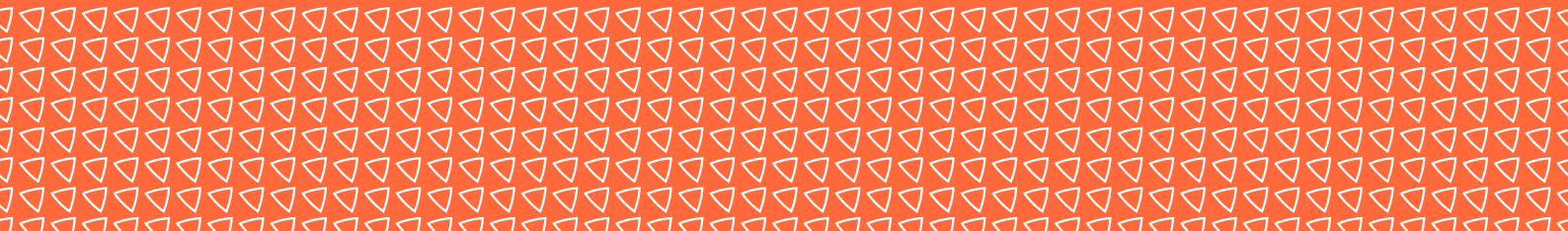




# The Great Reset

Challenges and solutions for  
global banks in 2022 and beyond



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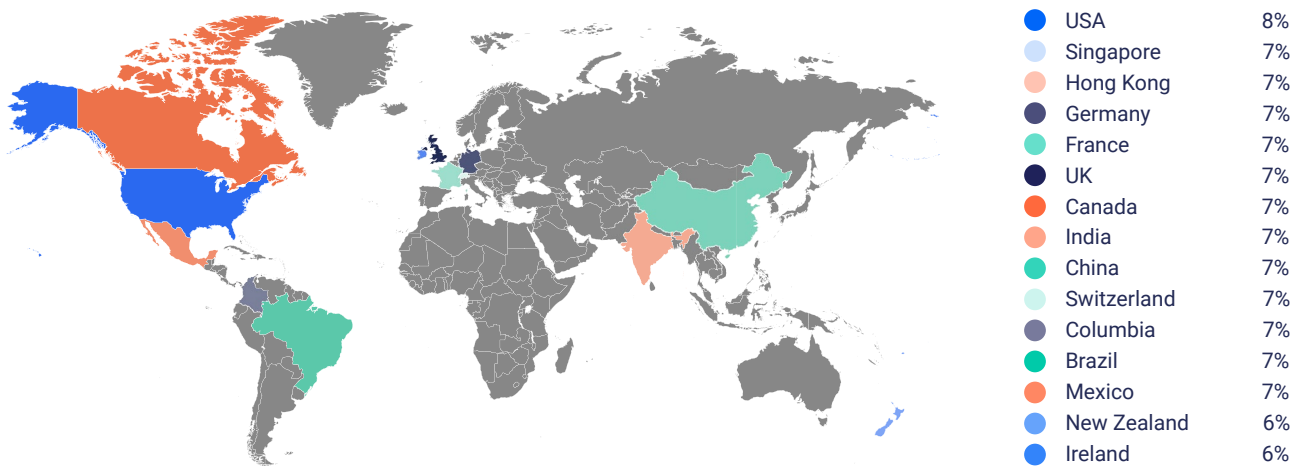
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# Methodology

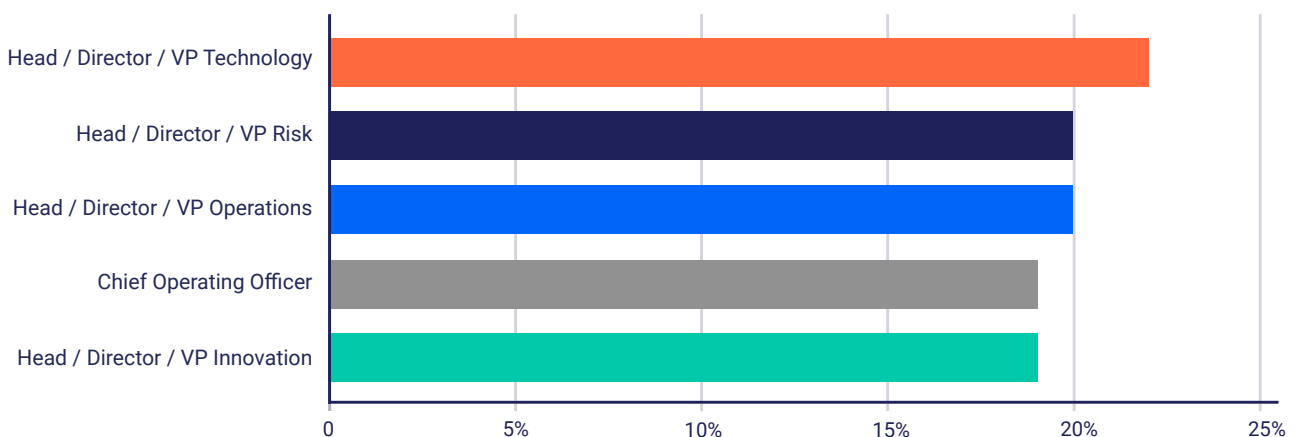
In Q1 of 2022, World Business Research (WBR) Insights surveyed 200 heads of risk, technology, operations, and similar from sell-side banks across America, Europe, the Middle East, and Asia Pacific to understand how they are tackling 2022's top challenges. The survey was done at the request of CONFIRMATION, part of Thomson Reuters. This report explores how organizations are turning to innovation and the digitization of operations to gain an edge in an era of heightened regulatory pressure.

The survey was conducted by appointment over the telephone. The results were compiled and anonymized by WBR Insights and are presented here with analysis and commentary by Thomson Reuters and a select group of banking leaders from across the globe.

## Which country are you currently working in?

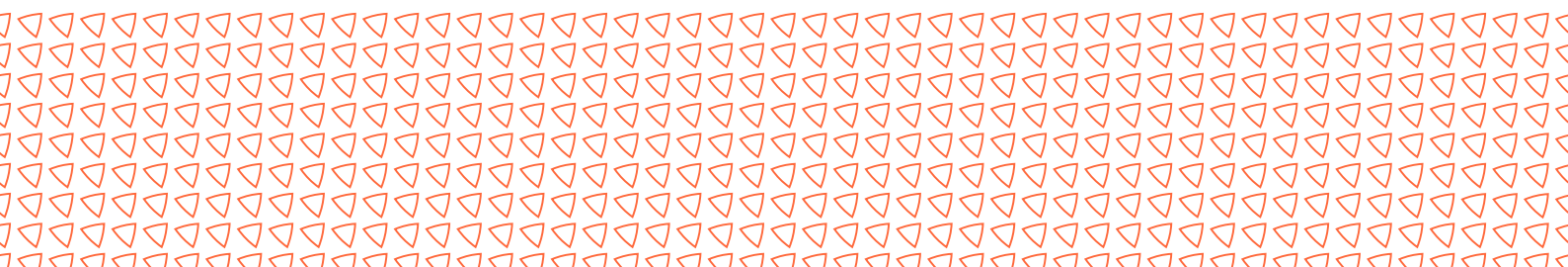


## Which of the following best describes your job title?



# Findings

- ▷ Banks are gambling on talent and technology at a time of great opportunity and risk
- ▷ Client-facing roles and skills are in high demand
- ▷ Teams are growing and hybrid workforces are becoming the norm
- ▷ Risk and compliance remain top priorities in the wake of regulatory pressure
- ▷ Digital transformation efforts put in place during the pandemic are paying off
- ▷ Great demand exists for further automation of systems and controls
- ▷ More must be done to win buy-in from boards and senior executives on technology change projects
- ▷ Time to be bold: embrace the challenge and opportunity of technological change



# Executive summary

Banks rebounded strongly from the pandemic, surprising even regulators at how speedily they returned to profitability. Sensing it may be a short-lived bounce, firms are optimizing business models and targeting more efficiencies through automation.

CONFIRMATION surveyed executives at 200 of the world's biggest banks to discover how they are overcoming the challenges of today and tomorrow after navigating two years of disruption and economic shock.

The theme of investment in technology and people runs through the responses. Newly digitized operations and services performed well under stress, feeding the appetite for further technological change within organizations that believe now is the time to be bold.

