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Event Proceedings Report

Banking beyond tomorrow—Charting the path for growth, scale and innovation

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01 Introduction

A luncheon roundtable attended by technology and digital leaders from banks across APAC offered several unique insights. Held during The Asian Banker Summit on 23 May in Hong Kong, the roundtable offered a platform for executives to discuss key priorities and challenges in digital transformation, how banks are adopting emerging artificial intelligence (AI) technologies and generative AI (GenAI) capabilities, as well as preparing banks' core infrastructure and data foundations for future banking needs. The roundtable centered on the following themes:

1. Digital transformation strategy and priorities
2. Moving from retail to business banking ecosystem partnerships
3. Challenges and evolving strategy in strengthening core foundation
4. AI and GenAI's potential and scaling challenges
5. Creating a solid data foundation

02 Panelists

- **Anthony Hogg**, CTOO Hong Kong & Cluster CTOO Hong Kong, Taiwan and Macau Standard Chartered Bank
- **Voranuch Dejakaisaya**, Executive Chairman, Kasikorn Business-Technology Group (KBTG), Thailand
- **Tuan Nguyen**, CIO, Techcombank, Vietnam
- **Frankie Shuai**, CISO, APAC, DWS Group
- **John Hsu**, CTO, Hong Kong Exchanges & Clearing (HKEX)
- **Trung Nguyen Hong**, Head, IT Digital Factory Center, Vietnam Prosperity Bank (VP Bank), Vietnam
- **Daniel Li**, Chief Digital Officer, Bank of China, Hong Kong
- **Edwin Hui**, COO, Mox Bank, Hong Kong
- **John Bowden**, Executive Director, Head of Core Banking IT, UOB, Singapore
- **Simon Wong**, Assistant General Manager, Head of IT Architect, China CITIC Bank International, Hong Kong
- **Francis Ng**, CIO, OCBC Hong Kong
- **Puthran Sudesh**, CTO, Credit Access Grameen, India
- **Lito Villanueva**, EVP & Chief Innovation & Inclusion Officer, Rizal Commercial Banking Corporation (RCBC), Philippines
- **Arvind Swami**, Senior Director FSI, Asia Pacific, Red Hat
- **Nelson Chan**, Head of APJ Banking, AWS
- **Frankie Wai**, Business Solution Director, Temenos
- **Axel Winter**, International Resource Director, TABInsights
- **Neeti Aggarwal**, Senior Research Manager, TABInsights

03 Key discussion points

3.1 **Digital transformation strategy and priorities**

Banks prioritise digital transformation by emphasising resilient core systems, technological advancements, investment costs, and regulatory compliance. Strategies differ, with some implementing digital or hybrid cores and others modernising legacy systems. AI investment is significant, but most of it is spent on testing. Rapid digitalisation has resulted in an increase in digital lending and fintech partnerships.

3.2. **Moving from retail to business banking ecosystem partnerships**

Initially, banks focused on retail digitalisation, but they are now improving business banking through ecosystem partnerships. Corporate banking now requires advanced experiences similar to retail, with the same technology and infrastructure. Banks are integrating wealth management, optimising data, and collaborating with vendors on customer acquisition. Addressing authentication issues is critical, as is collaborating with enterprise resource planning (ERP) providers to improve operations and retention.

3.3 **Challenges and evolving strategy in strengthening core foundation**

Banks use a variety of core modernisation strategies, depending on system capabilities, priorities, and risk focus. Some use older platforms, while others upgrade to cloud-native architec-

tures and microservices. Scaling transaction processing, upgrading systems, and restructuring for easier updates are among the primary focus areas.

3.4. **AI and GenAI's potential and scaling challenges**
GenAI has transformative potential for automating processes and increasing efficiency, but many banks are still exploring its applications. It may reduce staffing levels, but it also necessitates employee training. Coding, document summarisation, and fraud detection are among the most important applications. The challenges include demonstrating dependability and ensuring regulatory compliance while focusing on internal productivity, customer usability, resilience, and data security.

3.5. **Creating a solid data foundation**
A strong data foundation is required for effective AI. Due to volume, regulatory, privacy, and security concerns, centralised data architecture is under scrutiny. Banks require robust data strategies, as poor data quality undermines AI outcomes. Developing data programmes entails concentrating on structured data, data lakes, real-time data, and actionable insights. Effective AI implementation also necessitates proper organisational structure and governance, which includes AI champions and chief data officers.

04 Detailed Discussion and Insights

4.1 **Strategy and priorities in digital transformation**
Digital transformation is a priority for banks, yet it presents challenges like building a resilient core, keeping pace with technology, managing tech investment costs, and meeting regulations. Banks prioritise different areas, with some opting for a digital or hybrid core, while others modernise existing systems. Investment in AI is prominent, though many banks are still in the testing phase. Rapid digitalisation has led to growth in digital lending and fintech collaborations.

