



# 2020 BANKING PRIORITIES

EXECUTIVE REPORT



# PRESSING ISSUES

It's an exciting and challenging time for financial institutions. Entering the third decade of the 21st century, it's an understatement to say the world is changing. At practically the speed of light, the relatively new digital world is engulfing and enhancing every aspect of our daily lives.

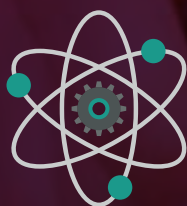
Against this backdrop, CSI polled banking executives from across the country for the fifth year in a row. Representing 227 financial institutions from across the asset-size spectrum, bankers identified the most pressing issues facing our industry as we head into 2020.

Although every institution has its own priorities on each particular issue, the question of how and when to transform to digital informed each area in our 2020 Banking Priorities Survey:

*(Want to jump ahead? Click any section below for simple navigation through the report.)*



2020 STRATEGIES



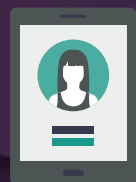
EMERGING AND RELEVANT TECHNOLOGIES



CYBERSECURITY



REGULATORY COMPLIANCE



TALENT ACQUISITION AND RETENTION

In short, digital transformation has the power to create an extremely efficient and frictionless customer experience. No matter the size of the institution nor the channel the customer uses, digital strategies can increase customer bases and create stronger and more enduring customer relationships.

# 2020 STRATEGIES



# The Big Picture

As 2019 drew to a close, bankers were focused on age-old priorities: customer retention and acquisition alongside efficiency and profitability. However, an increasing number of institutions are turning to digital answers to achieve these traditional goals.

Some institutions are further along in their digital transformation, but overall awareness of the need for a digital strategy to enhance the customer experience is clearly growing.



## HERE ARE THE MOST ILLUMINATING FINDINGS FROM OUR 2020 SURVEY:



**BIGGEST IMPACT:** After three rate cuts by the Federal Reserve in 2019 and mixed economic signals, bankers expect interest rate variability to have the greatest impact on our industry in 2020, but this was followed by a non-traditional issue—application programming interfaces (APIs) and open banking.

**PAST PERFORMANCE:** Bankers gave themselves the highest marks for customer retention and compliance readiness, but they acknowledged inadequacies in collecting and utilizing customer data, a function that can deepen customer relationships and generate more revenue.

**MARKET SHARE:** In general, the overwhelming majority of institutions plan to launch new products or services to increase market share, followed specifically by utilizing APIs/open banking and incorporating digital-only strategies.

**MOBILE BANKING APPS:** Bankers think their apps are the biggest key to attracting new customers.

**CYBERSECURITY:** Social engineering is considered the greatest danger, and institutions plan to use a combination of tactics to prevent it and other cybersecurity threats in 2020.

**DATA PRIVACY:** The General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA) apparently generated more questions than answers, as data privacy was voted the most pressing regulatory concern going into 2020.

**BUDGET DOLLARS:** As evidence of the changing footprint of our world, very few institutions will reduce spending on technology, cybersecurity or regulatory compliance.

**HUMAN RESOURCES:** Experienced and knowledgeable talent is a significant factor in developing and implementing a digital strategy. Institutions plan to use social media outreach to attract that talent and retirement accounts and performance bonuses to retain it.

# Strategically Thinking

**As the longest economic expansion in history continues, the banking industry is one of the recovery's key beneficiaries. But even with higher bank profits, financial institutions still face real and difficult challenges.**

The longer the expansion goes on, anxiety about its possible end increases, especially with news of economic slowdowns in Europe and elsewhere. In addition, competition from non-traditional banks and other sources continues to put pressure on institutions to find new ways to attract customers, streamline processes (for customers and employees alike) and increase profitability.

**STRATEGY IS ALWAYS IMPORTANT, BUT TODAY MORE THAN EVER.**



A hand holding a pen over a document, with a dark overlay containing a quote. The background is a blurred image of a hand holding a pen over a document. The overlay is a dark rectangle with a quote in white text and a signature in orange text. The quote is enclosed in large quotation marks.