A race for talent in dealmaking and client management is taking place, with anticipation of increased competition from encroaching fintech companies and rivals who have spent big on Artificial Intelligence (AI). Customers have moved business to digital channels, which has put a premium on technology that's able to bridge the gap and forge data partnerships inside organizations.

Senior executives, including heads of technology, operational risk, and group leaders at the biggest names in investment banking also noted the challenge and opportunity of balancing rapid technological change with tougher regulatory expectations.

Regulatory pressure and staffing uncertainties are considered key threats, other concerns regard the physical and cybersecurity of organizations. Remote working may not always be the answer, so hybrid workplaces must be as safe - and fair - as possible.

Optimism is generally high, there are barriers; technology evangelists still take the lead on innovation and digitization projects and have communicated frustrations with the lack of interest from boards. How to get their buy-in? Effectively communicating the central role technology plays in the future of the business by emphasizing its success in the recent past is a key goal in the coming year.

This report breaks down the survey in full.



# Challenges

Three key issues, bulleted below, are weighing heavy on the minds of bank executives.

## 01 Physical security and safety

Workforces are still being reconfigured, leaving gaps in security.

## 02 Cybersecurity

The pandemic forced employees away from offices, with many planning to stay remote even post-pandemic. Cybersecurity issues surrounding remote work are a constant worry.

## 03 Regulatory compliance

Investment in compliance is a major priority, given the widening of regulatory responsibilities and stiffening of penalties. Compliance solutions have to cover new and alternative areas such as video conferencing, remote work, and new chat channels.



***There has never been a more important time to rely on business continuity plans. Operational resiliency has not been tested as it currently is for a number of years."***

**Peter Barnes**

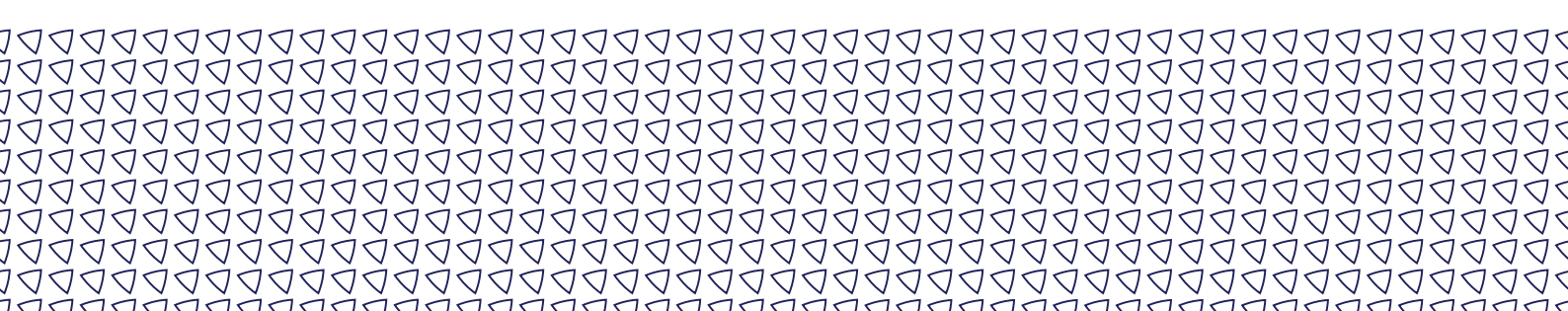
General Manager Operations, Bank of New Zealand



***When the unexpected happens, we have processes in place to service our clients. The pandemic brought a lot of that to life for so many corporations. The best way to meet those ongoing challenges and achieve our goals is to go as digital as we can."***

**Senior Manager, Bank Operations**

Top 10 North American Bank



### What are the top risks your business is facing this year due to COVID-19?



**45%** Physical security and safety



**44%** Cyber security



**44%** Regulatory compliance



**37%** Business continuity



**36%** Fraud



**35%** People



**30%** Third party



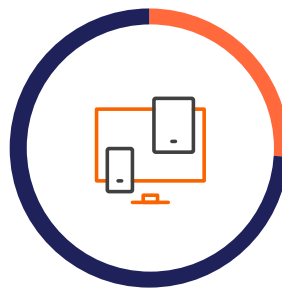
**29%** Resilience



**28%** Conduct



**27%** Transaction processing and execution



**26%** Technology



**17%** InfoSec

Our survey will explore how banks are responding to these issues, and what they are prioritizing operationally. On the coming pages we will lay out the findings in full.



# PART 1

## Changing workforce

### Resourcing boom

Technology has powered the reimagining of the workplace. Banks are busy hiring (66%), and while there is still a dearth of talent to fill demand, the process of finding, hiring, and retaining employees has been transformed by automated and virtual processes

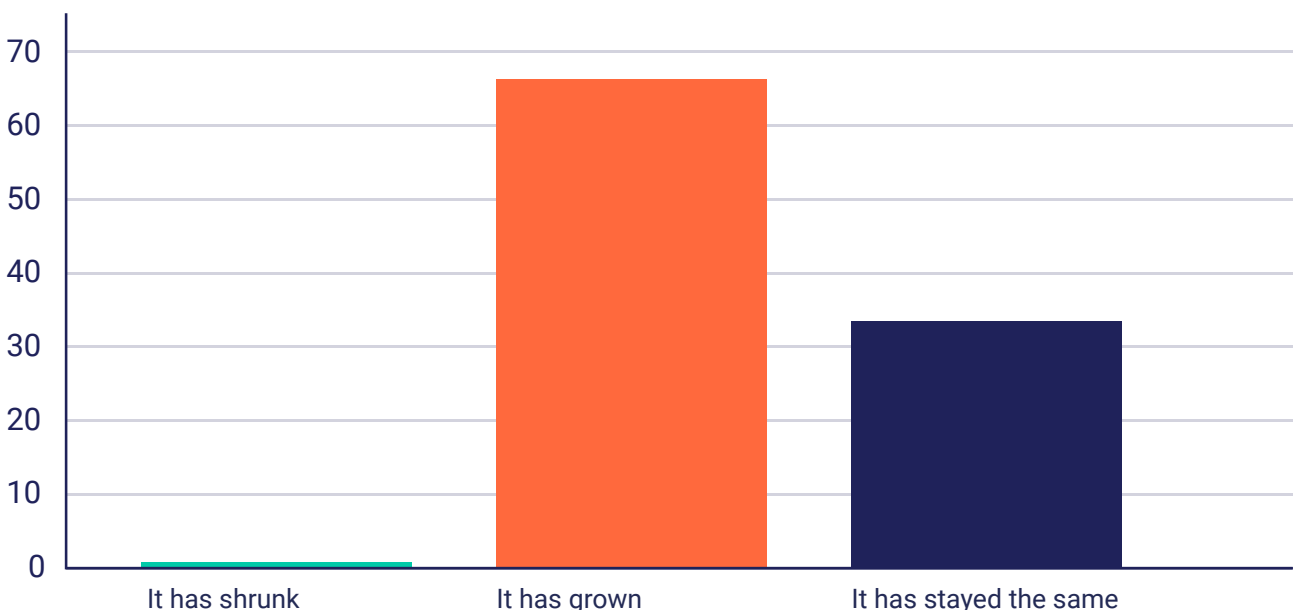


***One of our mantras is 'technology first, but human when it matters'. Our business is one of customer service, where customers still want to speak with humans despite our technology advancement. We must maintain our relationship management skillset to ensure we are available if and when our customers may want to talk with us.'***

