

DR. SEGUN AINA'S SPECIAL ADDRESS AT THE INAUGURAL SESSION OF THE INTERNATIONAL CONFERENCE TO MARK THE 90TH ANNIVERSARY OF THE INDIAN INSTITUTE OF BANKING AND FINANCE, HELD IN MUMBAI, INDIA ON TUESDAY, 25TH SEPTEMBER, 2018

CONFERENCE THEME – BANKING: STEPPING INTO THE NEXT DECADE

OPENING REMARKS

I will like to start this special address by congratulating the Indian Institute of Banking and Finance on this occasion of its 90 years anniversary.

Let me acknowledge the fact that the Institute is the 4th oldest professional banking Institute in the world – the oldest being the Chartered Banker Institute Scotland founded in 1875, followed by the London Institute of Banking and Finance established in 1879 and the third oldest, Institute of Bankers in South Africa which came into existence in 1903.

I am glad to note that the Institute has a very rich history and lots of accomplishments. Today, it is the largest professional banking Institute in the world with a membership strength of about 837,000 (eight hundred and thirty seven thousand) with about 400,000 (four hundred thousand) candidates sitting for its examinations yearly.

I am also pleased to acknowledge and congratulate the Institute for making history as the first to host an in-person/face to face meeting of the Global Council of the Global Banking Education Standards Board (GBESTB) which took place on Monday 24th September 2018 at the Institute's office in Mumbai. The three meetings held prior to this was done virtually. The GBESTB which was inaugurated in April 2017 is an initiative of some of the leading professional banking Institutes in the world aimed at developing standards for ethics and education of bankers worldwide and has a current membership of 33 (thirty three) professional banking Institutes. The India Institute is one of the prominent founding members and Dr. Jibendu Misra, the Institute's CEO is a Vice Chair of the Education Standards Committee.

BANKING AND THE FINANCIAL SERVICES INDUSTRY IN THE NEXT DECADE

With barely 15 months to January 2020 (the start of the next decade), the theme of this conference "Banking- Stepping into the Next Decade" is very appropriate and timely.

In my view, as we approach the next decade, a number of factors will reshape the banking and financial services industry, however, the greatest opportunity and challenge to banking will be technology or more appropriately, financial technology (Fintech). The transformation of the banking or financial services industry will be determined and defined largely by technology.

I will examine the four major areas or issues that may require special attention in this regard:

## 1. Skills and Talent Management

One of the major pain points will be the inadequacy of skills to match the evolving digital evolution as well as talent management and retention. New set of skills and competencies will be required. The "Future of Work Study 2018" released on 17th September 2018 by the World Economic Forum anticipated that by 2025, 52% of job roles will be performed by machines as against 29% presently. It also forecasted that by 2022, 133 million new job roles will be created while 75 million current roles may be eliminated and perhaps done by robots and machines. The good news is that 58 million new job roles will come into existence and will require people with new job skills to fill them. Banks, therefore, need to pay a lot of attention to reskilling of new and current employees who can fill the new job roles – which may be extremely difficult.

## 2. Cyber Risk

The "Finance for All 2018 Report" ranked 18 risk areas facing financial services and particularly financial inclusion using the Banana Skin Methodology. The report benefited from the survey conducted through 300 experts in 70 Countries. Technology Risk was adjudged the number one risk. In 2016 Technology Risk was in number 4 position.

The challenges of cybercrime, data loss, hacking, and cloud computing are so profound that some analysts have posited that this has the potential to cause the next global banking crisis as the world of financial services is now more interconnected than ever before due to large-scale technology adoption.

## 3. Regulation

Banking and financial services will continue to be closely regulated, albeit with new regulatory technologies (Regtech). Thanks to Fintech and Regtech, regulators will be more inclined to promoting and advancing creativity and innovation rather than stifling innovation as we have witnessed in certain jurisdictions. Regulatory sandboxes are gaining the attention of regulators worldwide, India inclusive. The Reserve Bank of India, for instance released its Regulatory Sandbox guidelines a few days ago. Increased regulatory collaboration is also envisaged.

On 7th August 2018, a group of twelve regulators led by Financial Conduct Authority of the UK announced the formation of the Global Financial Innovation Network GFIN which is aimed at putting in place global sandboxing, cross-border regulatory collaboration and providing global market access to innovative solutions and products.

The exposure paper has been circulated globally for comments and it is expected that more regulators will sign on to be part of this initiative.

## 4. Competition

As we move into the next decade the face of competition will be redefined. Competition in banking will no longer be among banks but several (global) non-bank, and technology oriented organizations such as Telcos, Google, Amazon, Apple, Facebook and a whole lot of emerging digital financial services providers.

More Banks will move from seeing themselves as Banks to be seen more as a technology or software company providing a platform for offering financial services products. Indeed, BBVA Spain and Goldman Sachs epitomize this.

#### SOME SUGGESTIONS

In the light of these developments, management of Banks need to rethink and revalidate their strategies more frequently and prepare adequately to face the challenges and benefit from the inherent opportunities.

Regulators of financial service Institutions should strive to close the speed gap that had existed between the speed at innovating and regulating. In most jurisdictions, regulation is always behind or trailing innovation. Regulatory reskilling is also very essential.

The focus of the educational system also needs to change at all levels. In particular professional banking institutes must relook their curricula, learning channels, create programs and certifications that will reflect the ever-changing needs of the customer and the younger generation of employees. It may not be out of place for instance for professional banking Institution to introduce basic programs such as “Coding for Bankers” or “Programming for Bankers”.

#### CONCLUDING REMARKS

I thank you very much for providing me this opportunity to share my thoughts on the theme of this remarkable conference and I wish you a very successful conference with impactful outcomes.

DR. SEGUN AINA OFR, FCIB

is the inaugural Chairman of the Global Council of the Global Banking Education Standards Board. A past President of the Chartered Institute of Bankers of Nigeria, he is currently the President of Fintech Association of Nigeria and Convener of the Africa Fintech Network and Council.