“

*Nobody will disagree that the banking industry is going through massive changes unlike anything seen in decades.*

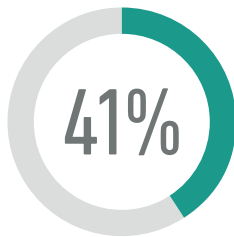
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*—The Financial Brand*

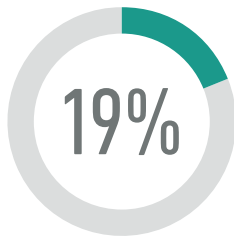


# Looking Ahead at the Financial Industry in 2020

Bankers have their pulse on the coming year. When asked *which issue will most affect the financial industry in 2020*, their responses reflected the changing times, in which banking basics are intersecting with digital transformation at an ever-increasing speed.



**INTEREST RATES:** As a reminder of the constant economic law of supply and demand, 41% of bankers are concerned about interest rate variability, a traditional, non-technical issue. Recent rate cuts justify this thought process, but institutions must still focus on other key issues likely to affect our industry.



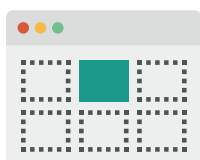
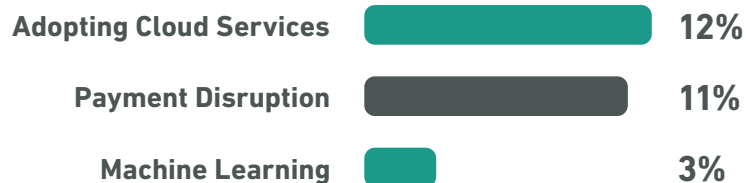
**APIs/OPEN BANKING:** 19% of bankers believe open banking will most affect the industry in 2020. This emerging development leads the technology-driven issues, suggesting that the business side of the house is catching up with the technical side in seeing the competition-leveling potential of APIs and open banking.



**MERGERS AND ACQUISITIONS:** As banks look for scale, M&A ranked third overall.



**TECHNOLOGY AS A WHOLE:** Although no single technology-driven issue gained a consensus, taken together these issues supersede interest rate variability, with 45% of executives stating that some form of technology will most affect the industry in 2020:



**THE BIGGEST SURPRISE:** Very few bankers expect machine learning to have a major impact, even though it has the potential to streamline many bank functions, including more quickly detecting fraud and more accurately identifying customer needs.

“ The API/Open Banking movement is further along in Europe, but it is gaining ground here in the United States. More and more banks are consuming APIs—either their own or from third parties—in order to provide a better, more integrated customer experience with enhanced products and services. ”

—David Albertazzi,  
research director for Aite Group

# Bankers' Self-Assessment: Strengths & Challenges

When preparing for a new year, it's always good to assess what went well and what didn't in the previous 12 months. This exercise helps keep the triumphs on track for further success and turn past deficiencies into future victories.

When asked *how they would rate their bank's 2019 performance in key areas on a scale from 1 to 5, with 5 being the highest*, executives felt quite confident in several vital areas:

## ABOVE AVERAGE

4/5



Bankers gave themselves high marks on two of the most important areas for bank profitability and safety and soundness: customer retention (4/5) and compliance readiness (3.9/5).

## ANOTHER HIGH MARK

3.7/5



Bankers are ready for cyber threats, rating themselves 3.7/5 in cybersecurity readiness. But, it's important to not get too comfortable. Cybercriminals are constantly working to circumvent the latest institutional defenses.

## STILL DECENT

3.5/5



At 3.5/5, bankers think they are providing a good (enough) in-branch experience for their customers. However, fewer (3.3/5) say the same about their digital experience, by which more and more customers prefer to bank. Further, challenges in retaining quality talent (3/5) seem to persist throughout the industry.

## LESS THAN STELLAR

2.5/5



Collecting and utilizing customer data is by far the greatest challenge for bankers in 2020 (2.5/5). Recognizing this deficiency should drive institutions to more effectively leverage customer data—whether held by themselves or their vendors—to create new potential revenue streams.

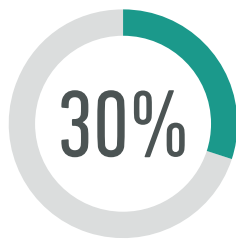
“ It's good that bankers recognize that the digital experience they are providing their customers is not fully mature or where it needs to be yet. If they want to meet the challenge of attracting a younger demographic, they must be able to deliver an exceptional and personalized customer experience on a digital platform. ”

—David Albertazzi,  
research director for Aite Group

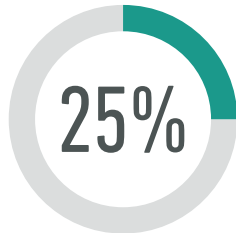
# Increasing Market Share

When asked *which tactics they would explore in 2020 to increase their institution's market share*, nearly three-fourths of the executives surveyed indicated the tried-and-true tactic of launching new products and services, although it is likely those will be digital complements to existing offerings, such as peer-to-peer (P2P) payment products and greater mobile app functionality.

