CAPLIN

A MOBILE REVOLUTION

Over the past 24 months, Caplin has seen a significant increase in interest from banks in both developed and emerging markets to offer a mobile application to their corporate and institutional FX clients.

In this article, we examine some of the drivers at large.

Executive summary

2021 and 2022 have seen a huge increase in demand for FX mobile technologies - driven by both banking clients and the banks themselves.

Traditional barriers to progress, such as IT and Regulatory compliance restrictions around mobile use, are being eroded.

There are many reasons why mobile is attracting so much attention, including disruptive competition from fintechs and digital challenger banks, as well as adoption of remote working practices and the general Digitisation trend.

Mobile workflows increase productivity for bank sales and clients through streamlining administrative tasks, providing access to relevant information via real-time notifications that, in turn, encourage action.

Freedom and flexibility in the management of personal finances is driving transformational change in the institutional, corporate and SME world.

Concerns about losing client loyalty and visibility on client activity are being addressed through tailored notifications, alerts and a comprehensive audit trail.

Client feedback tells us that popular use cases for mobile in 2022/2023 include:

- Reviewing prices and watchlists.
- Reviewing order and trade event notifications.
- Executing transactions.
- Notifications and workflow for actions requiring approval (e.g. approving settlement details).
- Viewing short form news or research pieces.

This article details why now is the optimal time for all FX banks to offer their institutional and corporate clients a mobile companion app.

Changes in the banking sector

For years, e-trading for professional corporate and institutional clients has been thriving on desktop applications, providing access to research, trading and analytics. Single-dealer platforms led the way in terms of functionality, with multi-dealer platforms promoting transparency, competition and a notion of 'Best Execution'.

However, most of the focus from banks had been on getting faster and tighter prices out to clients. This tended to erode profitability, rather than offering sales teams productivity gains from better workflow tools and slicker integration with the systems they relied on, and clients the ability to self-serve on routine, time-consuming tasks. Whilst some banks were using an early mobile app to showcase their technology credentials, active use of mobile by professional investors and corporate users to trade rather than simply view research was still a little way off, faced with limited IT budgets/expertise and concerns about security and confidentiality.

From 2015, a rash of 'Challenger Banks', including Revolut and Monzo, with no legacy technology to hamper progress and no existing business model to fear cannibalising, started to gain ground and shake up the retail and business banking industry, a trend that has accelerated over the subsequent period. The European PSD2 Open Banking Directive in October 2015 has only hastened innovation in open banking and payments through the use of APIs.

This dramatic change in the retail banking space has fed through to the owner-managed business space and is putting pressure on banks to offer corporate and institutional clients 21st-century-worthy mobile workflow solutions.

At the same time, many banks have recognised the benefits of deploying many of their services as APIs, a move away from the convoluted ball of spaghetti that often reflects the build-up of legacy systems. This means that many functions like order placing and post-trade workflows, can be more easily accessed by componentised applications.

Lastly, banks have realised that only through engaging with their customers and employing a well conceived digital strategy can they continue to stay relevant, increase productivity and redeploy resources away from routine to more profitable tasks. Banks risk less by engaging with digital transformation in the service of their clients than by slowing its progress, and experiencing client attrition.

Changes in the device sector

Smartphone usage, both in terms of number of accounts and mobile internet traffic, has grown rapidly in recent years. According to Statista, less than half the world's population owned a smartphone in 2016, but as of 2020 that number had exceeded 78%. Larger phone sizes with crisper displays have shifted mobile offerings away from shrunken desktop apps and far more thought has been put into the user experience and the workflows best suited to mobile devices and 'on-the-go' activities, although judging by some Bank's mobile offerings, that transformation is still far from complete.

There have been sizable technology advances in terms of processor speed, RAM, storage, biometric authentication, notification workflow and image capture. These have made sophisticated security features commonplace, reducing fraud and user error and reassuring Bank IT security and Regulatory Compliance teams as well as addressing buy-side security concerns. This technology evolution has gone hand in hand with the growth in demand for sophisticated yet simple to use apps.

In the US, downloads of mobile finance apps increased 19% between 2020 and 2021 alone[1]. Clearly, the more people feel comfortable with using mobile devices for their own personal financial affairs, the more likely they are to want to use them in business contexts to maximise efficiency.

Changes in the mobile internet sector

The mobile internet continues to evolve at a fast pace. Over 62% of global website traffic now comes from mobile devices[2]. From a network perspective, the increase in speed and reduction in latency from the 20ms to 30ms of early 4G to the sub 10ms (and potentially down to 1 ms) latency of 5G means that latency-sensitive applications like real-time trading can now offer clients a far better experience[3]. And in terms of global usage, it is now estimated that there will be over 2 billion 5G connections worldwide in the next 3 years[4]. App design has improved markedly over the past few years, with some apps now being called 'super-apps' as, for example in financial markets,

they integrate with other financial services such as payment providers, offer partnerships with 3rd-party providers and offer insights through the intelligent analysis of users' data.

Originally, service providers believed the natural progression from viewing indicative rates or reading research on a mobile, would be to provide more trading and execution workflows, similar to functionality offered on a desktop. Yet the statistics showed that over 75% of buy-side firms wanted the ability to submit, monitor and change orders 'on the move', something offered by relatively few banks.