4.1.1 Daniel Li from Bank of China HK pointed out that the bank had focused significantly on the features side, but it has reached at a stage where if they continue to add features, they will "break something". The bank is now focusing on investing in a core banking and wealth platform to support requirements of the 24-hour trade cycle.

4.1.2 Lito Villaneuva from RCBC shared that rapid digitalisation helped it to become among the fastest growing banks in the Philippines. It focused on digital lending, reporting that 45% of the unsecured lending volume is now digital. Delinquency rate is less than 1% due to technologies like its electronic know-your-customer (eKYC) credit scoring algorithm. The bank set up hybrid core banking, traditional legacy core banking, and at the same time, cloud-based core banking. It has also focused on collaboration with fintech players through application programming interfaces (APIs). To scale AI applications, RCBC now requires all managers and those above these ranks to have a certification in the subject matter.

4.1.2 John Hsu from Hong Kong Exchanges and Clearing (HKEX) pointed out that while there is a big notion that legacy is bad, it is a matter of discipline of updating regularly what you have. Banks cannot forget resilience while adding features in case of outages and penalties from regulators. HKEX has focused on keeping its systems internal and having complete control of its core infrastructure to avoid third party risks.

4.2 **Moving from retail to business banking ecosystem partnerships**

Corporate banking demands similar advanced experiences as retail banking, using the same technology and infrastructure. Resiliency is crucial due to higher risks. Banks are integrating wealth management with retail banking, optimising data, and partnering with vendors and conglomerates for customer acquisition. Addressing authentication and entitlement issues is essential. Collaborations with enterprise resource planning providers improve operations and customer retention.

4.2.1 Frankie Shauai from DWS Group pointed out that corporate banking and retail banking can learn from one another. While retail customers get flexible and advanced mobile banking experiences, on the corporate side, banks have been a step behind. End users in corporate banking are demanding similar experiences. Banks can build and leverage the same tech and infrastructure throughout a corporate bank.

4.2.2 Nelson Chan from AWS highlighted that there is clear shift to ecosystem and partnership in business banking. Banks are re-platforming systems or building new platforms for agility. There is active interest in data analytics for business banking, for example, using alternative data for small-business underwriting. Alternative data will be more geo specific and market specific. He also added: "There is also strong interest in data mesh to help break down data silos and democratise the access to data. Banks are getting to the point where they're commercialising their own data services and products to become a vendor to others in corporate and institutions."

4.2.3 Trung Nguyen Hong of VP Bank is focusing on digital core for retail and corporate banking, and plans according to the bank's current roadmap with Temenos and AWS. It looks to combine wealth management with retail banking. It is also focusing on how to build data in a centralised system and optimise data in the ecosystem.

4.3 **Challenges and evolving strategy in strengthening core foundation**

Banks face diverse challenges and strategies for core modernisation based on their system capabilities, priorities, and risk focus. Some maintain reliable older platforms, while others modernise customer-facing and core banking layers with cloud-native architectures and microservices. Key focuses include scaling transaction processing, upgrading systems, and restructuring for easier updates.

4.3.1 Frankie Wai from Temenos shared that core is the backbone of the bank as it connects all the dots and the data is the heart. He said: "We must ensure the openness, the strength and capability to connect for ecosystem banking. Alongside there must be security, resilience, scalability for data. These are the foundations required before you plan your approach for progressive renovation. Banks will be investing in the future for about next 10 years. They need to assess the capability of that platform. In an organisation, the directorship, and the mindset are also key besides the technology."

4.3.2 Francis Ng of OCBC shared that the bank has a very consistent and persistent modernisation strategy, differentiated in two layers. Its first is the channel and product layers for client-facing interactions. The bank is in its second year in transitioning this layer to become cloud native, adopting cloud architectures, microservices and OpenShift orchestration.

4.3.2 Voranuch Dejasakia of Kasikorn Business-Technology Group highlighted the challenges of replacing an old core infrastructure with a new digital core. Adding another core can lead to more difficulty in managing transactions within multiple hosts. The bank is focusing on scaling the transactions processed per second. It is exploring an architecture to distribute the load across hosts, preventing any single host from becoming a bottleneck, and improving overall system resilience. Offloading transactions from the primary system to auxiliary systems can help manage the load more effectively. This ensures that the primary system is not overwhelmed and can operate more efficiently. The bank is looking for a true digital core banking platform that offers real-time processing capabilities essential for modern banking operations that require instantaneous transaction handling.

