



Hole In One With Fintechs?

by [Steve Brown](#) Topics: [digital banking](#), [technology](#)

Summary: According to one survey, 81% of regional and community bankers say they are already collaborating with fintech firms. We look at the latest developments between fintechs and these banks.

We got so much good feedback from community bankers about our odds discussion yesterday that we wanted to share a few more tidbits. For instance, the odds of having a perfect NCAA basketball tournament bracket is 1 in 128B, while becoming US President is much more likely at 1 in 300mm, but still worse than winning the Powerball at 1 in 292mm. Specifically for bankers - flipping a coin and getting heads 100x in a row (1 in 30mm) is more difficult than becoming a billionaire (1 in 5mm) or getting a hole in one in golf (1 in 12,500). Of course, none of these are as easy as finding your true love (1 in 562), so there is hope for all.

Marketing gurus will tell you that the odds of selling something to an existing customer is 60-70%, while doing so to a new prospect is 5-20%. Customers of all types are picky, and many are clamoring for more things digital.

So, do you build apps, platforms and other nifty solutions in-house, or do you partner with a fintech? It turns out that community banks are choosing both options and are meeting success each way.

The community banking world is warming up to fintechs, according to a [report by Manatt, Phelps & Philips LLP](#). Indeed, a large majority (81%) of regional and community bankers said they were already collaborating with fintech firms. Of those, 63% have struck formal partnerships or joint ventures, and 50% use technology firms as service providers. Only 10% have done an M&A deal with a fintech player.

The vast majority of respondents use an online banking service provider (97%), payments technology (87%) and mobile banking tools (80%), while other services are less widespread.

Just 40% of bank participants said they take advantage of online lending platforms (though a number are considering it), while 13% use robo-advisors for wealth management.

While many bankers are enthusiastic about the opportunities offered by fintech, not all feel prepared to take part. They say they need to first boost their security systems, improve third-party vendor due diligence, or significantly upgrade training for employees and management to get accustomed to new tech.

If you're considering partnering with a fintech, it's a good idea to first consult with a technology advisor and your bank's legal team (as well as regulatory agencies), to make sure all legal and regulatory compliance issues are vetted, of course.

Community banks can also choose to build capabilities in-house and some are doing so. A MA community bank developed an online rent-payment program for its own use, and then started processing payments for its peers for a fee. Another community bank in KS sells its real-time processing and other core infrastructure capabilities to other banks and even fintechs.

The odds are good you will capture more new customers and delight existing ones by evaluating your digital capabilities, technology infrastructure and processes. Focus on streamlining and automating, where it makes sense for customers and the bank. Who knows, you may even get a hole in one!

ECONOMY & RATES

Rates As Of: 06/29/2018 11:21AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	1.91	0.02	53.53
6M	2.10	0.03	57.41
1Y	2.31	0.09	57.77
2Y	2.52	0.09	63.72
5Y	2.72	0.03	51.80
10Y	2.83	-0.02	42.92
30Y	2.96	-0.07	22.03
FF Market	FF Target	Fed Disc	
1.91	2.00	2.50	
SOFR	Prime	Unemp	
1.93	5.00	3.80	

[More Market Rates](#)

BANK NEWS

IT Budgets

According to a KPMG survey, a tight IT budget is the main reason for the lack of appropriate workplace digital tools, followed by outdated systems and security worries. Around 33% of IT execs said the IT departments are "too busy supporting legacy tech" to make any tech tool enhancements.

Tech Priorities

Korn Ferry research finds the biggest strategic priority for CTOs, CIOs and CDOs are: digital agenda (34%); data and analytics (14%); cyber security (12%); innovation (11%); improving profit margins (10%); globalization/new business (6%); workflow automation, AI/machine learning (4%); cultural awareness (2%) and other (7%).

Cryptocurrencies

[According to its annual economic report](#), the regulator for all regulatory agencies worldwide (Bank of International Settlements) said "cryptocurrencies cannot scale to function as money." It indicated a lack of stability and lack of trust prevents cryptocurrencies from becoming a valid monetary instrument. We say there sure is a lot of action in crypto for something identified this way, so only time will tell.

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