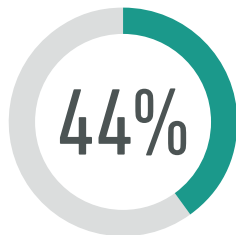
Far more striking is the number of executives who plan to use other tactics—some conventional, some decidedly less traditional—to increase market share:



**APIs/OPEN BANKING:** 30% say they plan to use APIs/Open Banking, showing the growing shift in perspective from “fintech as a threat” to “fintech as a partner.” APIs allow banks to fully integrate their proprietary software and data with any of their third-party vendors, helping them increase revenue streams and expand customer bases.



**DIGITAL-ONLY STRATEGY:** Just over one in four institutions will incorporate a digital-only strategy in the next year. This comprehensive strategy (i.e., branding, marketing, digital product and service development, streamlined workflow and delivery, etc.) allows institutions to reach new markets with a customer-centric digital experience.



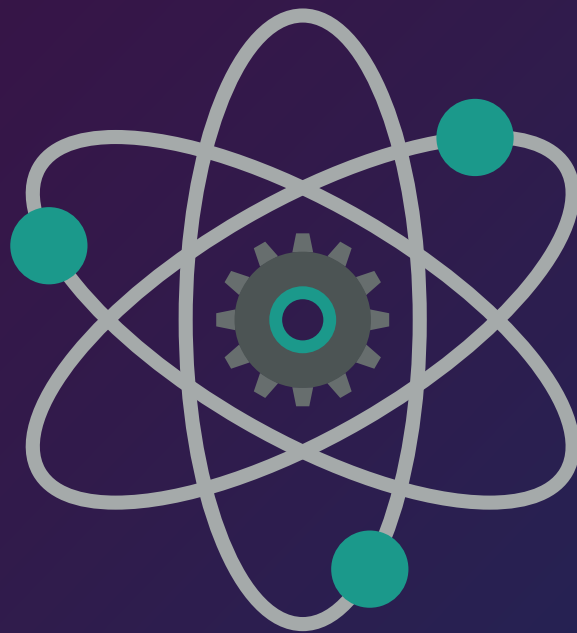
**NON-TECHNICAL TACTICS:** Even as technology becomes a significant force in market share growth, 44% of bankers still plan to pursue some physical strategy to increase it:



“ Standalone digital bank brands are a great way for traditional financial institutions to dip their toes in fintech waters and begin the transformation required to attract tech-savvy consumers and remain relevant in the future. ”

—ABA Banking Journal

# EMERGING AND RELEVANT TECHNOLOGIES



# Technically Speaking

More and more retail and commercial customers are demanding a seamless banking experience. And it's not just the centennials and millennials; Gen Xers and baby boomers also want immediate access to bank products and services.







# Attracting New Customers Through Technology

Financial institutions will need to leverage technology to meet these expectations if they want to retain existing customers and attract new ones. In terms of *which technologies institutions will use to attract new customers*, bankers are digitally focused:

1

**MOBILE BANKING APP:** Bankers know their mobile app is the best way to attract new customers. Given that a mobile app puts your bank directly in the hands of consumers, enhancing its functionality is a smart way to secure and increase your customer base.

2

**DIGITAL ONBOARDING:** Unless you provide new customers with immediate access to your bank and their accounts through digital onboarding, it will be difficult to remain competitive in today's landscape, much less tomorrow's.

3

**CUSTOMER RELATIONSHIP MANAGEMENT (CRM):** Remember, institutions admitted struggling with utilizing customer data, so it's refreshing to see CRMs relatively high on this list. Institutions making good use of their CRM can leverage customer data to proactively offer beneficial products and services to customers, even before they realize they need them.

4

**DIGITAL LENDING:** Digital lending ranked the second least important, only ahead of social media outreach. However, digital transformation is incomplete without digital lending.