**Peter Barnes**

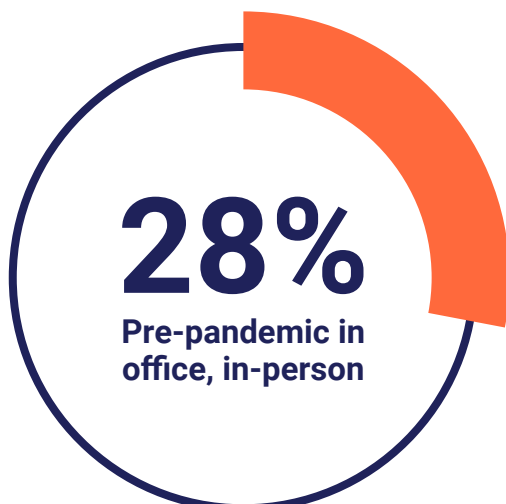
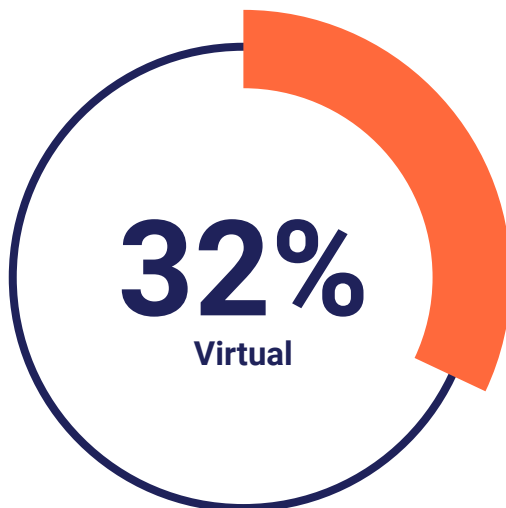
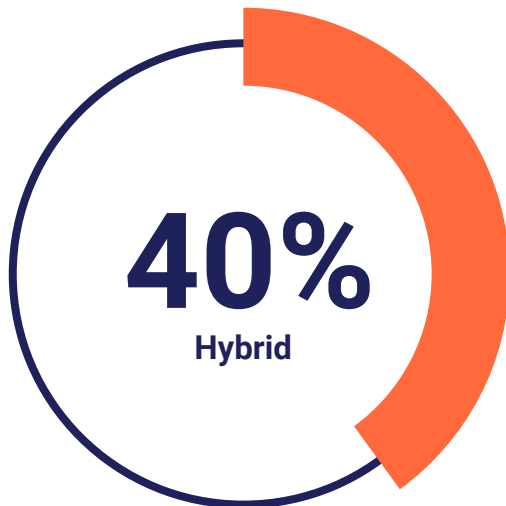
General Manager Operations, Bank of New Zealand

Has the size of your team changed?





What workforce model do you believe will be required in the next two years as a result of the pandemic?



Remote working challenges remain to be addressed, as respondents expect the hybrid workforce model to remain the most popular choice (40%).

Many banks recognize that remote and hybrid work are no passing fad, and must be a part of their talent strategy in order to attract and retain the best talent.

Resourcing has been the primary driver of much of this hybrid strategy, but stakeholders across the business from IT and risk to legal, technology, payroll, compliance and finance are all included in the implementation process to ensure it is operationally viable.

We asked survey respondents how resourcing had changed. This is what they said:

“COVID changed the entire resourcing process and gave rise to the requirement of contingent resourcing.”

“The number of steps involved have reduced and virtual assistants have made the process faster.”

“The reach of resourcing has improved since technology solutions were introduced.”

“Resourcing isn’t a time-consuming process like before.”

“Resourcing is more advanced and is heavily supported by technology.”

## Hiring and retaining talent

Viewed through the lens of organizational priority, the need for dealmaking and client-management talent in the front office is expected to sharpen, some 92% of respondents say.

The theme of the 'Great Reset' across the employment market has been particularly felt inside big banks, where recruitment has been busy and employees expect a hybrid strategy. There are tax, compliance, and other aspects of managing remote and hybrid workforces that still have to be worked through to ensure they are sustainable, some respondents reported anonymously.

We asked our respondents which skill they believe will be most in-demand.

Here is what they told us:

"Customer acquisition, for both the business and individuals."

"Customer management."

"Building customer relationships is that one top skill."

"Customer management skills will be in high demand."

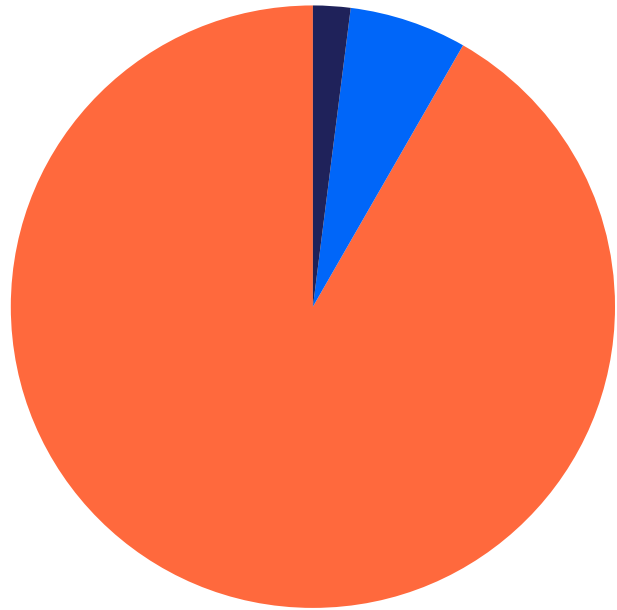


***Customer service skills are going to be the most in-demand. Whether it is a phone call or a text exchange, there will always be a need for that human customer relationship management. AI is not quite at the stage to do complex and ambiguous tasks, so people who can engage with customers are important.***

**Brendan Murtagh**

Head of Customer Service Model, Customer Service and Operations, Commercial Banking, NatWest

**Where do you see new skills being required the most across the business, regardless of the future workforce model?**



● **92%** Front office

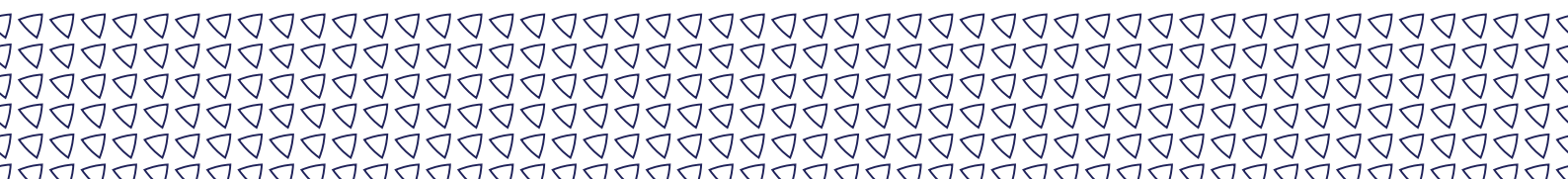
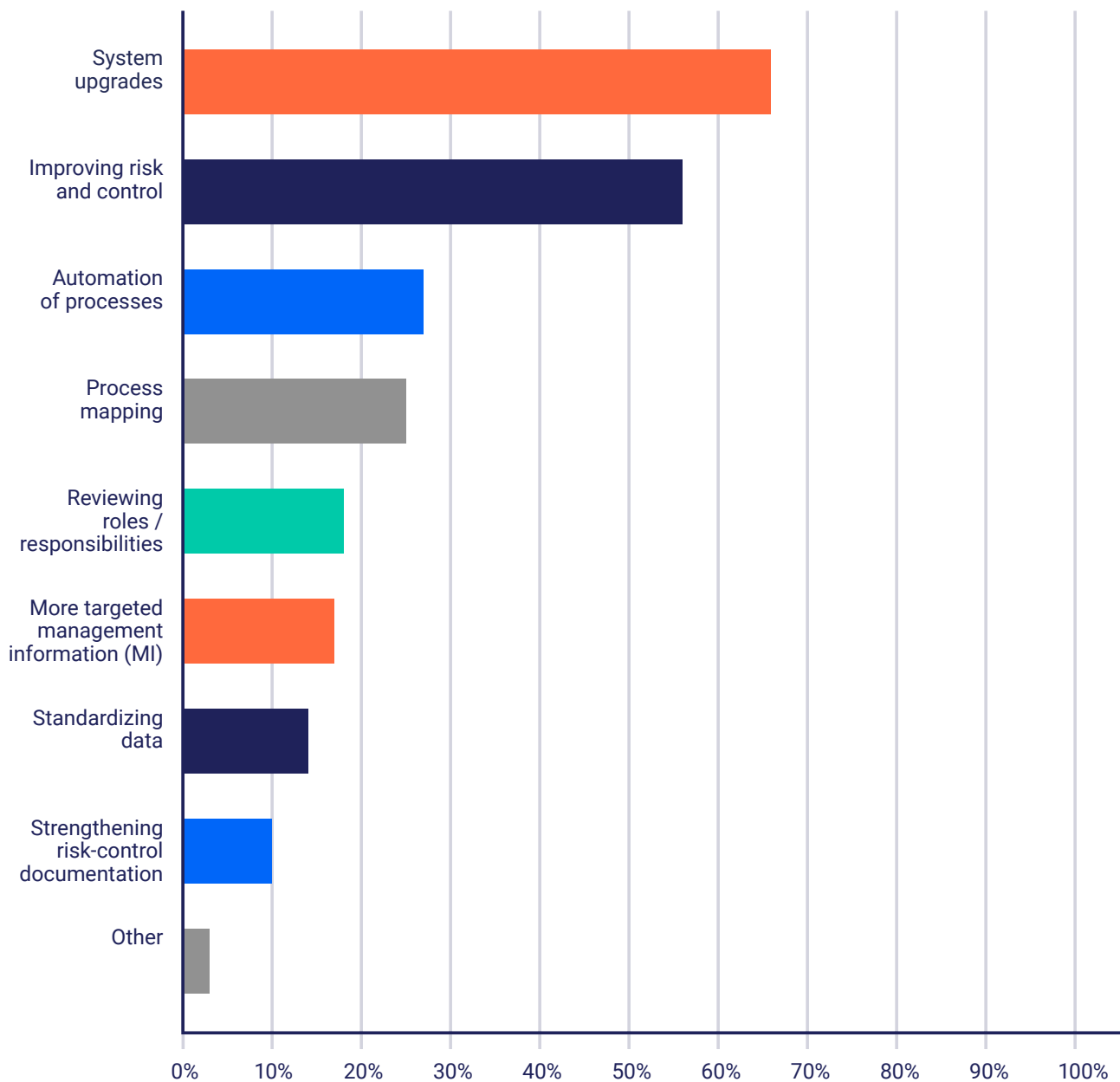
● **6%** Back office

