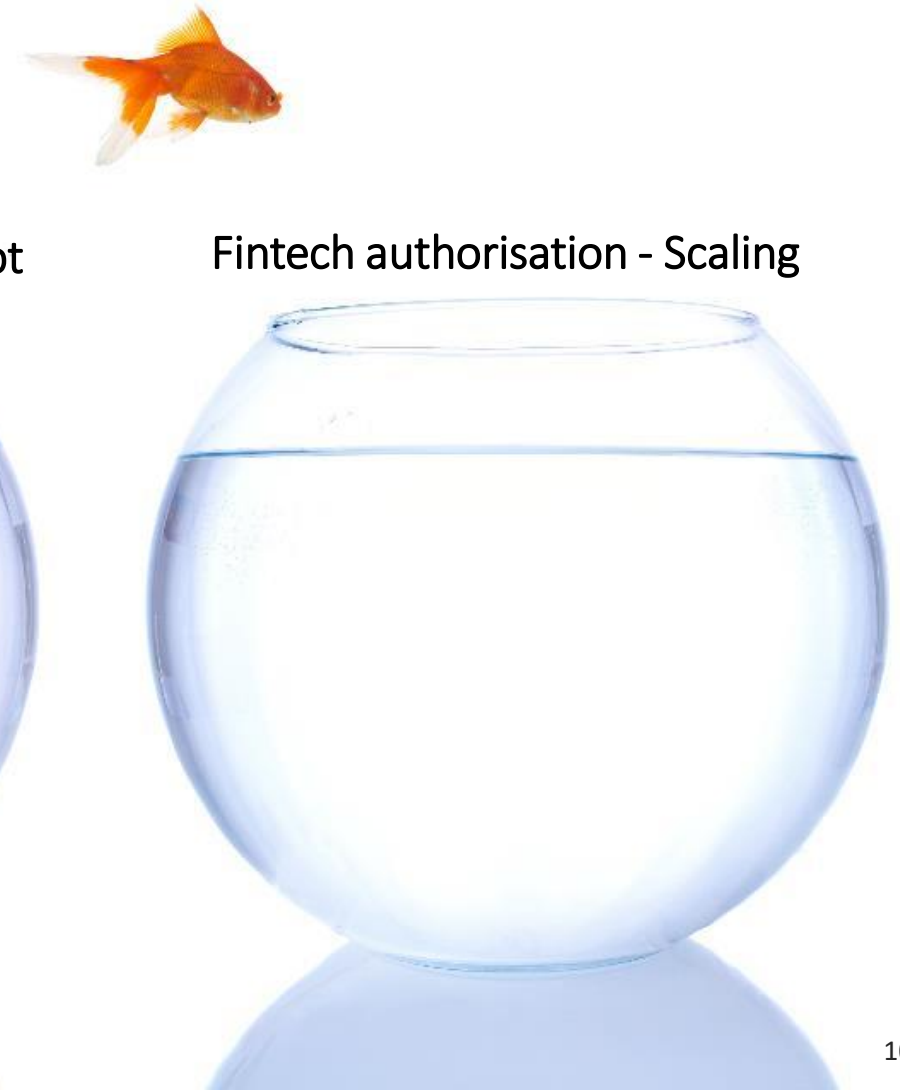




# Regardless of the approach, fostering **sound** and **responsible** innovation should be an integrated effort



# Open Innovation becomes a real chance for Fintechs and authorities to “jump in and test the waters”





# Our main challenge is to continue **breaking down barriers** to innovation and motivating paradigm shifts

- The existing regulatory framework can be **innovation-enabling**
- **Innovation and supervision** can in fact co-exist and complement each other
- We should go beyond **“suspicion-based supervision”**

