

# *BALANCING INNOVATION AND RESILIENCE IN BANKS*

*EFFECTIVE STRATEGIES FOR GROWTH*

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# *AGENDA ITEMS*

- Arab Banks – Ready to Lead, for Good
- The Importance of Innovation in Banking
- The Importance of Resilience in Banking
- Getting the Balance Right – Innovation with Resilience
- Future Trends and Predictions

*ARAB BANKS*

*READY TO  
LEAD, FOR  
GOOD*



اتحاد المصارف العربية  
**Union of Arab Banks**



*THE IMPORTANCE  
OF INNOVATION IN  
BANKING*

# *DRIVING FACTORS BEHIND INNOVATION*

## **Changing Customer Preferences**

Customers are increasingly seeking personalized services and 24/7 digital solutions in banking, driving innovation through digital banking apps, mobile banking, and on-line payments. Customers are looking for demand-driven ideas rather than supply-driven products.

## **Competitive Pressures**

Intense competition in the banking sector pushes financial institutions to innovate and differentiate themselves. Competition is from within the banking sector and – possibly more importantly – from outside the banking sector.

## **Operational Efficiency**

Banks are focusing on improving efficiency through technology and innovation to reduce costs and enhance services. The drive for operational efficiency is often resulting in third party dependencies and risks that need to be managed carefully.

## **AI and Data Analytics**

AI and data analytics are being used to personalize banking services, assess risks, and improve decision-making processes.





*THE IMPORTANCE OF  
RESILIENCE IN THE  
BANKING SECTOR*

# *RESILIENCE IN BANKING*



## **Financial Stability Resilience**

Financial stability is a core component of banking resilience, allowing institutions to withstand economic shocks and maintain operations.

## **Market Conduct Resilience**

Treating customers and the markets fairly, including efforts to combat financial crime, terrorist financing, and cyber crime.

## **Operational Resilience**

Operational robustness ensures that banks can continue functioning effectively through various challenges and disruptions. Resilience in banking is crucial for recovering from unexpected disruptions, ensuring that services continue uninterrupted.

## **Customer Trust Resilience**

**The sum of all the above.** Building and maintaining customer trust is essential for resilience, ensuring client loyalty during tough times.

*GETTING THE  
BALANCE RIGHT*

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*INNOVATION WITH  
RESILIENCE*

# *CHALLENGES OF INTEGRATING INNOVATION WITH RESILIENCE*

## **Governance and Risk Management**

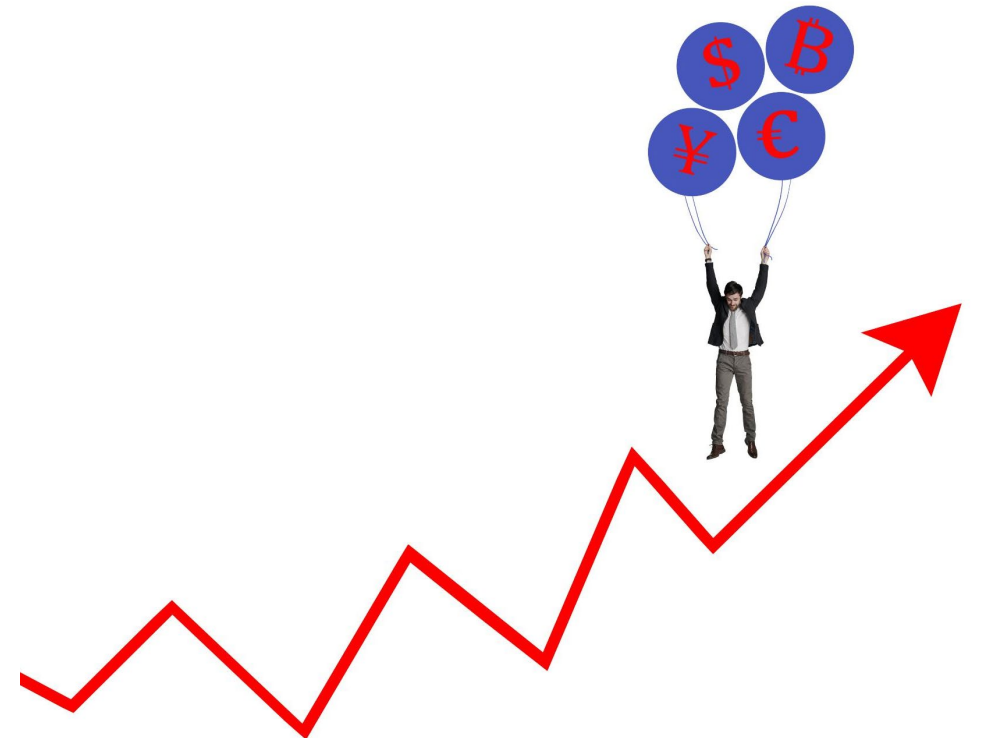
Comprehensive risk assessment is essential for integrating innovation with resilience, helping organizations identify and mitigate potential challenges. Operational resilience is moving to the forefront of risk management.

