

GUEST OPINION

Making the Impossible Possible Through Partnerships



These days, everything old is new again; however, when speaking to credit unions, the same old problems they have faced for years are still causing pain points. But many are finding new solutions with non-traditional partners. Partnering with financial technology companies and third-party service providers to offer innovative products and services to members is becoming not only a revenue generator, but a brand enhancer.

The large banks have the resources, people, time and money to be all things to all people. When it comes to credit unions, those resources are limited. So how do credit unions compete? The answer is strategic services and smart partnerships.

These hurdles may seem daunting, and credit unions that are not proactive may choose to ignore the opportunities their members present to them as a result. Credit unions are being pressured to add value to their services by offering advisory services, not just data and digital platforms. Collaborating with fintechs can enable credit unions to offer cutting-edge solutions while conserving resources to invest in meeting those advisory needs. The goal is for credit unions to be a one-stop shop

for all of their members' needs, and the right partnerships make the impossible possible.

Fintech: From Competitor to Collaborator

Though fintechs have historically been seen as competitors to traditional financial institutions, many credit unions realize that their best strategy to remain competitive in today's customer service landscape is often to collaborate with these fintechs. Their roles are shifting from competitor to collaborator, and the war for market share is changing to shared revenues with shared resources. We are seeing these collaborations across multiple functions. For example, Visa had a longtime partnership with Fraedom, an expense management software provider targeting small and mid-size customers; that was so successful that Visa recently acquired the company. Another example is Ripple, a blockchain technology company that has partnered with over 100 banks to streamline the payment process.



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Members expect a seamless transaction experience – that means getting simple access to the banking services they need from one provider. Fintech companies and third-party service providers are adding the ability to integrate their functionality into credit unions' own platforms to create and enhance the experience. The user should not notice the complexities of the collaborations and integrations. It should appear that the credit union is offering these solutions itself.

A perfect example of such a collaboration can be seen at credit unions that offer their members international payments. International payments processing can require a significant investment for a credit union to manage on its own. Partnering with a fintech can help credit unions build fences around their members without a corresponding increase in costs. They can then focus on the revenue-generating operations and higher level of member service that they are known for.

Many credit unions choose not to offer these services because they do not understand how they work or are scared of international payments.

The world is becoming a smaller place and members can now access products and services globally to service their businesses and personal needs. Members who need these services can be a credit union's most profitable members, as they may have extensive banking needs that include lines of credit, payroll, credit cards, loans and mortgages. International services will always be the smallest piece of business a credit union has with its members, but without it the goal of being a one-stop shop for all members is not possible. Members who to seek other options with a competitor or large bank.

Credit Unions Face Global Banking Challenges

In today's global banking environment, there are several challenges that credit unions face. All of these can be addressed with a good fintech:

- Keeping up with the infrastructure needs of global payment systems;
- Increasing costs from regulatory requirements; and
- Effectively managing internal due diligence requirements when choosing partners.

As the payments landscape shifts to include real-time or faster payments, contactless technology, prepaid cards, blockchain and other advancements, members are going to expect to see similar advances in global transfers. Keeping up with these changes is often daunting and not possible without additional resources. Although the international payments world does not look much different than it did 10 years ago, the changes taking place are beginning to make an impact. SWIFT's GPS is starting to provide transparency in payments. Real-time payment networks are starting to appear in more countries, including the United States.

Credit unions may not have the resources to implement the ad-

vances in digital payments, but open banking and other "disruptive" technologies will help narrow the gap. The smart ones that intend to thrive and grow will leave no stone unturned to find partners to help them incorporate those services. Artificial intelligence, APIs and cloud-based delivery are some of the ways credit unions will be able to cost effectively build their digital networks.

With the Federal Reserve's goal of making real-time payments ubiquitous by 2020, banks and fintechs are going to move quickly to develop this space. But there is a lot of work, testing and investigation remaining to successfully make moves in this direction.

to Stay With the Times

Payments industry experts believe that 2019 will be all about collaboration between financial institutions and fintech firms. Financial institutions will turn toward fintech innovators to address the biggest pain points of their corresponding banking systems. The

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pain points being looked at today are the time it takes for transactions to settle, the lack of visibility into the process as funds move between FIs, regulatory pressures and technological changes. With the changes outlined above, partnerships are necessary for credit unions to stay with the times.

Credit unions need to evaluate where they want to be when it comes to servicing their members. What products and services do they want to offer? What can they do themselves? What requires a partner? The good news is that there are eager fintech partners that can provide a solution to virtually any pain point a credit union is experiencing. ■