



THE ROAD TO BUILDING A NEW DIGITAL BANK

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INTRODUCTION

Launching a new bank has never been easier or more cost effective. With the right strategy and technology, your bank can be up and running in months, rather than years. Digital technologies also empower you to reach new markets. And with no need for physical branches, it's easier to control costs and become profitable. In theory.

In practice, there are many considerations and potential pitfalls. Although there has been an abundance of startups, many have yet to make a profit, so it's not as easy as it seems. In this e-book we consider some of the factors that are critical to new bank success. **While we avoid being prescriptive, we examine why some new banks deliver soaring success while others become costly experiments.**

We hope this e-book provides you with some valuable insights that will help you accelerate along the road to banking success.



New plug-and-play apps enable a new bank to launch with as little as \$500,000 in capital

"Falling Barriers to Entry in Fintech" White Paper, QED Investors



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Starting from roughly 197 million users in March 2021, the number of digital banking users in the United States is forecasted to reach almost 217 million by 2025

<https://www.statista.com/statistics/1285962/digital-banking-users-usa/> "U.S.: digital banking users 2025 | Statista



WHY LAUNCH A NEW DIGITAL BANK?

New digital banks are the world's hottest startup. The global neobanking market was valued at USD 66.82 billion in 2022 and is expected to grow at a compound annual growth rate (CAGR) of 54.8% from 2023 to 2030.¹ Some neobanks are adjacent to incumbents; others are all-new startups funded by venture capitalists.

There are many market drivers for creating a new digital bank that you may want to consider. For example, to appeal to specific market segments, such as millennials and Generation Zers who want banking that's closely aligned to their digital lifestyles; or to extend a brand into a new or tangential market; or to reach a new target audience, such as the underbanked, small to medium-sized enterprises (SMEs) or the gig economy.

With digital technologies, you can deliver personal banking products and services in real time and in context. But a tech-first bank must also deliver an experience that is just as engaging and personal as the human approach. This can be challenging.

¹ Neobanking Market Size, Industry Report, 2023 - 2030. Grand View Research 2023.

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WHY NOW?

Now is the perfect time to launch a new digital bank. Around the world, new banking licenses are being granted to stimulate innovation, boost competition and to counter the threat of big tech.

There is a universal recognition that traditional banks have been too transactional in nature and need to focus more on customers and their lifestyles. Digital technologies enable banking to be done differently, to serve customers better and at lower cost. In some jurisdictions, central banks issue digital-only licenses while other licensing arrangements are less specific. Overall, banking regulators worldwide are committed to make banking more competitive, democratic and customer-centric. Your new digital bank can help achieve these objectives.

On the demand side, customers are eager to have banking their way. They are better informed, more discerning and less loyal than ever and will shop around for a bank that meets their exact needs and expectations. With the right approach, you can build a bank that meets rising expectations. There are many potential customers for your new bank.

OPEN BANKING

Open banking is transforming the global banking landscape. Customers are empowered to access their data, and to share and combine it with authorized third parties. Banks no longer have a monopoly on the customer relationship. New market entrants, such as online retailers, now offer payments and an expanding range of financial services, delivered in context.

Once perceived as a regulatory compliance issue, open banking has become a business opportunity. It's your unique chance to participate in a dynamic financial ecosystem, where optimal outcomes are driven by the combined forces of collaboration and competition.

Open banking encourages new market entrants and redefines what it means to be a bank. You must choose what role your new bank will play in this vibrant and growing financial ecosystem. Open application program interfaces (APIs) create unlimited opportunities for your new digital bank to collaborate, innovate and deliver customer value.

CLOUD ADOPTION

After some hesitation about security and regulatory compliance, the cloud has become the baseline of a competitive bank. The cloud is the only sustainable way to achieve strategic resilience and reap the benefits of modern technologies, such as artificial intelligence, machine learning and advanced data analytics. These technologies are the gateway to an exceptional, dynamic and personalized customer experience that builds loyalty.

While discussion ensues about private, public and hybrid cloud deployment models, this is of secondary importance to the cloud's transformational potential across banking. The cloud is about how you do computing, rather than where you do computing.

With the cloud, you can set up your new digital bank without substantial investment in hardware or software. A serverless cloud-native architecture means you can align technology with business success from the start. With the right cloud provider, pay-as-you-go pricing aligns costs with business success, and cloud elasticity means you can scale processing up or down whenever you need to.

BUILD A BANK THAT'S AGILE AND FUTURE-PROOF

The bank of the future must be agile, flexible and open. Technology must also be open to insulate the bank from change and avoid building the legacy systems of tomorrow.

To build a sustainable and successful bank of the future, you need to differentiate and deliver services that other banks cannot. As you move ahead, you'll need to innovate continually to stay there. Agile methods and continuous delivery mean your new digital bank can deliver a pipeline of new and innovative features and functions that are updated continually to add customer value.

If your bank is open and agile it will support new business models, such as Banking as a Service or Banking as a Platform. But these require banking products to be deconstructed into granular subscription-based services. Not all banking platforms can do this.

BUILDING THE RIGHT BANK FOR YOU

In the digital age, a bank is best defined by what it does. Every bank delivers financial services to customers, but there are many ways to do this: call center, online, mobile or any combination of these.

Whichever delivery model or combination you choose, your new digital bank must be a manifestation of your brand and all that is good about it.

A compelling marketing program which helps your customers understand the benefits of using your products, new ideas and innovative services is often the ultimate competitive advantage. While the costs can be significant, with some new banks spending millions on marketing, the impact of effectively communicating your unique value to potential customers can be the difference between success and failure.