● **2%** Middle office

## Remaining resilient

The overwhelming majority of respondents said that prioritizing system upgrades will go a long way to improving operational resilience. IT investments have to be future-proofed, so firms will consider what additional data they need to capture in the future and how their systems integrate with newer technologies.

### What are the focus areas for driving operational resilience at your organization this year?



We asked our respondents how their organizations are planning to strengthen operational resilience:

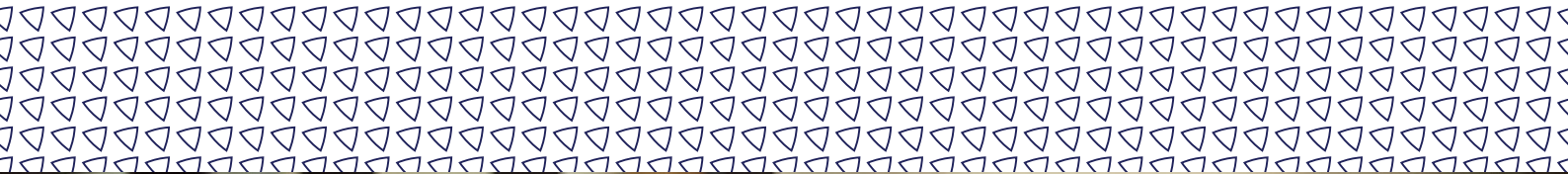
“New risk and compliance modules and policies have been created for this purpose.”

“With such huge transformations, it’s about taking one step at a time and not considering wholesale changes.”

“New risk management solutions are being invested in.”

“Digitization is playing a vital role in this for us.”

“By automating and reconfiguring risk and control with digital upgrades.”



# PART 2

## Technology expectations

### Targeting risk with AI

The fight against money laundering is never-ending, with criminals constantly shifting tactics and finding new ways to wash dirty money. Respondents who cited digitizing risk and compliance as an immediate priority will be familiar with the pressures that surround anti-money laundering measures. Regulators are putting on more pressure, and geopolitical risks are heightened by conflicts that put providers of global financial services in the crosshairs.

Respondents believe the increasing digitization of the global economy, along with the emergence of cryptocurrency, has heightened money laundering risks. Innovative technologies, robot processing, and further automation of Anti-money Laundering (AML) systems and controls are the main defenses to help clean up the financial system and are a current implementation priority.

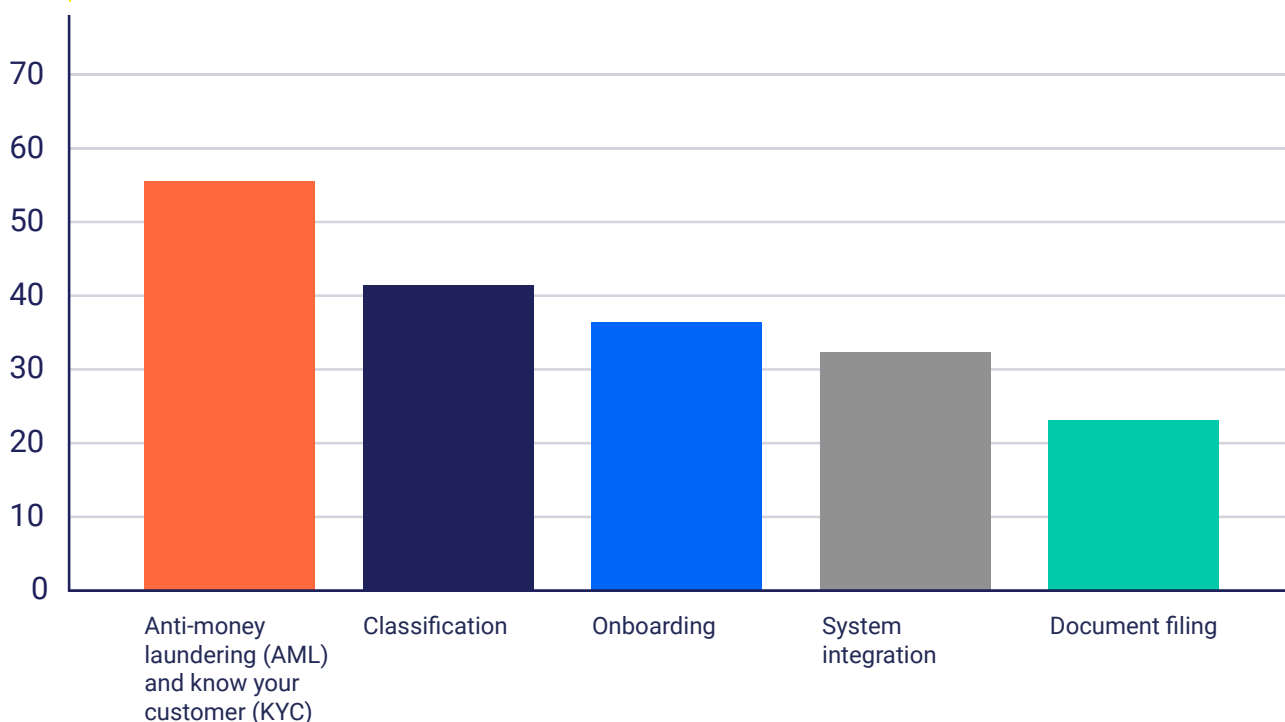


*From a volume perspective, we look at where the client and operational pain points are the greatest. Those journeys are prioritized because they provide us with the greatest benefits if we move toward automation.”*

**Divya Aggarwal**

Global Product Manager – Digital  
Top 10 Global Bank

### Which business processes are currently benefiting from more intelligent workflows?





## Digitizing risk and compliance

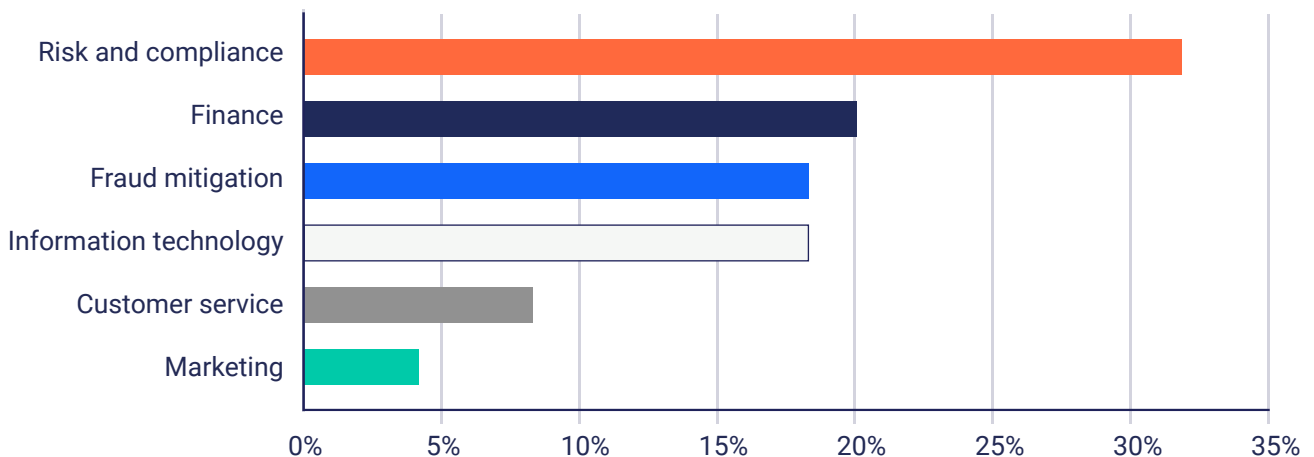
Outlay on risk and compliance technology is set to be significant given the importance placed on the functions. C-suite respondents say further automation of compliance and reporting requirements is a priority. Fraud-fighting processes are also ripe for automation, as organizations remain concerned that the disruption caused by COVID-19 was too easily exploited by criminals. As highlighted in our 2021 report, Letting go of legacy IT systems, attitudes have been shifting towards machine learning and AI as applied to regulatory compliance and security; the adoption of electronic confirmations has become a priority to move on from centuries-old paper and manual processes. This year's responses indicate this trend is continuing.



