



Four Banking Technology Spending Trends In 2021

cyber security digital banking cryptocurrencies artificial intelligence

Summary: How are financial institutions spending their technology dollars in 2021? Some of the areas include digital advancements, AI, digital currencies, and cybersecurity.

In his 2000 book, “The Tipping Point,” Malcolm Gladwell describes a tipping point as “the moment of critical mass, the threshold, the boiling point.” The pandemic may well have created a tipping point in banking technologies.

The coronavirus pandemic fundamentally changed certain aspects of banking and made digital engagement an even bigger priority for many FIs. Even post-pandemic, FIs will likely focus on making their operations more efficient, effective, and seamless. To that end, here are a few areas where FIs are likely to focus their technology dollars this year.

1. **Digital upgrades in the branch.** A recent global survey from Deloitte shows that [48% of banks are considering live interactions with bank employees via ATMs](#). Forty-six percent are contemplating turning self-serve touchscreens into contactless kiosks. Meanwhile, 39% are mulling the use of an AI-based banking assistant at leading branches, and 33% are weighing the use of sensor-based virtual reality/augmented reality experiences to their branches. Times have certainly changed quickly.
2. **Artificial intelligence.** In the year ahead, FIs are expected to boost their use of AI. About 43% of respondents in the Deloitte survey anticipate increased investment in AI technologies over the next year. Within this group, 36% of respondents said they expect a slight increase and 7% said they anticipate a large spending boost in this area. One way this technology may be used is in combination with biometrics, using facial and fingerprint verification vs. passwords. But, we expect to see other developments here too.
3. **Digital currencies.** It’s likely that in the wake of the pandemic and the cashless shift, FIs will be more open to accepting alternate currencies, such as Bitcoin, and investing in blockchain. This may take a while to trickle down to community financial institutions, but it’s a trend worth watching. Central bank digital currencies (CBDCs) are also being explored by a variety of governmental agencies globally, including our own central bank. Digital infrastructure advancement and regulatory guidance may converge this year resulting in CBDCs, which would push the digital currencies market forward.
4. **Cybersecurity.** With more digital interactions come greater cyber risk. In particular, synthetic fraud — where thieves combine real and fake information to create a new identity — is likely to proliferate in 2021. Voice-capturing fraud is also likely to increase. Especially around the holidays, we heard multiple reports of telephone scams in which scammers ask a question that requires the answer “yes.” Unsuspecting consumers answer affirmatively, and they unknowingly have their voices recorded and used for authorizing fraudulent credit card charges.

Not surprisingly, 64% of survey respondents expect to increase spending on cybersecurity in the year ahead, with 54% predicting a slight increase, and 10% expecting a large increase. Interestingly, 26% of respondents said they expect no change in spending however.

No matter your institution’s size, the message for this year’s technology spending seems clear — continue investing in the digital journey. The size of the steps on your journey may vary, but the goals of enhanced

customer experience, operational efficiencies, and enhanced security are the same. We wish you well on your journey!

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