A hand holding a pen over a document, with a dark overlay containing a quote. The background is a blurred image of a hand holding a pen over a document. The overlay is a dark rectangle with a gradient from purple to blue. The quote is in white text, and the attribution is in orange text. There are two sets of double quotation marks, one on the left and one on the right, framing the quote.

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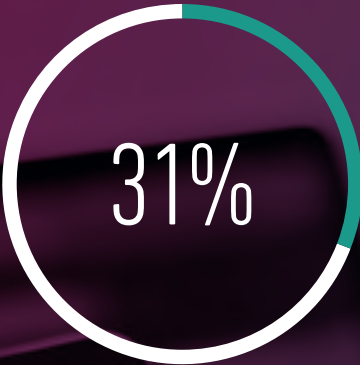
*A branchless approach, where they (consumers) can accomplish all financial transactions and banking tasks from their devices, is a surefire strategy for success.*

”

*—Banking Exchange*

# Prioritizing Payments Technology

The days of cash and checks are dwindling. So, which payments technology will be the highest priority for institutions in 2020?



## P2P

There was no clear majority answer but 31% of respondents placed the highest priority on P2P payment services. This tracks with the growing popularity and acceptance of P2P. Although it originally gained traction with centennials and millennials, it is quickly spreading to all demographics.



## SAME DAY ACH

This ranked at 27% by bankers and will remain prevalent as consumers' demand for "instant" intensifies.

## Migrating Customers to eStatements

There are significant cost, data privacy and cybersecurity benefits to reducing and eliminating paper statements, however, almost a quarter of bankers have no plans to encourage eStatement adoption. For the bankers who will push their customers toward eStatements, *these methods will be prioritized in 2020.*



### COMMUNICATING THE BENEFITS

The majority (53%) will communicate the benefits of eStatements to their customers. If this is your bank's approach, stress the added convenience, immediate access and greater security of eStatements.

