Gartner

Cool Vendors in Banking

Published 7 October 2020 - ID G00724117 - 16 min read

By Analysts Don Free, Nicole Sturgill, Darrin Courtney, Fabio Chesini, Jason Malo, Joanne Pollitt

Banks use an increasing range of emerging technologies to provide innovative products and services, optimize costs and scale digital banking. CIOs can benefit from research on market-moving technologies to address growing challenges, balancing cost optimization and new digital business investments.

Overview

Key Findings

- Fintech vendors are increasingly embedding AI and ML into solutions targeting banks' efforts to ramp up cost optimization while enhancing the customer experience.
- Enhanced digital wallet capabilities are empowering banks to extend cryptocurrency support to their consumers.
- Vetting and determining the most effective categories of fintechs is critical to advance cost optimization and digital business strategies.

Recommendations

Bank CIOs who want to advance their digital business strategy and innovation should:

- Develop and maintain an up-to-date understanding of the ways emerging technologies may impact the banking industry as a whole and their bank in particular.
- Implement AI- and ML-enabled fintech solutions to accelerate cost optimization objectives and enhance data management priorities for improved customer experience.
- Strengthen their fintech strategy by categorizing these vendors (complementary, competitor, catalyst) to guide usage of Cool Vendors.

Analysis

This research does not constitute an exhaustive list of vendors in any given technology area, but rather is designed to highlight interesting, new and innovative vendors, products and services. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

This research from Gartner's global financial services team is the third edition of Cool Vendors focused specifically on the banking industry.

As we considered vendors for inclusion in this research, we saw definitive emerging trends that emphasize the need to dramatically improve banks' business and operational agility. Bank CIOs are clearly under pressure to reduce the time to market for differentiating products and services, but simply dusting off proven-but-rigid technologies isn't sufficient to accelerate differentiation. To be successful, CIOs must take a fresh look at emerging technologies used in differentiating ways.

What You Need to Know

The latest set of Cool Vendors in banking all do this in very different ways. They present an innovative set of offerings that span the use of various forms of enabled artificial intelligence (AI) and machine learning (ML) — including natural language processing, virtual assistants and chatbots — and permissioned blockchain.

These offerings address some of the most important challenges facing banking technology leaders today, including:

- **Increasing compliance risk management**: The revolving door of fintechs has many bank CIOs turning to third parties to vet and defer the risk with these collaboration partners.
- **Balancing cost optimization and revenue generation:** While CIOs are increasingly supporting a revenue-based digital agenda, cost optimization remains a constant. CIOs operating with highly constrained budgets and other resources are looking for cost savings wherever they can find them.
- **Building customer experience:** Improving and differentiating customer touchpoints continue as a priority among bank CIOs to address challenges within sales and service.

The five Cool Vendors profiled address these challenges in new and differentiating ways. These challenges have a direct impact on virtually every area of a bank's operations and on revenue generation, regulatory compliance and customer experience.

Four of these vendors' offerings hold the potential to enhance the customer experience while reducing costs through AI/ML and blockchain in very different ways. One offers upfront credit qualification that significantly reduces agent volumes. Another improves sales and service through blockchain techniques for electronic signatures. The third extends the value of digital wallets through the support of cryptocurrency. The last one reduces the variety of data management providers required to predict the propensity to buy and churn, simplifying data management.

As open banking and banking as a service (BaaS) increase, so does the complexity and risk of partnering with third-party collaborators to reduce the cost of innovation. [1] The final vendor offers the means to assess IT partners through a virtual assistant. As the IT landscape enters a world that emphasizes decentralized and distributed resources, the need to vet these potential partners becomes critical.

It's important to note that these vendors' offerings aren't appropriate for every bank or for every bank's IT organization. These are primarily emerging vendors whose offerings haven't been on the market long, and all the usual concerns about viability apply. Even so, their solutions point to possible future applications for the industry as a whole. CIOs should evaluate these technological developments that hold the potential to offer significant real-world benefits and educate their business peers about the possible value these solutions can deliver.

Note: Gartner does not necessarily provide extended coverage for all the technology and business areas discussed in this research.