Despite being around since 2009 (iOS) and 2011 (Android), push notifications are finally emerging as a useful business tool. Without an app even being open, a client can now get real-time notifications when levels have been reached and orders filled, post-trade events need actioning, new research pieces or updates on critical market events are published, even when the rest of the world (and their bank salesperson) are sleeping. That functionality can really come to the fore, should there suddenly be a seismic shift in a currency's fortunes, as with recently in the UK.

In terms of technology, the old battle lines between HTML5 and native have softened. Cross platform tools are now better and more native, so, at Caplin, we now go for React Native, which allows us to write web-like code but translates to fully native apps, and our experience of this has been extremely positive, helping to reduce development times and increase quality.

Lastly, as many banks move to embrace 'The Cloud', there is a greater degree of comfort from banks' IT security and compliance teams for essential business technology to be deployed and used 'off site'.

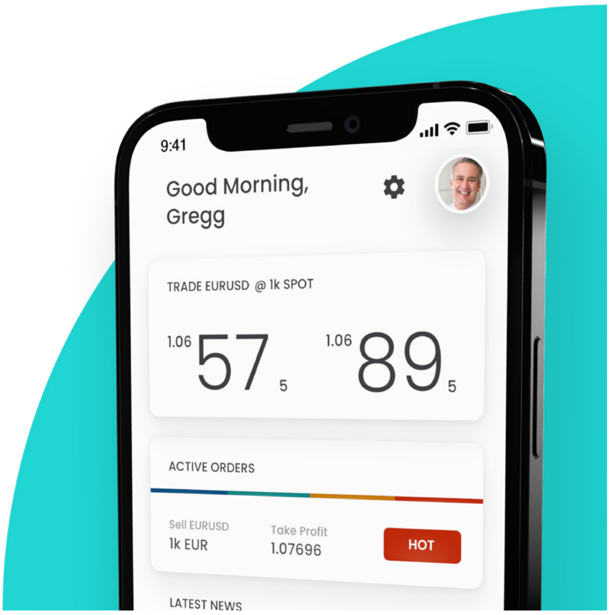
This is why Caplin's clients now have the option of taking all our solutions as fully hosted managed service offerings in the Cloud.

Changes in the workplace

One of the biggest shifts of the past few years has been in the attitude of both employers and employees towards remote working. The Covid-19 Pandemic forced us to re-evaluate both whether we could, and should be able to fulfil all our work functions from a location other than the office, as we mentioned in our article of May 2020, The Times, They Are a-Changin'[5]

Not all complex tasks performed by the sell-side need to be accessible on a mobile device. Yet many of the functions that depend on real-time notifications like position and level monitoring, risk management and secure client communications lend themselves readily to mobile applications.

From the client side, seamless synchronisation of desktop and mobile applications means that '4 eyes' or maker/checker workflows for trading or post-trade operations can easily be handled remotely. With sophisticated biometric authentication built into devices and upgradable 'over the air', there is no longer a need for separate authentication hardware tokens. Out-of-sight need never mean out-of-mind, and compliance and digital security teams have had to make themselves comfortable with the current and developing solutions to the risks associated with remote working.



Conclusions

The shift to mobile trading has inevitably been underway for some time. In retail banking, incumbent banks combining archaic onboarding processes with lacklustre mobile offerings have been losing out to challenger banks and more technology-savvy rivals.

In more recent years, however, mobile technologies have become better understood, quicker to develop, and simpler to deploy, support and maintain - and there are many off-the-shelf products available for the banking sector to either use as a starting point, or to white-label out to their clients.

In terms of corporate and institutional FX users and sell-side firms embracing mobile, much has to do with timing. Having tracked the technology and marketplace for the best part of 10 years and through successful implementations, we feel that we now have a mature understanding of the risks and benefits of mobile workflows, faster networks, enhanced security, slicker apps and wider global adoption of mobile. Our assessment is that early adopters will prevail, so the time is right for banks to provide their clients with mobile companion apps that complement their e-distribution or FX Sales optimisation strategy.

1. https://www.insiderintelligence.com/content/finance-apps-downloads
2. https://www.statista.com/statistics/277125/share-of-website-traffic-coming-from-mobile-devices/
3. https://www.raconteur.net/technology/5g/4g-vs-5g-mobile-technology/
4. https://data.gsmaintelligence.com/api-web/v2/research-file-download?id=59768858&file=210121-Economics-of-mmWave.pdf
5. https://www.caplin.com/business/news-post/the-times-they-are-a-changin

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info@caplin.com

or visit our website

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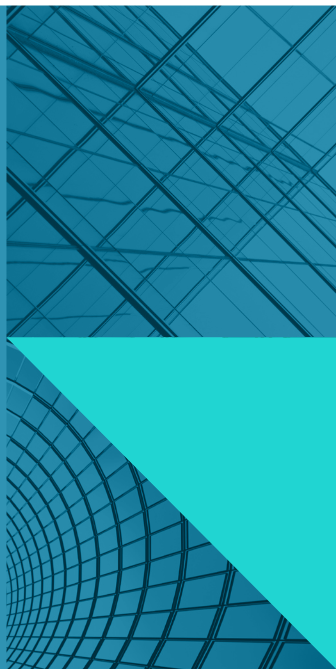

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