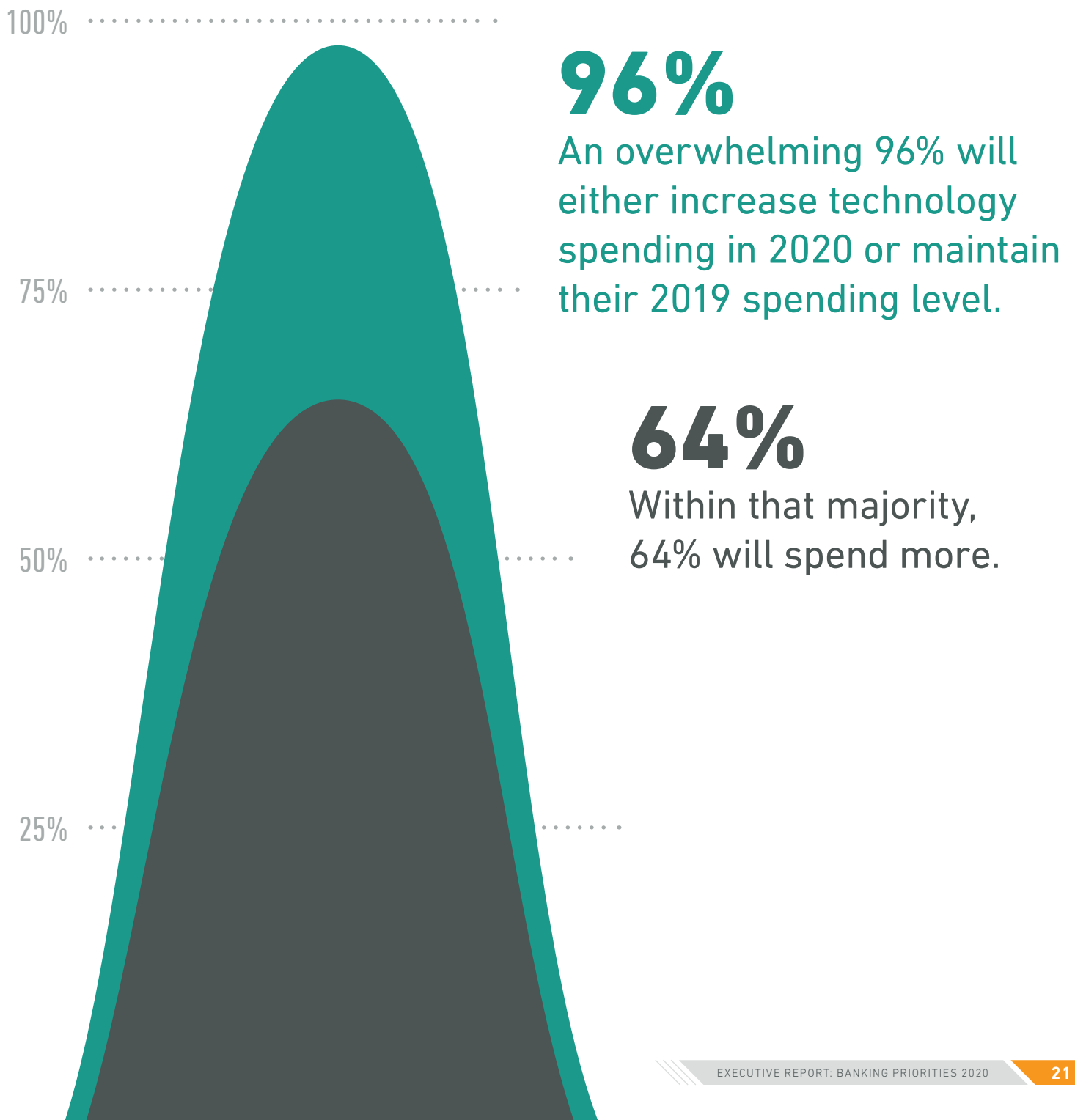


### INCREASING FEES

Surprisingly, almost one-third of institutions are thinking about or are imposing or increasing fees for paper statements. Considering that those customers who prefer paper statements are likely the most profitable, is losing them over a statement fee worth the risk? A better alternative is pricing products for new customers in a way that favors eStatements.

## Spending on Banking Technology

Given the significance of technology in transitioning to digital platforms, products and services as well as improving the overall customer experience, *how will this affect technology spending in 2020 as a percentage of institutions' budgets?*



“

*The mobile and digital transformation  
in the banking system has only just  
begun and growth is already explosive.*

”

*—GoBankingRates*

# CYBERSECURITY



# A New Decade of Cyber Threats

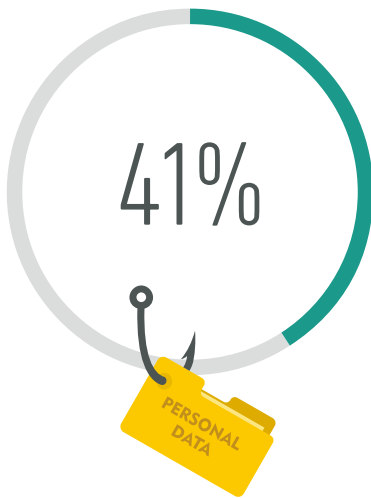
It's good that institutions feel so confident about their cybersecurity readiness. But, at the same time, it's concerning. Experts warn that as fast as institutions get a grip on the latest hacking techniques and install preventative measures, cyber criminals adjust and adapt.





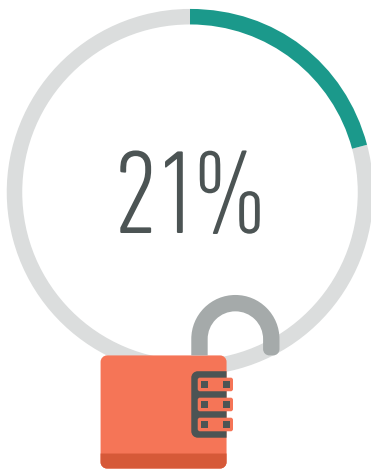
# Assessing Cybersecurity Threats

Therefore, we delved deeper into cybersecurity to gauge bankers' understanding of this continuously evolving risk and asked *what is the greatest cybersecurity threat to your bank in 2020?*



## SOCIAL ENGINEERING

This was the clear winner with 41% of executives ranking it highest. This tracks with the enduring popularity of social engineering for the ease with which it consistently preys on human emotion to gain access to financial systems and data.



## THIRD-PARTY DATA BREACHES AND RANSOMWARE

At 21% and 20%, respectively, these threats followed social engineering, with no other threats eliciting a significant reaction. The best ways to combat these threats are conducting sound due diligence on vendor cybersecurity readiness and frequently backing up data.

