



Top Five Technologies To Leverage And Stay Competitive

by [Steve Brown](#)  [technology](#) [artificial intelligence](#) [API](#) [open banking](#)

Summary: Faced with shifting customer expectations, new business models, and increased competition, community financial institutions are turning to technology to remain competitive. We round up five of the key trends that continue to reshape the industry and explain how your institution can use them to stay competitive.

The movie, *The Perfect Storm*, is based on the true story of the Andrea Gail commercial fishing vessel caught in a tropical storm merging two powerful weather fronts and a hurricane. The boat is battered by 40-foot waves, raging winds, and a catalog of mechanical failures. After a tough fight, it ultimately sinks, leaving no survivors.

Over the last few years, community financial institutions (CFIs) have faced their own perfect storm of turbulent market conditions, growing consumer sophistication, and competition from fintechs and neobanks. They too are fighting hard, but they won't sink. Harnessing new technologies to improve the customer experience, manage risk, and reduce costs, CFIs are staying afloat. According to Cornerstone Advisors, about [85% of banks and credit unions will increase their tech spending](#), with one out of four increasing spending by more than 10% in 2022 YoY.

Here are **five technology trends** that are expected to continue reshaping the financial landscape and how CFIs can best use them to stay competitive in the marketplace.

1. **Leverage application programming interfaces (APIs).** APIs allow CFIs to make proprietary data available to anyone who has the customer's permission to use it. Essentially, this opens the door to a number of embedded services. These include:

- **[Banking as a Service \(BaaS\)](#)** — integrated digital banking and payment services in other non-banking businesses, such as retail
- **Open banking** — third-party service providers accessing banking data to provide insights or trigger payments
- **Platform banking** — financial institutions integrating services from other providers, mainly fintechs, to offer their customers a broader range of financial services from one bank account

Leveraging APIs is key to CFIs operating within these new customer-centric business models, where financial services are consumed outside the traditional value chain.

2. **Increase robotic process automation (RPA).** Banking digitization has mostly concentrated on customer-facing activities — but it is now going to move to the middle and back-office too. RPA replicates human efforts to run repetitive and manually-intensive processes, enabling institutions to reduce costs, turnaround times, and mistakes. [Gartner estimates that by 2024, organizations will lower costs by 30%](#) by combining hyper-automation with process redesign. The list of tasks that can be automated in the financial industry is long and includes automatic report generation, customer onboarding, account opening, loan processing, and many more. Allied Market Research expects the global market for RPA in financial services to reach \$4.8B by 2030, a CAGR of 30.9% over 10Y.

3. **Tap into artificial intelligence (AI)**. While most CFIs are aware of the potential benefits of AI to their organization, there are multiple uses to consider. At the front end, these range from chatbots and voice assistants driving efficiencies to leveraging data and analytics to create hyper-personalized customer experiences, such as products tailored to individual needs. In the middle office, AI is being deployed to assess risks, detect and prevent payment fraud, improve processes for anti-money laundering (AML), and perform know-your-customer (KYC) validation. Business Insider estimates [total savings of front and middle office AI at \\$447B by 2023](#).

4. **Harness blockchain and distributed ledger technologies (DLTs)**. Blockchain — a distributed database that stores information in digital format, keeping an open, incorruptible record without the need for a central authority — is best known for its role in cryptocurrencies. However, blockchain and DLTs hold far greater potential for CFIs. For example, payments, particularly international ones, can be made faster and more cost-effectively. Also, complex transactions, such as loan closing, invoicing, and supply chain financing, can be made in a more streamlined and secure way, while complex workflows can be streamlined, and internal processes optimized. A CFI's KYC and fraud prevention activities can also benefit, as data is stored on decentralized blocks making it easier and safer to share information among financial institutions in real time.

5. **Extend the use of cloud computing**. AI and the vast amounts of data it analyzes require intense computing horsepower. As a result, more [CFIs are increasingly turning to the cloud](#) to host data and applications to augment or replace their legacy systems. The cloud could enable CFIs to increase their processing capabilities on-demand and at a lower cost. What's more, it provides an opportunity to make their systems faster, nimbler, and more responsive to customer needs. Currently, although some form of cloud adoption is widespread, financial institutions handle only 12% of tasks in the cloud. That is expected to double in the next two years, according to Accenture.

Various CFIs have already invested in some, if not all, of these technologies to a certain degree. Now is the time to ensure your institution is tapping into its full potential to meet your customers' changing needs, while creating efficiencies throughout the organization to ride out the storm.

COMPETITIVE AND CONSISTENT LOAN PRICING

Achieve a 360-degree customer relationship view so you can determine the best loan pricing based on your customer data while driving higher bank profitability. Learn more about [Profitability FIT](#).

ECONOMY & RATES

Rates As Of: 04/13/2022 05:44AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.74	0.22	0.68
6M	1.20	0.14	1.01
1Y	1.75	0.12	1.36
2Y	2.38	0.06	1.66
5Y	2.67	0.22	1.42
10Y	2.73	0.40	1.22
30Y	2.82	0.39	0.93
FF Market	FF Disc	IOER (Interest on Excess Reserves)	
0.33	0.50	0.40	

SOFR	Prime	OBFR (Overnight Bank Funding Rate)
0.29	3.50	0.32

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.