***There is a fine line here, but to ensure resiliency in your platforms you should take advantage of any available system upgrades if you can afford them. There is a large variation in what software providers will provide to you around the world. You need to make sure you are taking those upgrades based on your priorities and when they are available.***

**Peter Barnes**  
General Manager Operations, Bank of New Zealand

What digital initiatives are you prioritizing this year to strengthen the business?



In response to regulatory pressure, banks are trying to get ahead of the game by monitoring regulatory changes, building state-of-the-art compliance models, and organizing systems and controls to respond to regulatory investigations.



***For any global organization, managing risk is fundamental, and a top priority should always be to maintain full regulatory compliance. That is critical for any organization, particularly for Deutsche Bank, that operates in a global space with complex regulatory frameworks.”***

**Jose-M (Chema) Buey**

Director, Head of Core Platform Accounts Solutions,  
Cash Management – Global Liquidity Products, Deutsche Bank

## Hyper-competition

Banks with little or no physical presence have been finding customers and growing their market share at the expense of larger, well-established incumbents. They have achieved this progress by automating numerous processes. It is clear how machine learning tools can match the output of hundreds of humans and find patterns in the data, saving time and money. Larger banks are increasingly aware of how automation can make them more competitive.

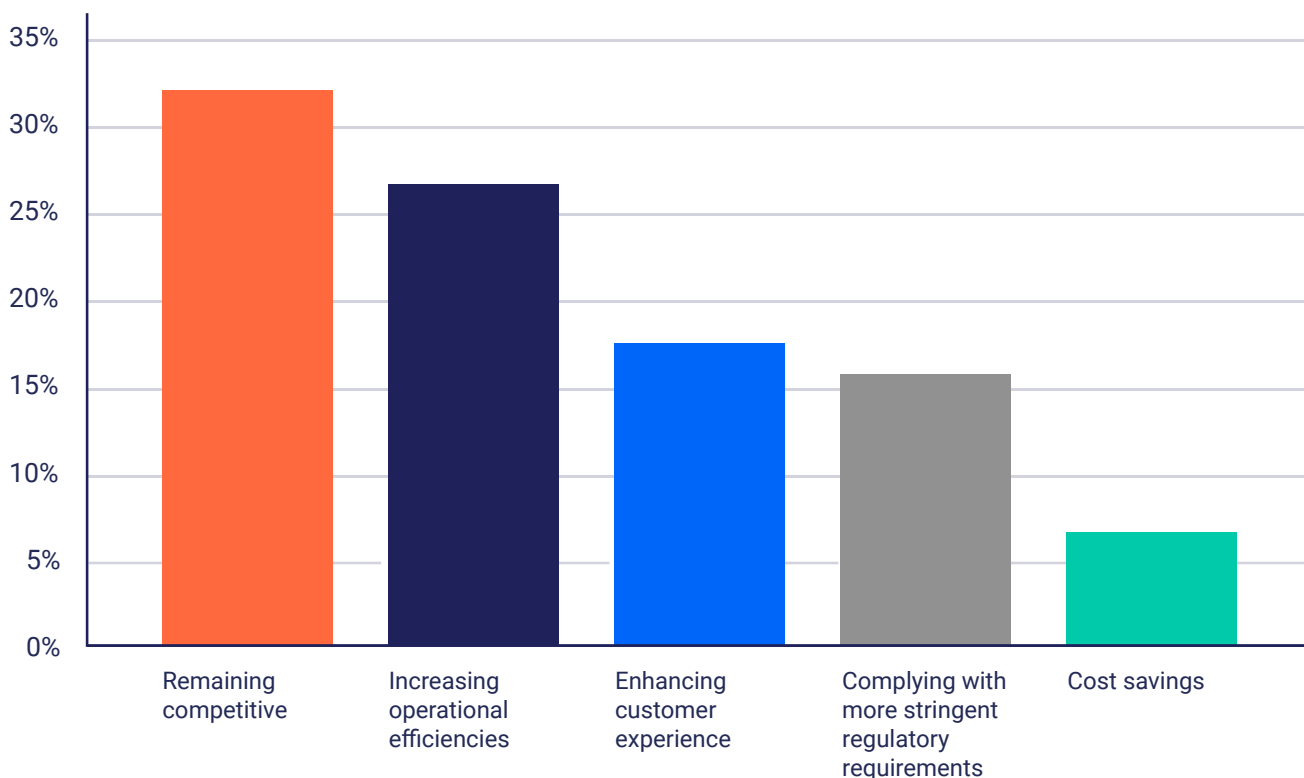


***Over the next five years, digital solutions to serve the client are more important than anything else. Enabling them to do things on their own, anytime anywhere, is the goal. The more technology we can introduce, the better position we’ll find ourselves in.”***

**Senior Manager, Bank Operations**

Top 10 North American Bank

What do you see as the biggest driver for implementing automation?



Geography matters less in finance today, and for most banks the battle for customers will be played out online, digitally via apps and through devices, hence the need to scale up niche offerings. For almost one-third (32%) of respondents, automating processes is the best way to stay competitive.



***A customer's behavior is also affected by how they interact with other industries, such as with an online retail store. Customers demand speed and integration, and they want insights from their entire end-to-end journey. Clients are not looking for this only from a specific industry, but from every touchpoint they have, including financial services. Banks are integrating into other platforms where the customer experience may differ from what traditional banks are offering. Competition plays a very important role in driving automation."***

**Divya Aggarwal**

Global Product Manager – Digital  
Top 10 Global Bank

## **Ripe for automation**

Robotic Process Automation (RPA) is the bottom level of automation, and banks report enormous enthusiasm for simple tools that can carry out repetitive tasks very quickly with little or no human input. At the top is artificial intelligence or autonomous intelligence, where software can make intelligent decisions while still complying with risk or controls. In between is intelligent automation and process orchestration, which involves making smarter bots.



***In a generic sense, automation allows organizations to save time on the mundane, repetitiveness tasks. Automation helps to get things done quickly and simply, and it also drives customer satisfaction."***