## **Resource Acquisition and Allocation Issues**

Allocating resources effectively is a key challenge when integrating innovation with resilience, requiring careful planning and prioritization.

## **Cultural Resistance**

Cultural resistance within organizations can hinder the integration of innovative practices, creating a need for change management strategies.





*FUTURE TRENDS  
AND  
PREDICTIONS*

# *EMERGING TECHNOLOGIES IN BANKING CONTINUE TO TAKE HOLD*

## **Fintech Innovations**

Fintech innovations are transforming traditional banking by offering faster, more efficient services and enhancing customer experiences.

## **Digital Currencies**

Digital assets, including Stablecoins, are changing how transactions are conducted, creating new opportunities for banks and customers.

## **Open Banking**

Allowing third-party financial service providers open access to consumer banking, transaction, and other financial data from banks and non-bank financial institutions through APIs.

## **Cloud Applications**

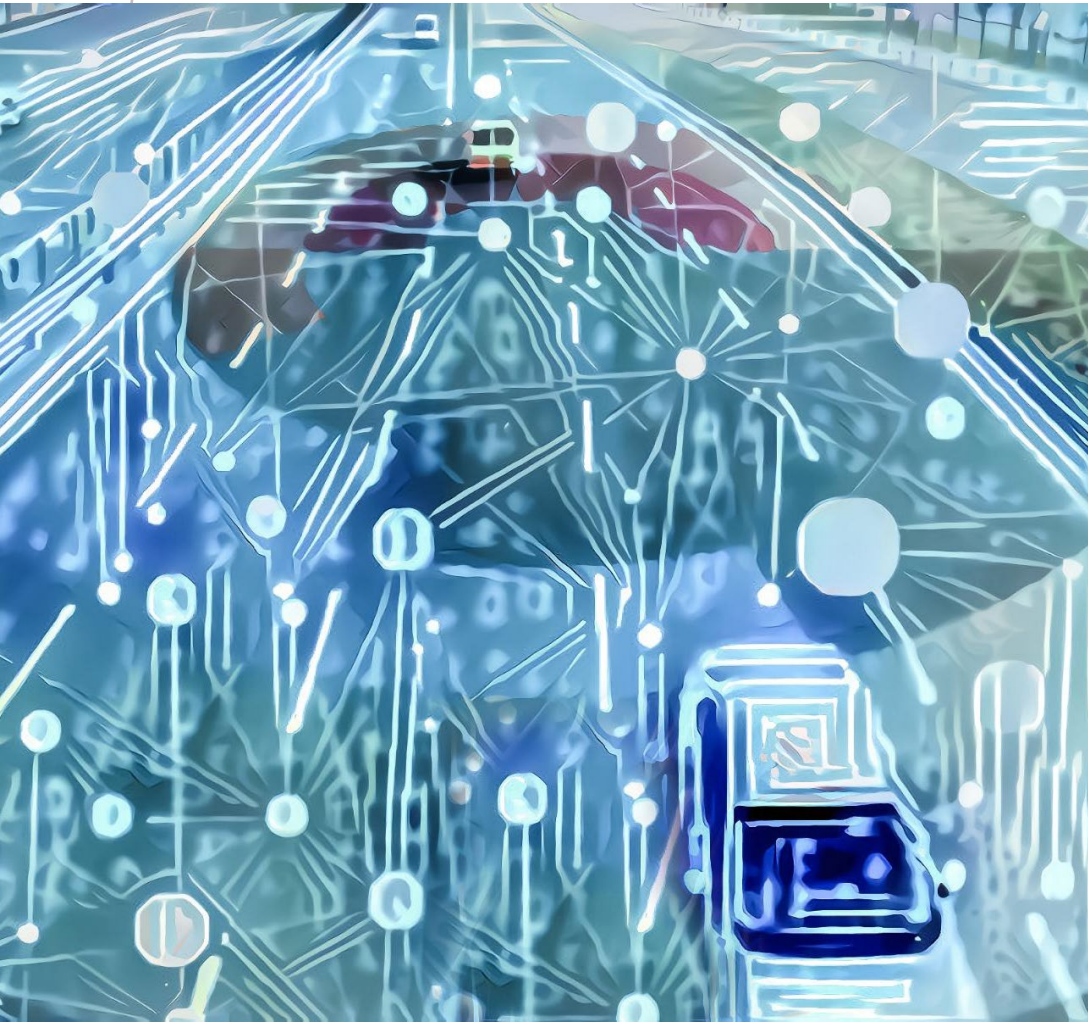
Using cloud-based programs and resources.