# Preventing Cybersecurity Threats

Further, we wanted to know *which cybersecurity prevention tactics bankers would leverage in 2020*. We let bankers choose multiple answers for this question. The result? Cybersecurity readiness comes in many forms, and most bankers use a wide array of tactics in the fight.

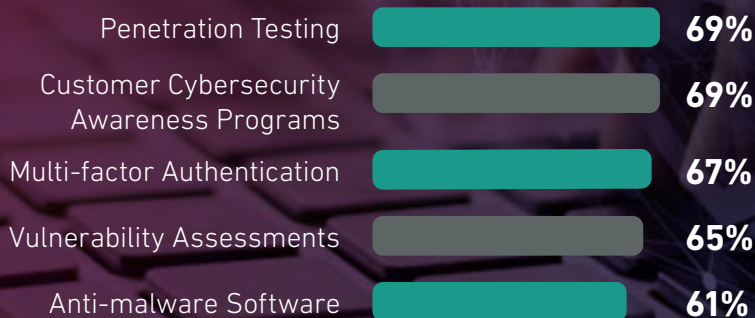
**EMPLOYEE AND BOARD TRAINING:** Eight in 10 will use workforce education and awareness to reduce risk.



**CYBERSECURITY RISK ASSESSMENTS:** About seven in 10 will use this exercise to enhance their cybersecurity readiness.



**ADDITIONAL TACTICS:** Between six and seven in 10 will use the following:



**CYBER INSURANCE:** Although financial institutions will find it invaluable in the event of a cybersecurity breach, as many general liability policies exclude cyber incidents, only half (50%) plan to purchase cyber insurance.



# Cybersecurity Spending

Finally, how much will banks spend on cybersecurity as a percentage of their overall budget?

A significant majority (59%) will increase cybersecurity spending and 99% will either increase it or keep it at the same level.



“

*Banks will always be a high-profile (cybersecurity) target, and leaders in the financial industry must stay on top of their cybersecurity protocols.*

”