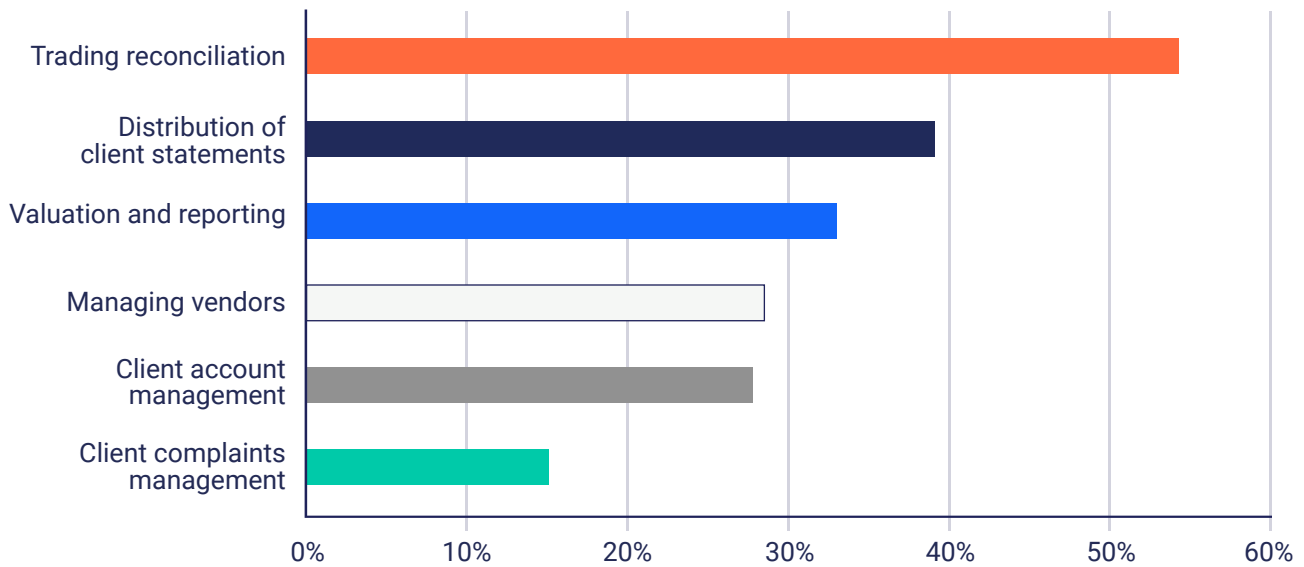
**Divya Aggarwal**

Global Product Manager – Digital  
Top 10 Global Bank





### Which processes will be automated in the next two years?



The clear benefits of implementing an automated system include improving efficiency, promoting transparency, and minimizing operational risk.



**One of the top priorities of our technology transformation roadmap is to shape the future of financial services by leveraging innovation and promoting new digital solutions which improve our end-to-end client experience. Increasing our front-to-back effectiveness via automation and process simplification is also critical in order to provide our clients with more reliable and stable platforms.”**

**Jose-M (Chema) Buey**

Director, Head of Core Platform Accounts Solutions,  
Cash Management – Global Liquidity Products, Deutsche Bank

For consumers, the digital payment transformation is well underway, as online bill pay and cashless payments are commonplace. For banks, a similar revolution is taking place behind the scenes.



**Businesses without an automated reconciliation system face a whole host of risks. Fraud is an obvious one, both internal and external. However, it can be reduced if people are aware that the reconciliation function is automated. Timely management assurances and reviews of these reconciliations can help. For me, the more automated technology we have, the better the customer experience. Not having an automated reconciliation system can result in a poor customer experience which may contribute to customers leaving, which will negatively impact the brand and reputation.”**

**Peter Barnes**

General Manager Operations, Bank of New Zealand

Automatic bank reconciliation, or auto-reconciliation, is speeding up the accounting process, ensuring financial data is aligned with bank statements and accounting software information and that matching transactions are identified for reconciliation.

# PART 3

## Building partnerships

### The value of innovation

Innovation can be difficult for large banks; naturally they are not as flexible or nimble as rival start-ups, and are better at implementation than creativity. That reputation is being shed. Many organizations are starting to focus on the idea that innovation can help them meet financial-growth objectives.



***Something that I have seen a lot of late, which definitely accelerated during the pandemic, is the movement towards real-time treasury where instant payments and APIs are becoming critical in the agenda of our clients. Many of our clients have put more emphasis on the importance of getting real-time visibility of their cash balances so they can manage their liquidity in a more efficient way"***

**Jose-M (Chema) Buey**

Director, Head of Core Platform Accounts Solutions, Cash Management – Global Liquidity Products, Deutsche Bank

Automating customer service and using AI and machine learning to serve clients has a direct impact on the bottom line, as it is central to bringing in and retaining business. Customers today also expect a level of technological sophistication from their financial services provider, both in the services provided and the organization itself.

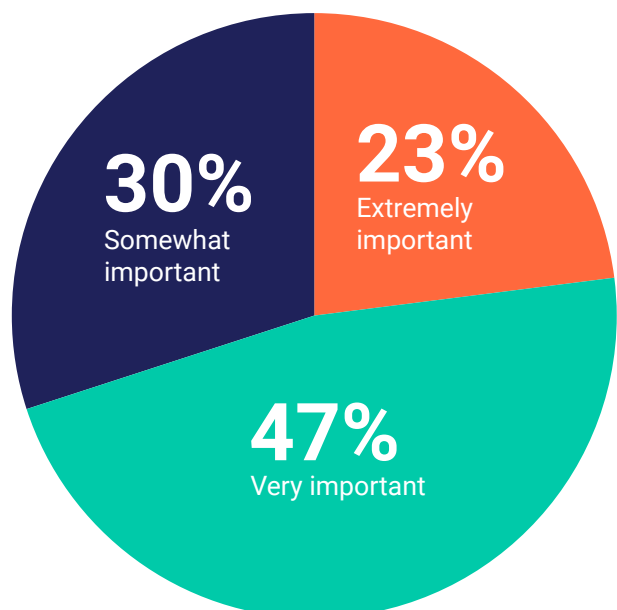


***Our customers are going through great change, and they need support. They are using new tools, as are we. Understanding and investing in customer service management ensures the relationship with our customers remains strong. Often that will involve better technology, such as data analytics; data is central to everything."***

**Brendan Murtagh**

Head of Customer Service Model, Customer Service and Operations, Commercial Banking, NatWest

How important is innovation to meeting financial targets in the business?



## Flexible solutions

Where internal innovation is either out of reach or not feasible given the expectations, outside partnerships become key. Fintech vendors have matured, and many have firmly established themselves while growing their influence.



***Staying current on digital solutions for clients, to enable them to do things on their own from the comfort of their own home, or wherever they may be, is vitally important.***

**Senior Manager, Bank Operations**

Top 10 North American Bank

As business continues to move online, migrating from a geographic-centric marketing approach to a segment-centric approach may require bringing in an outside solution. What banks want from their vendors is flexibility and robustness, such as the ability to tailor a solution once implemented.

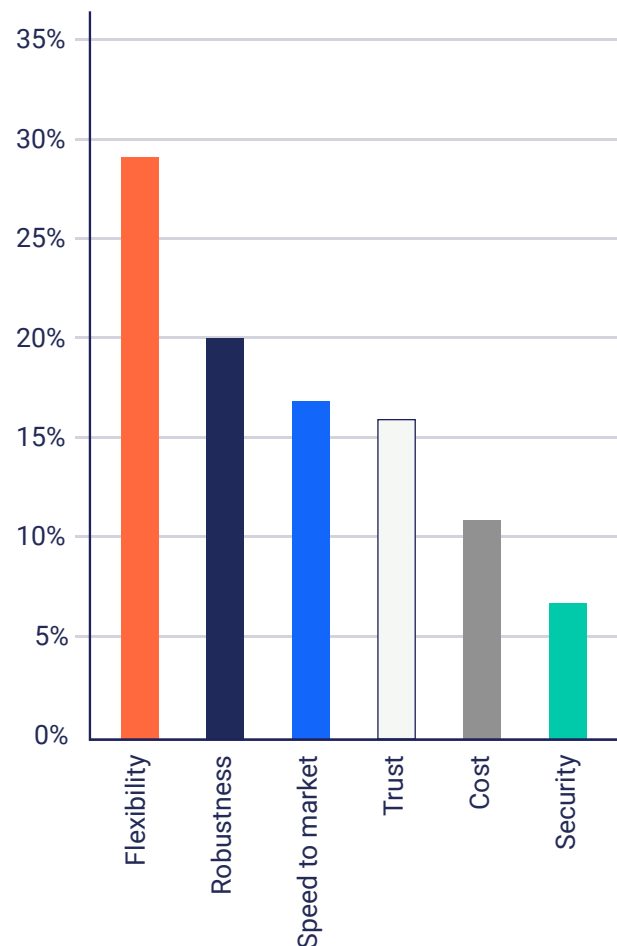


***I think the flexibility is more front and center, and the ability within partnerships to change things within reasonable parameters has become more important. Banks and organizations are always having to look hard as to what the right services and products are, and those can change quickly.***

**Brendan Murtagh**

Head of Customer Service Model, Customer Service and Operations, Commercial Banking, NatWest

**What is the most important factor when outsourcing a service/working with an outside service provider?**



Historic surveys by CONFIRMATION have frequently identified the prevalence of partnerships between banks and fintech firms who look to provide solutions banks cannot build themselves, and this trend continues to grow.