4.4 AI and GenAI's potential and scaling challenges

GenAI has transformative potential for banks, with many still in the exploratory phase. It promises to revolutionise the industry by automating processes and improving efficiency, thereby reducing head counts. However, this also requires employee awareness and upskilling. Key applications include coding, document summarisation, and fraud detection, with challenges in proving reliability and ensuring regulatory compliance. Banks focus on internal productivity, customer usability, resilience, and scalability, especially regarding data security in cloud environments.

4.4.1 Simon Wong from China CITIC pointed out that GenAI cannot be based on a traditional funding model with a 'set budget' because banks still do not know what results they will get from GenAI. They have focused on trial and error, starting with smaller budgets and investing if things work out. He added: "The challenge of innovation with AI and GenAI is also based on the appetite for long-term investment, the applications, and features, versus resilience."

4.4.2 Arvind Swami from Red Hat pointed out that AI is not new, and has been around for a long time. He said that there's a lot of investment made in predictive analytics post-pandemic given the digital growth, alongside fraud and compliance related activities such as monitoring. For GenAI, he said, banks need to be very careful and understand what the use cases are. Some of the key considerations are liquidity risk management, improving personalisation, and operational resiliency.

Banks agreed that GenAI is going to transform banking in the future. Financial institutions are planning to reduce the headcount, automate processes and transform the roles of people and improve operational efficiency. It is important for organisations to make their employees aware about this, and start working towards it with education and upskilling. There are multiple use cases. The impact of the launch of ChatGPT in 2022 has been incalculable. ChatGPT facilitated coding, summarising documents, sharing insights and various other things. The models are going to get smaller, not larger. It will have a huge impact on internal productivity, and will change roles. Those who know what to do with it will become more powerful, while those who just take orders are likely to lose their jobs.

4.5 **Establishing a solid data foundation**

Establishing a robust data foundation is crucial for banks. AI's effectiveness relies on solid data architecture and infrastructure, with centralisation coming under scrutiny due to large data volumes, and regulatory, privacy, and security challenges. Banks need a strong data strategy, as poor data quality leads to poor AI outcomes. Advancing data programs, focusing on structured data, data lakes, real-time data, and actionable insights, is essential. Effective AI implementation also requires proper organisational structuring and governance, such as appointing AI champions and chief data officers.

4.5.1 Arvind Swami pointed out that AI is tooling but what is more important is data—data architecture, and data infrastructure. With the volume of data being generated, consumed and manufactured, the whole concept of centralisation is going to be questioned. He said that institutions will have to look at geocentric architecture. With latency in question and processing at the edge, centralising everything is not going to be possible even with the best of networks. He added: "Banks need to start thinking differently, tak ing into consideration regulatory challenges, residency, privacy, and security, before we start looking at how AI sits on top of it. There is also the concern that if you don't have sufficiently large volumes of data, your models are going to be skewed—you will not be able to have explainable AI or transparent AI."

4.5.1 Francis Ng of OCBC shared that they are into the third year of data programming that started with a basic focus on structured data. In the second year, the bank progressed to a data lake, and in the third year focused on real-time data. He said that the bank is exploring actionable insights for things like martech (marketing technology), and fraud management. He added: "They must get the data right first. The most precious data is customer data that is with the banks. If they don't have data strategy, GenAI is not going to help much."

05 Conclusion

5.1 Banks highlighted challenges in digital transformation, requiring resilient core foundations, managing tech costs, and meeting evolving regulations. As the institutions navigate digital transformation, the paramount concerns centre on stability, operational risk, and resiliency.

5.2 Banks agreed that the push for new digital features underscores the need for resilient and modernised core infrastructure. Strategies vary from digital to hybrid core systems. Leading banks are transitioning to cloud-native architectures, microservices and open ecosystem banking.

5.3 The discussion highlighted that AI and GenAI developments are reshaping banking processes, especially in personalised services, enhanced efficiencies, and robust risk management. Several emerging use cases and challenges in the adoption of GenAI were discussed. Most banks are still in the early stages of GenAI adoption, focusing on test-and-learn methodologies, and internal operational use cases given its nascent stage and potential risks in customer-facing applications.

5.4 It was argued that understanding AI's application in solving business problems is crucial for delivering true value. Explainability, transparency, and the concept of responsible AI are gaining prominence. Successful adoption requires strong leadership support, organisational mindset shifts, and workforce reskilling as roles transform.

5.5 There was consensus that effective data management and infrastructure are crucial for AI success. Banks are investing in data programs and addressing challenges of data security, regulatory compliance, and organisational structure for AI governance.

5.6 Banks are accelerating digital enablement and ecosystem partnerships for business banking to enhance service offerings to meet unique corporate needs and operational efficiency. Ensuring operational resilience is critical, especially for corporate banking. The discussion emphasised the need for robust third-party risk management and consistent system updates.

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