Conio

San Francisco, California, U.S. (www.conio.com)

Analysis by Fabio Chesini

Why Cool:

Conio offers a digital wallet shared custody service that enables an organization to offer cryptocurrency services to its customers. What makes Conio cool is that its platform allows banks to add Bitcoin in their banking services, including creating branded Bitcoin wallets. The platform also enables new payments services for e-commerce and retail by using segregated signatures to manage the custody of wallet credentials. Conio is also working with the Libra Association to provide wallet services with the potential to offer other digital asset custody services, such as stablecoins, as part of their solution roadmap.

Challenges:

- **Regulatory uncertainties —** Conio must sort out regulatory issues for financial services institutions that are willing to expand their services in the crypto asset custodian business. Central banks are at the very early stages of understanding the implications of cryptocurrencies to the current monetary system at both domestic and international levels. This uncertainty is causing a lot of ambiguity and contradictory positions for commercial banks to enter in this business. This could significantly affect Conio's go-to-market strategy and their long-term sustainability. Banks should have a clear user exit strategy to compensate for this uncertainty.

- **End-to-end liability management —** The operating model for ensuring security and for managing the liabilities if something goes wrong (for example, employee fraud or cyberattacks) is still nascent for both Conio and banks. Managing private keys in multilateral ways requires further maturation across hardware and software before cryptocurrency custody is considered mainstream.

Who Should Care:

Executive leaders including CIOs looking for new “early adopter” opportunities to expand their services in the retail banking space should consider starting with cryptocurrency custody services. This will enable banks to unlock new opportunities to offer financial services by accessing a new source of liquidity in which stablecoins and central bank digital currencies might play a key role for new decentralized financial services.

Exiger

New York, New York, U.S. (www.exiger.com)

Analysis by Jason Malo

Why Cool:

Exiger has developed and implemented compliance risk management solutions for a wide range of financial institutions globally. Its primary product and solution offerings for banks cover financial crime compliance risk management, including:

- Anti-money laundering (AML)/know your customer (KYC)
- Sanctions screening
- Counterparty risk management
- Adverse media monitoring

What makes Exiger’s risk intelligence solution “cool”? Exiger identifies risk by combining data analytics with its natural language processing (NLP) engine that can interpret legal and regulatory information in 30 languages. Linking client data to third-party sources, Exiger identifies, classifies and ranks risk-based information for financial institutions’ specific needs.

Making decisions in support of legal or regulatory requirements requires a level of precision that continues to depend on expert resources. Exiger augments the expert human capabilities by scaling risk identification and classification, including source information, to aid in decision making. But risk scoring and analytics only go so far, so its intelligent due diligence (DDIQ) platform automates time-intensive manual tasks, enabling compliance personnel to focus on decision making.

While it may not be common to equate compliance activities as “cool,” Exiger’s diligence tools allow banks to assess the potential risks of partners and third-party assessment in a shared ecosystem. Banks that want to innovate and create new value streams with a variety of partners can use these assessment tools to ensure that their standards of compliance are met from the very beginning. Partner ecosystems where all participants’ risk profiles are accepted and monitored allow banks to more confidently share data and innovate while simultaneously limiting risk.

Challenges:

- **Resistance to automation —** Automating tasks that have historically been handled by specially trained resources in a highly nuanced area like compliance is a balancing act. Roughly half of all robotic process automation (RPA) initiative leaders indicated that they encountered significant or extreme resistance to automation at their organization. [3] Compliance officers must be able to reassure bank personnel that the solution performs as well or better at identifying relevant information that doesn't impinge on their expertise, ultimately making their jobs easier.
- **Broader process adoption —** Many processes require the involvement of compliance, but have not yet been digitally optimized. Demonstrating value to multiple stakeholder groups in order to streamline legal and compliance with other business automation may be met with resistance due to increased process complexity.

Who Should Care:

Chief compliance officers (CCOs) will benefit from automation of manual research tasks and the ability to analyze risk at scale. Their skilled workforce can employ a due diligence research and risk evaluation platform that can conduct and prepare research for human decision making. Also, automation and transparency have shown to help eliminate bias and black-box decision making that leads to compliance issues. Because banks need to be sure that partners don't create unwanted risk, CCOs also can leverage Exiger to vet potential IT partners and ecosystems as part of the bank's innovation strategy.

CIOs may also take advantage of the risk management automation capabilities by weaving process automation together when compliance is a critical step in an end-to-end process.