***Fraud mitigation is one aspect very high on the agenda of our clients. We have been partnering with fintech companies and other peer banks in the last year to create solutions that can mitigate such risks. For example, we recently partnered with SWIFT (Society for Worldwide Interbank Financial Telecommunication) and other banks to create an industry-wide pre-validation solution that allows clients to validate a beneficiary account in real-time before they execute the payment. This is a clear example of how banks and fintech companies can come together to develop a solution that can benefit clients to ensure that their payments are more efficient, but also that they have less risk making those payments.”***

**Jose-M (Chema) Buey**

Director, Head of Core Platform Accounts Solutions,  
Cash Management – Global Liquidity Products, Deutsche Bank

There are roughly three partnership types of note:

**01**

Operational technology partnerships aimed at improving a bank’s processes, monitoring capabilities, or technical infrastructure.

**02**

Customer-oriented partnerships in which a bank directs a fintech to improve customer-facing aspects of its business (e.g., account opening) while the bank continues to interact directly with its customers.

**03**

Front-end fintech partnerships in which a bank’s infrastructure is blended with technology developed by a fintech. The fintech would interact directly with the end-customer in the delivery of banking products and services in this example.





***We have several areas of the bank look for trends and then identify use cases through which they can experiment with a technology. When we bring a solution into our financial institution, we have to make sure that our clients are taken care of first. We are a very risk-based institution."***

**Senior Manager, Bank Operations**  
Top 10 North American Bank

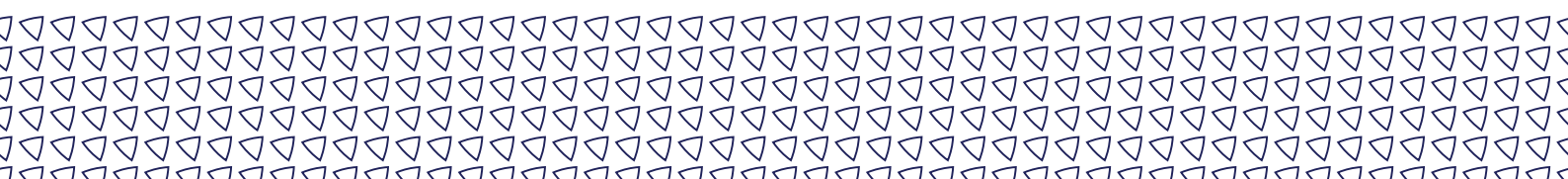
Several considerations were identified by respondents as important when establishing effective partnerships with third-party fintech firms.

The first is a commitment to innovation shared by the bank's senior management and board, has firmwide buy-in, and is nurtured in an environment where technology professionals are part of the bank's strategy and broader team.

The second is joined-up priorities and objectives between the fintech and bank. A mutual emphasis on the importance of compliance with banking regulations, for example.

The third is a forward-thinking approach to connectivity, where an integrated process allows information to flow through systems, creating a less siloed and more holistic way of working across processes.

It's not always the case that these considerations are met, as evidenced in further responses regarding firmwide buy-in, enthusiasm, and integration struggles.



## Making the case

Innovation is critical to business survival and one of the hardest things to get right. The true measure of success is not how many new ideas you can come up with, but how much traction you can achieve when these ideas get to market.



***Lack of proof in the return of the investment is the largest barrier when implementing automation. We are taking time at a customer level to ensure our investments in automation are for the right reasons.”***

**Brendan Murtagh**

Head of Customer Service Model, Customer Service and Operations, Commercial Banking, NatWest

The view amongst respondents is adopting those innovations is much harder than generating them in the first place.

For the majority of firms, technology teams (43%) still take ownership of new ideas, but many report difficulties in obtaining senior approval to move innovation forward. Over a third (35%) said the main barrier to further automation is lack of interest from the boardroom.

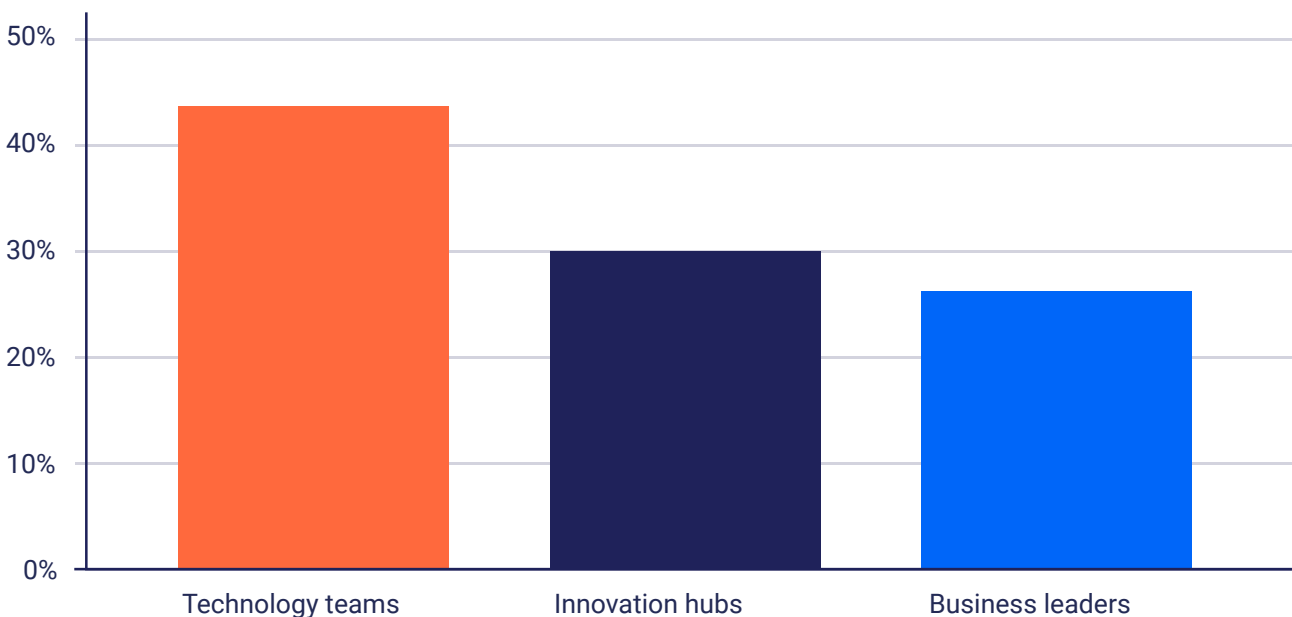


***The regulatory and legality of rolling out the new initiative plays a role in the decision of whether we move ahead or not.”***

**Divya Aggarwal**

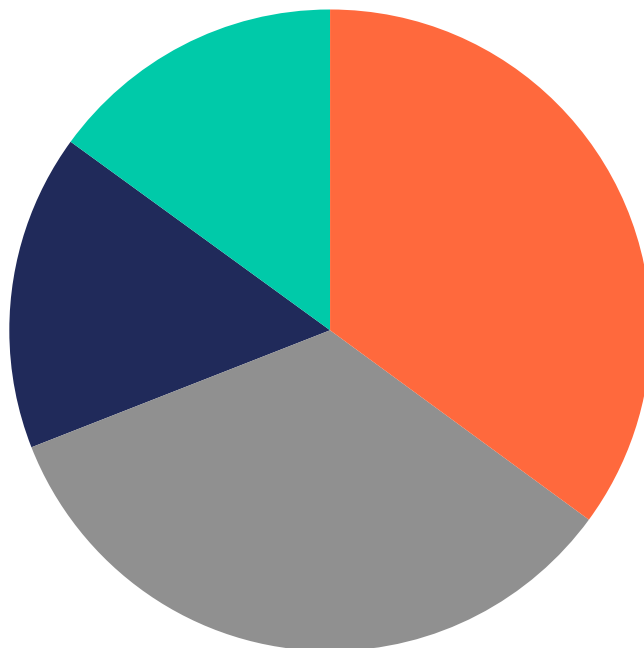
Global Product Manager – Digital  
Top 10 Global Bank