## **Adapting to Change**

Understanding and adapting to emerging technologies – by financial institutions and their customers – will be crucial for the banking industry's future success and sustainability.



# *ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING*



*Enhanced Decision-Making*

*Process Automation*

*Risk Management*

*Compliance Monitoring*

*Fighting Financial Crime and Fraud*

*Customer Service Enhancement*

# *CYBERSECURITY MEASURES*



## **Importance of Cybersecurity**

Robust cybersecurity measures are vital in an increasingly digital world to protect banks from various threats.



## **Advanced Security Protocols**

Implementing advanced security protocols helps safeguard customer data and ensures the integrity of bank transactions.



## **Maintaining Customer Trust**

Effective cybersecurity measures are crucial for maintaining customer trust in banking institutions, essential for customer retention.

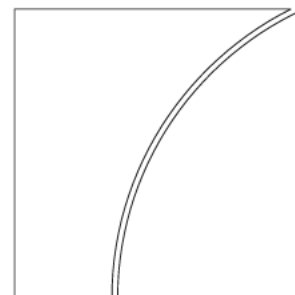
Basel Committee  
on Banking Supervision

Consultative Document

Principles for the sound  
management of third-  
party risk

Issued for comment by 9 October 2024.

July 2024



*THIRD PARTY RISK  
MANAGEMENT  
INCREASINGLY  
IMPORTANT*

# *PREDICTED CHALLENGES AND OPPORTUNITIES*



## **Evolving Regulatory Expectations**

Banks will need to adapt to new regulations that may affect operations, compliance, and customer interactions.

## **Evolving Customer Expectations**

Customers are seeking more personalized and convenient banking experiences, pushing banks to innovate frequently.

## **Competition from Non-Traditional Players**

Fintech companies and other non-traditional players are entering the banking space, creating new challenges for traditional banks.

## **Collaboration**

Public / Private, Public / Public, Private / Private areas of collaboration on outcomes.



# *CONCLUSION*

## **Innovation will Improve the Future of the Banking Industry and its Customers**

Implementing innovative solutions is vital for banks to adapt to changing market demands and client needs.

## **Robust Governance and Risk Management Strategies are Critical**

Robust risk management ensures that banks can navigate challenges while maintaining operational integrity and compliance.

## **Balancing Sustainable Growth and Innovation is Possible with the Right Focus**

Balancing innovation and resilience leads to sustainable growth, allowing banks to thrive in an evolving landscape.