Faraday

Burlington, Vermont, U.S. (www.faraday.io)

Analysis by Joanne Pollitt

Why Cool:

Faraday AI is a predictive cloud platform designed to optimize the B2C marketing life cycle from prospect identification and conversion, to deeper client penetration and retention, through churn prevention.

Within financial services, Faraday works with banks, credit unions, insurance firms and fintech companies to provide a marketing data and analytics solution using AI and machine learning. What's cool about Faraday is the combination of:

- Its data strategy assessment, a structured, collaborative approach to identifying the specific business outcomes that each client wants to predict.

- The Faraday Identity Graph, which enriches historical customer data with Faraday's proprietary database, enabling data scientists to create client specific models. The Identity Graph contains 400 attributes including financial, demographic, purchasing, property, life event, psychographic and other data of more than 290 million consumers.

Challenges:

- **Cloud-ready data —** While a standard implementation of the Faraday platform occurs in only six to eight weeks, it requires that financial services firms have requisite data accessible for cloud-based integration. Some financial services firms may not utilize cloud infrastructure to be able to take advantage of the offering today. Faraday has published several case studies demonstrating growth in client balances, higher net interest revenue and customer ROI for firms that are ready.

- **Stakeholder collaboration may be difficult —** Collaboration among key stakeholders within marketing, data/analytics, IT and the LOB may be required for the data strategy assessment and to mitigate the risk of unintended consequences by connecting different partners and systems. Given competing priorities and capacity constraints across many firms, it can be difficult to allocate all the requisite resources simultaneously.

Who Should Care:

CIOs with a focus on cost optimization and business intelligence should examine Faraday. In sentiment analysis conducted by Gartner, positive mentions were made of Faraday's ability to provide a single platform for analysis and deployment across marketing channels, reducing the cost of doing them separately.

Marketing and LOB leaders who want to create unique personas to enable personalization at the customer level should evaluate Faraday AI. Those who strive to grow their customer portfolio and retain existing clients can also benefit from the product's ability to predict:

- Propensity — e.g., to buy, churn

- Value — e.g., LTV, profitability

- Customer journeys — e.g., first product purchased, second product purchased

- Customer personas

Chief procurement officers and chief data officers who want to reduce the number of data providers that they manage may be intrigued by the dataset that is part of Faraday's standard implementation. Access to this dataset may minimize the number of relationships and contracts that a bank must manage separately.

The Logic Value

Valencia, Spain (https://thelogicvalue.com)

Analysis by Nicole Sturgill

Why Cool:

The Logic Value (TLV) offers a virtual assistant called Julia that connects directly to a configured risk profile, allowing the virtual assistant to quickly determine an applicant's qualifications for loans and other financial services. Financial institutions can deploy Julia as an end-to-end stand-alone virtual assistant or as an input to a bank's existing assistants to provide risk assessment functions. This capability helps customers determine upfront if they are eligible for products like mortgage loans and cash advances and if so, to walk them through the origination process.

Challenges:

- **Similarity to other products —** The chatbot and analytics markets are crowded and many financial institutions are already using some form of conversational tool. At first glance, TLV's product seems similar to others already in the marketplace; it will need to clearly differentiate its unique features and functions. CIOs will need to decide whether the credit risk assessment capabilities of this conversational AI are a supplement to their existing investments in AI software.
- **Regulatory issues —** Because of TLV's credit risk functionality, it will likely draw the attention of regulators that will want to understand how organizations are ensuring compliance with fair lending standards in each country. While the configurability of Julia means that compliance is the responsibility of the organization, users should be prepared to explain how they have configured the application to the satisfaction of regulators.

Who Should Care:

As a result of the pandemic-related reduction in face-to-face opportunities, many CIOs are partnering with peers to develop new sales methods. Forty-seven percent of CIOs surveyed for the 2020 Gartner Financial Services CIO Priority Tracker cited sales as the greatest area impacted by the pandemic. They and their LOB peers should look at Julia as a new channel for customers who need access to credit products.

In addition, COOs and others responsible for contact center management will find that Julia can reduce the call volume. For organizations that prefer to have personal contact, Julia can provide the upfront credit qualification so that agents can lower their average handle time. Julia also makes it possible to offer access to credit 24/7, increasing availability of the service to customers.

TLV is currently providing accelerator modules for their functionality to partners such as IBM and Oracle. Other technology providers that would like to offer virtual assistant functionality, particularly geared toward credit products, will find that Julia comes with prebuilt APIs that can work alongside existing applications.