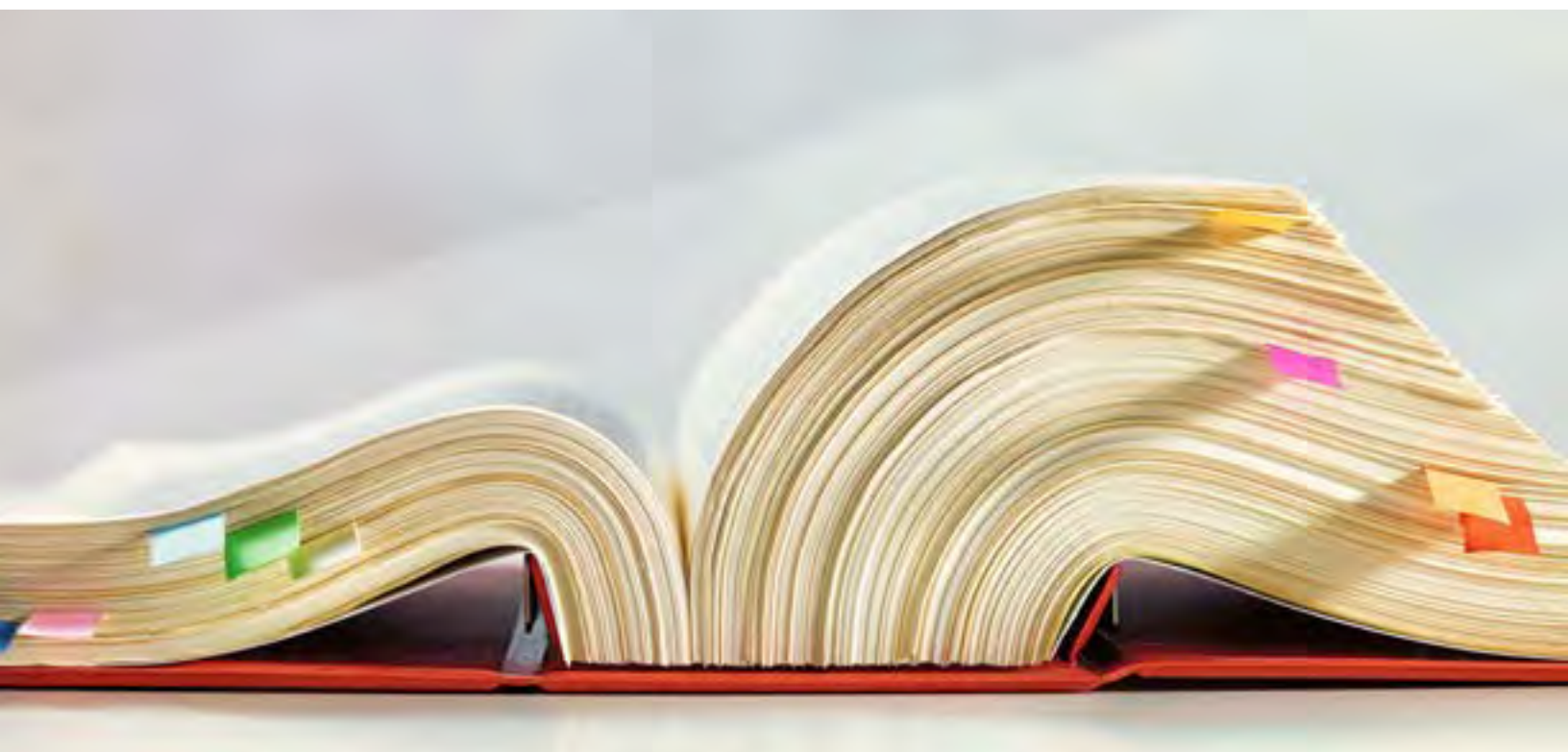
—TechTimes

# REGULATORY COMPLIANCE



# Rule (and Reg) Following

In the midst of the digital upheaval in our industry, one thing hasn't changed: regulatory compliance. In fact, given digital transformation, it is even more important that institutions maintain their compliance with federal, state and local laws and regulations. If not, they risk examiner censure and monetary penalties.



# Focusing on Regulatory Compliance

Of all the rules and regulations on the books, we wanted to know which upcoming regulatory issues were most important to financial institutions on a scale from 1 to 5, with 5 being the most important.

## DATA PRIVACY

3.9/5



An average rating of 3.9/5 reveals industry anxiety about GDPR and CCPA compliance, as well as concern that more state-enacted privacy laws—each with their own nuances—is looming. Keep in mind that digital-only strategies will likely expand customer bases into even more jurisdictions that may have distinct privacy laws.

## BSA/AML AND BENEFICIAL OWNERSHIP/CDD RULE

3.5/5



Executives think BSA/AML modernization (3.5) is a vital issue in 2020, as is the corresponding Beneficial Ownership/CDD Rule (3.3/5). But there's good news! The [Corporate Transparency Act of 2019](#) would transfer some of the burden off of banks, as it "requires certain new and existing small corporations and limited liability companies to disclose information about their beneficial owners."

## REG CC AND CECL

3.4/5



Rounding out the top 5 most important regulatory issues, bankers identified upcoming changes to Regulation CC (3.4/5) and the Current Expected Credit Loss (CECL) standard (3.1/5).

## MARIJUANA BANKING

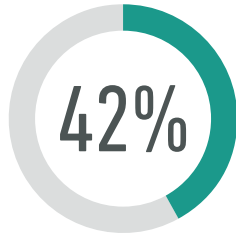
2.6/5



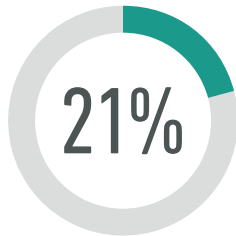
Although a growing number of banks view Marijuana Related Businesses (MRBs) as a potential new target industry, as a regulatory issue, it was not ranked as a priority.

# Spending on Regulatory Compliance

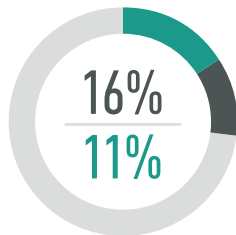
For the financial industry, compliance is an ever-weaving web of intricacy. So, which regulatory issue will claim the largest percentage of banks' 2020 budgets?



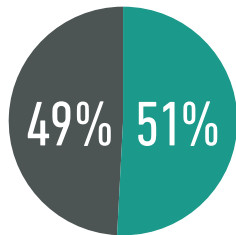
**DATA PRIVACY:** In a sign that compliance priorities match budget plans, institutions are poised to spend the most on the area they considered most important, as 42% answered data privacy.



