11 Ways Fintech and Banking Will Change in 2017

Bank Innovation

By Grace Noto – December 13, 2016

It's been a brutal year for the alternative lending industry. Scandals, staff cuts, rate hikes, and recently a Lending Club investment posted its first negative return in five years this August.

It's almost time to wave goodbye to 2016. This was a big year for fintech, with new regulations, new startups, and new technologies displayed across events like Sibos and Money20/20, making it clear that the progress of fintech can't really be stopped.

But how will it continue? That's the real question. To answer it, Bank Innovation has collected predictions from around the industry, so take a look below at how banking is going to change in 2017:

1.Head in the (Public) Cloud

Stephane Dubois, CEO, Xignite

"2017 will see a much more aggressive move toward embracing the public cloud. Many large banks are already doing this secretly. They're just not being vocal about it. Banks will have to spread risk across multiple providers as they did with operating systems in years past. They can't be too dependent on any one provider. Coming years will see more and more innovation happening on the public cloud. There is so much scale, and so much stuff already there. Soon you won't be able to do realtime big data analytics on-premise. It's not clear who will win — Google, IBM, Amazon — they're all providing next-generation databases and storage on the public cloud."

2. Banks and Fintechs Will Team Up

Yolande Piazza, Chief Operating Officer, Citi FinTech

"2017 looks like a very promising year for fintegration, which is Citi's way of describing how banks embrace innovations from the broader fintech ecosystem to benefit our customers. Big banks have established customer relationships and risk management expertise that many startups lack, while many fintechs have developed simplified experiences that reduce customer pain points. By combining our strengths, we can partner to deliver innovative products more quickly to more customers than ever before. In 2016, Citi has positioned ourselves to benefit from fintegration. Last month Citi unveiled our API developer hub and in the first 3 weeks we've had more than 1,400 global developers sign up to innovate with us. We are excited by the potential ideas that we could offer to customers very quickly."

3. More Change Than the Last Three Years Combined

Brian Roemmele, CEO, Payfinders

"One guarantee is that the rate of change is going to accelerate in an incalculable way in 2017. 2017 will make 2016–which was really the convergence point of artificial intelligence, machine learning, voice interactivity–look like slow motion. The acceleration of the rate of change will be like a compression of 2014 to 2016–all that took place, compressed into one year… What this means is, banking, payments, and retail shopping has been upended. Snap has reinvented the retail sale experience with a vending machine–they're re-inventing a theatrical buying experience…The other side of that is the whole store is going to become a vending machine, which is what we're seeing with Amazon Go."

4. Consolidation, and Winners Emerging
Brew Johnson and Brett Crosby, Cofounders, PeerStreet
Brew: "I think the biggest trends will be consolidation in the marketplace lending and crowdfunding space, and increased partnerships/collaboration between banks and fintech companies."
Brett: "I'd add that we'll see a widening spread between the healthy businesses and those that aren't as healthy. Some dying off and others really taking off. Winners will begin emerging in each of the verticals."

5. More Mobile Wallet Fraud
Madeline Aufseeser, CEO, Tender Armor
"There should be no doubt that we will see more incidents like the one above where fraudsters will target mobile wallets and apps to get at payment card data… ATM fraud will mount especially as we see FIs expand Cardless ATM applications on mobile devices and through digital wallets. Mobile wallet adoption stays tepid in the absence of a better consumer value proposition and cardholder payment data theft fears remain unassuaged."

6. Machine Learning Helps the Financially Underserved
Ken Rees, CEO, Elevate
"2017 is the year that where machine learning and data analytics moves beyond the hype and actually starts delivering results. Online lenders in particular are going to start using online information from providers like Yodlee… I think where we're going to see the biggest impact is services that are focused on the underserved customers, because you really don't need machine learning to help a customer with a 750 credit score."

7. Banks Help Connect Merchants and Consumers
Devon Watson, VP Strategy and Operations, Global Fintech, Diebold Nixdorf
"Banks are in a position to better connect customers and merchants together, and I think there is a lot of innovation that will happen next year that will help banks better connect merchants and consumers… I see the bank as a great connective tissue between these two groups and it rarely ever gets used that way, but I think data analytics are the technology under the hood that banks need to turn outward and monetize."

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