ZorroSign

Phoenix, Arizona, U.S. (www.zorrosign.com)

Analysis by Darrin Courtney

Why Cool:

ZorroSign is an electronic signature, digital signature and digital transaction management (DTM) platform catering to multiple industries, including financial services. What's unique is that ZorroSign implemented the platform on its own version of a private, permissioned hyperledger fabric blockchain instead of a public blockchain. It has also launched a token (4N6) — patent pending — that embeds a tamper-proof seal, digitally or in physical documents. The seal can be scanned with a QR reader or the ZorroSign mobile app to display the forensic history of the document. ZorroSign has also launched an AI- and ML-powered document-fill capability that can be deployed on public-private-hybrid clouds, or on-premises. Completed documents can be stored on local cloud servers to comply with regional or country-driven legal storage requirements.

Challenges:

- **Digital signature technology is not new —** While ZorroSign's platform and approach are new and unique, digital signature technology in general has been around for quite some time now. Hence financial services firms may not consider replacing an e-signature solution a top priority, particularly if they believe that their current solution is "good enough." However, firms that want to accelerate remote transactions and increase cybersecurity may want to take a look at ZorroSign's solution.
- **Lack of U.S. presence —** Although ZorroSign has been operating in other parts of the globe for a few years now, it is not well-known in the U.S., making it challenging to penetrate this market.
- **Competition from leading industry technology vendors —** ZorroSign is competing against established technology companies that have built preintegrations or partnerships with leading financial services technology vendors. If e-signature is already built into an onboarding or workflow solution that the financial services firm is using, there may be little incentive to explore the extra effort necessary to switch out the digital signature provider and integrate a different offering.
- **Concerns about blockchain security —** Although the security of ZorroSign's blockchain ledger may be a differentiator, some financial services firms remain concerned about blockchain capabilities and limitations. Some also see risks because of blockchain's association with cryptocurrencies, hacks and dark web activities. Firms that understand blockchain still might not invest in it in the current environment. [2] Even before the pandemic, less than one out of every

five firms had actually deployed blockchain in any capacity at their firms (see Top 10 Wealth Management Technology Trends for 2020).

Who Should Care:

Group CIOs may find ZorroSign's offer very relevant. In particular, line of business (LOB) leaders will appreciate the simple form creation and distribution for frontline workers, as well as potential service and sales improvement capabilities. COOs will appreciate the workflow and automated form-fill components built into the offering, while CDOs will like the ability to create web-based forms that can be completed on the client portal. The fact that documents and transactions are secure, compliant and legally binding because of the enhanced security and forensics capabilities will appeal to legal and compliance leaders

Evidence

[1] 2020 Gartner Financial Services Business and Technology CIO Priority Tracker, April through August 2020, n = 36 bank CIOs. Thirty-nine percent said that they would look to partner with fintechs to either extend business models or increase customer engagement in the next six to nine months.

[2] 2020 Gartner Financial Services CIO Priority Tracker, April through June 2020, n = 54 financial services CIOs and IT leaders. Thirty-nine percent of respondents said that they will make no change in investments for digital assets (e.g., blockchain, tokenization, data monetization) in the coming year, while 15% said that they would decrease investments in these areas.

[3] 2019 Gartner State of RPA Survey — Our research is based on a survey of more than 400 IT and business leaders involved in RPA initiatives at their organizations. These leaders span numerous industries, geographies and sizes, the smallest with at least $1 billion in annual revenue. Survey questions were designed to gather inputs on outcomes of RPA initiatives, practices to implement RPA and demographic factors.

Recommended by the Authors

Hype Cycle for Legal and Compliance Technologies, 2019

Legal and Compliance Technology and Analytics Primer for 2020

Cool Vendors in Banking

Recommended For You

新しいビジネスモデル：8つのエコシステム活用事例 (2020年版)

データセンターのコストを削減しながら運用を改善する

データベース環境の近代化戦略：自らの意志と責任で推進する

リモートワーカー／オフィス・ワーカー向け従業員生産性モニタリング・テクノロジから価値を引き出す

サービスとしてのディザスタ・リカバリのマーケット・ガイド

Supporting Initiatives

Financial Services Digital Business Strategy and Innovation

Track