### Who in your organization owns innovation and improvement?

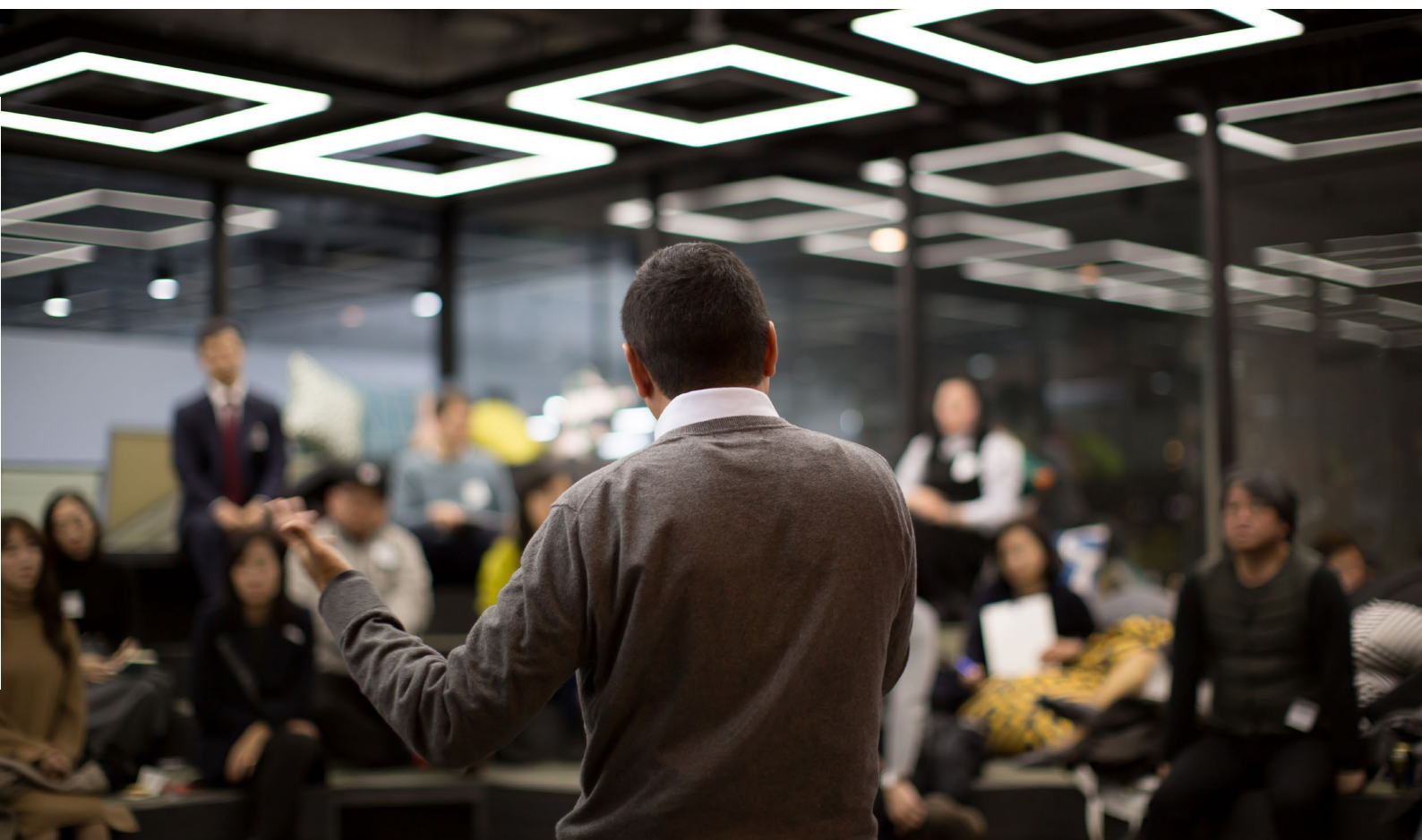


### What do you see as the biggest barrier for implementing automation?

- 35%** Lack of buy-in from the board
- 34%** Compliance issues / complications
- 16%** Lack of proof in the return on investment
- 15%** Regional variations in the attitude toward automation adoption



Survey respondents indicate a scarcity of technology expertise on boards is often the main roadblock to adoption of innovative ideas. Investments in automation and AI-powered analytics are soaring, but often the lack of a fully fleshed out digital strategy can hinder progress. Often this can be down to a board not having a Chief Information Officer (CIO) or Chief Technology Officer (CTO) present.



# Conclusion

The pandemic pushed resilience capabilities to the limit, but banks emerged stronger, leaner, and with new digital solutions in place to prepare for future challenges.

CONFIRMATION polled 200 bank executives and found that technology implemented during the pandemic powered the recovery but has also altered the identity of organizations, putting them on a digital-first footing. Following two years of economic uncertainty there is enormous optimism within capital markets that fresh ways of working and delivering services have taken hold.

While remote and hybrid working patterns have torn down long-standing employment and customer service barriers, a new set of risks have emerged from the digital world. Tensions are high within international communities, as the threat of both sanctions and cyberwarfare pose headaches for leaders to address. A general increase in digitized services has also broadened customer touchpoints and created more avenues for fraud or malfeasance to cultivate.

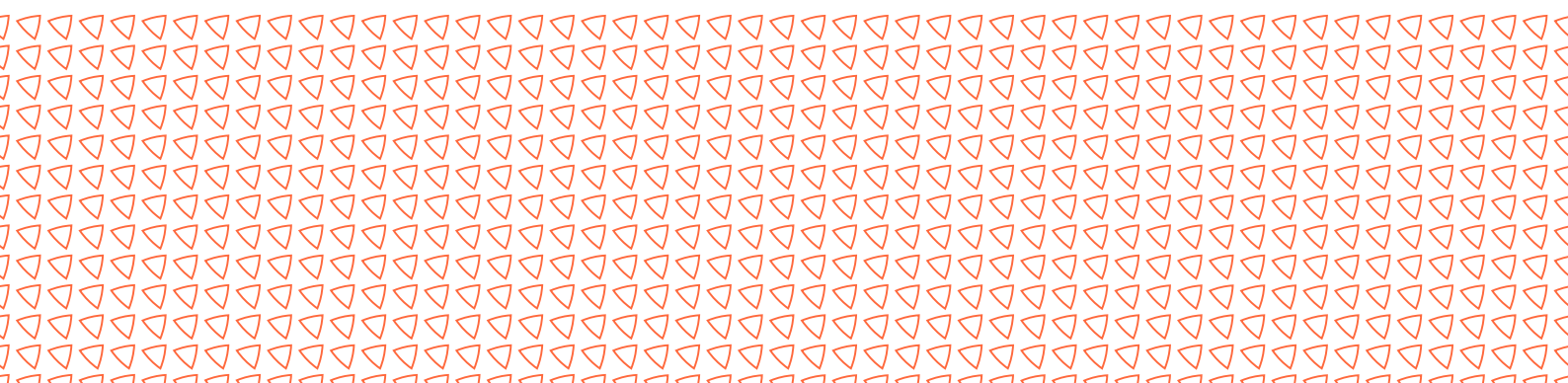
There is a sense that now is the time to accelerate major automation projects and system overhauls, as the post-COVID successes may be short-lived if the global economy retracts again. Respondents report that over the next two years, most firms will create a hyper-automation plan to go beyond pockets of upgrades to transform wider operations.

Competition is also causing a shift to mobile channels and a focus on different demographics, ensuring any change project must be speedy, secure, and efficient. This is likely to involve working with outside partners who are closely aligned with the bank's standards and thinking for best-in-class solutions.

At the macro level, a focus on employee well-being and retention is altering how organizations approach management and the actions they usually take to keep staff engaged. Robust compliance policies reduce the chance of regulatory penalties and can support more sustainable businesses that reflects the values of modern consumers.

Investments in regulatory technology will continue as banks push for better customer experiences, to improve their own infrastructure and resilience, and to further strengthen the financial system.

Those who are bold and brave with their choices now are best placed to emerge victorious in the new environment, generating greater profits while remaining sustainable and operationally robust.





## About CONFIRMATION, part of Thomson Reuters

CONFIRMATION is the leading digital platform and global network trusted by over than 16,000 audit firms, 4,000 banks and departments, and 5,000 law firms to quickly and securely verify financial data. CONFIRMATION invented electronic confirmations nearly 20 years ago, reshaping the audit confirmation process. Today 1.5 million auditors, bankers, and financial professionals around the world trust CONFIRMATION to validate data and identify fraud. Learn how we can help you at [confirmation.com](https://confirmation.com)

## About WBR Insights

WBR Insights use research-based content to drive conversations, share insights and deliver results. They have a network of high-level decision-makers in Europe and Asia from industries including: Retail & eCommerce, Supply Chain & Procurement, Finance, as well as many more. From white papers focused on your priorities, to benchmarking reports, infographics, and webinars, they help to inform and educate readers.