Whether your new digital bank is focused on winning new customers, migrating existing ones, or both, it's crucial to get the approach right from the start. You probably only have one chance; marketing costs are irrecoverable, and your brand is at stake.



By 2025, up to 40% of collective bank revenues could be at risk from new competition

McKinsey, FinTechicolor: The New Picture in Finance



WHAT TO EXPECT WITH YOUR NEW BANK ASSESSMENT

FIS® has helped launch many new digital banks in global locations. Our methods and technologies have delivered banking success in some of the world's most demanding regulatory environments. We can help you establish a strong foundation that is built for change and agility. We would like to invite you to a tailor-made new digital banking workshop to discuss your unique needs and help you produce a road map for new bank success. FIS can help you make objective decisions about your business model and technology. With unparalleled experience launching new digital banks, we can remove the guesswork and offer solution certainty.



WHAT'S YOUR BUSINESS MODEL?

Modern technologies are constantly redefining what's possible in financial services. Geography is no longer a barrier to success, and you can target specific market segments with customizable services. Although scale is a worthy ambition, profit is key to sustainability. Our technology and service models are aligned to your business success. So, we pull in the same direction, driven by your success.

TECHNOLOGY DISCUSSIONS

Modern technologies also facilitate new business and deployment models. FIS can partner with you to craft an architecture that reflects what you need now and what you want in future. FIS digital banking solutions adopt an API-first architecture that is entirely componentized. No other digital banking solution can offer your new bank such choice and flexibility, with the ability to scale as a cloud-native application.

YOUR UNIQUE BANK

Every new digital bank is unique, but there are some common processing requirements. Your new bank must operate in real time and run on the cloud. At your workshop, we will discuss:



Core processing. The core is the beating heart of your new bank. As well as a system of record, the core must connect to an increasing range of channels and devices in real time. A modern core runs on the cloud and provides a foundation to build a fully componentized platform. Your new core is about much more than processing and must give customers what they want, where and when they want.



Products and services. There's already a host of new banks offering current accounts, savings accounts, loans, mortgages and more. With growing awareness that it's difficult to build a sustainable competitive advantage on price alone, you need to build and market a unique brand with a product mix that focuses on better customer outcomes. With a componentized architecture, you can "plug and play" new products and features to differentiate and deliver customer value quickly and build competitive advantage.



Data strategy. What will drive your key business decisions? A customer-centric bank must eliminate guesswork and be data driven. With a cloud-native core, you can harness the power of modern technologies, such as artificial intelligence and advanced data analytics. Every customer interaction is a learning opportunity. But you also need a strategy to capture, store, manage and distribute data as a strategic asset.



User experience. Today's customers expect the same agility and convenience from their bank that they get from their favorite online retailers and e-commerce providers. Business users also expect an engaging experience so your new bank must support engaging customer journeys. With a componentized architecture you can position products in context, exactly where customers need them.



Technology strategy. Increasingly, new bank success is about technology. Modern technologies can drive down costs to levels that were inconceivable until recently. But banking is also a people business, so it's crucial to discuss whether your new bank offering should be solely technical, mainly human or based on some combination of the two. You need a go-to-market technology strategy that builds a sustainable competitive advantage.



API strategy. Open APIs are the lifeblood of innovation and redefine what's possible in banking. Although technical in nature, APIs are the intersection between banking and technology and can be monetized as products in their own right. In an open banking environment, every new bank needs an API strategy that governs its relationship with the outside world.



Regulatory environment. Although there is some convergence in banking regulations, each jurisdiction has unique requirements and nuances. For all banks, ensuring regulatory compliance is a major cost of doing business. But, with a RegTech approach and a modern banking platform, technology does most of this work and compliance can become part of business as usual.



PULLING IT ALL TOGETHER

With so many new digital banks emerging, getting to market may seem easy. But don't be tempted to jump on the bandwagon without a plan. While new banks have fueled deposit growth, many new banks have pursued scale at the expense of bottom-line growth.

Starting and sustaining a successful new bank must be driven by a sound business case and should not mimic what has worked before or for others. In practice, building a new digital bank means developing a new digital banking business model that shows exactly where value is created and how.

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FIS CAN HELP

A new digital bank must be agile and innovative to embrace change in order to do things differently. Customer centricity is the key to success and data should drive all crucial decisions. You need a platform that supports an unlimited product portfolio and that is easily adaptable and will be embraced by end users.

FIS digital banking solutions herald a new dawn in financial technology for creating a digital bank. No other solution can get you to market faster or offer the agility that's so crucial to sustain business growth.

Building a new bank is never easy, but it's a lot easier with expert help. FIS has supported the launch of many new digital banks in global locations. With our unmatched experience, industry knowledge and practical know-how we can offer solution certainty in an uncertain world. No fintech partner knows more about banking or financial technology.

FIS builds the most leading-edge banking platforms in the industry. Many of the world's top banks trust us to design, deploy and manage their core platforms and mission-critical technologies. FIS digital banking solutions are the ideal foundation for a new digital bank.

Because your institution is unique, FIS will help you select the correct technology that aligns to your digital bank business needs and goals. FIS has successfully helped many banks create, build and launch digital subsidiaries. Contact your FIS relationship manager today to determine how we can help you.



About FIS

FIS is a leading provider of technology solutions for financial institutions and businesses of all sizes and across any industry globally. We enable the movement of commerce by unlocking the financial technology that powers the world's economy. Our employees are dedicated to advancing the way the world pays, banks and invests through our trusted innovation, absolute performance and flexible architecture. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS ranks #241 on the 2021 Fortune 500 and is a member of Standard & Poor's 500® Index. To learn more, visit www.fisglobal.com. Follow FIS on Facebook, LinkedIn and Twitter and Twitter (@FISGlobal).



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