**CECL:** However, their next regulatory spending priority is CECL at 21%. Although it ranked fifth in importance, institutions recognize the extensive effort required to implement this huge overhaul in loan loss accounting, even with a delayed implementation date for most institutions.



**AML AND VENDOR MANAGEMENT:** At 16% and 11%, respectively, these issues will take the next largest share of budget dollars.



As a whole, *will there be any change in the percentage of overall bank budgets for regulatory compliance spending?*

Institutions are split with 49% set to increase spending and 51% who plan to spend the same as 2019.



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*While open banking can create new monetization opportunities, the growing prevalence of data privacy regulations around the world could bring new data-driven risks.*

”

*—American Banker*

# TALENT ACQUISITION AND RETENTION



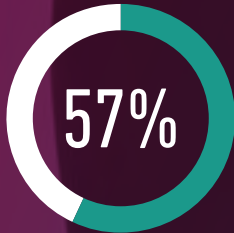
# Banking's Greatest Resource

Financial institutions will need to recruit and retain a talented workforce in order to plan and complete their digital transformation, create a better user experience, leverage emerging technologies and strengthen their cybersecurity readiness and regulatory compliance.



# Attracting and Retaining Top Talent

With record low unemployment, *what methods will banks use to attract new talent in 2020?*

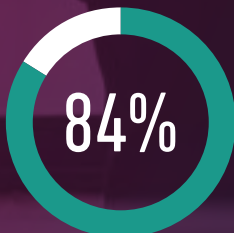


**SOCIAL MEDIA OUTREACH:** In an attempt to reach centennials and millennials where they congregate, a significant majority of 57% will use this 21<sup>st</sup> century technique.

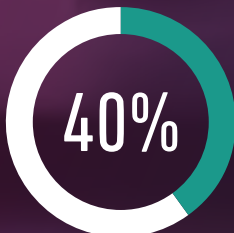


**MORE TRADITIONAL STRATEGIES:** Around one in three institutions will offer internships, recruit on college campuses and participate in regional and local job fairs respectively.

*And what benefits will they offer to retain talent in 2020?*



**DIRECT COMPENSATION:** Nearly all institutions (84%) will offer a 401K match or other retirement plan, while 66% will use performance bonuses.



**OTHER TRENDING BENEFITS:** Around 40% of institutions will also use tuition reimbursement, paid maternity or paternity leave and workplace wellness programs.

“ Even though LinkedIn has become a valuable recruiting resource, it’s still important for banks to recruit on college campuses and provide internships. There’s no substitute for meeting candidates face-to-face and sharing enthusiasm for a career in financial services, especially if banks want to compete against emerging industries for the most qualified candidates. ”

—David Albertazzi,  
research director for Aite Group

# ABOUT THE CSI 2020 BANKING PRIORITIES SURVEY

CSI conducted its annual Banking Priorities Survey to gauge banking executives' thoughts and expectations for 2020, allowing them to compare the results with their own plans.

Of the 227 respondents:

95% represented banks

3% credit unions

The job titles of those surveyed were as follows:

35% C-Level Executives

38% Senior Vice Presidents or Vice Presidents

16% Directors or Managers

11% "other"

The institutions surveyed in this study ranged in asset size from less than \$100 million to greater than \$1 billion as follows:

Less than \$100M: 14%

\$100M - \$249M: 35%

\$250M - \$499M: 23%

\$500M - \$1B: 16%

Greater than \$1B: 12%

For more information about the CSI 2020 Banking Priorities Survey or for help planning your digital transformation, bolstering your cybersecurity readiness or strengthening your regulatory compliance, visit CSI at [csiweb.com](https://csiweb.com).

## ABOUT COMPUTER SERVICES, INC.

Computer Services, Inc. (CSI) delivers core processing, managed services, mobile and Internet solutions, payments processing, print and electronic distribution, treasury management and regulatory compliance solutions to financial institutions and corporate customers across the nation. Exceptional service, dynamic solutions and superior results are the foundation of CSI's reputation and have resulted in the company's inclusion in such top industry-wide rankings as the FinTech 100, American Banker's Best Fintechs to Work For and MSPmentor Top 501 Global Managed Service Providers List. CSI's stock is traded on OTCQX under the symbol CSVI.

FOR MORE INFORMATION ABOUT CSI, VISIT [WWW.CSIWEB.COM](http://WWW.CSIWEB.COM).



# APPENDIX

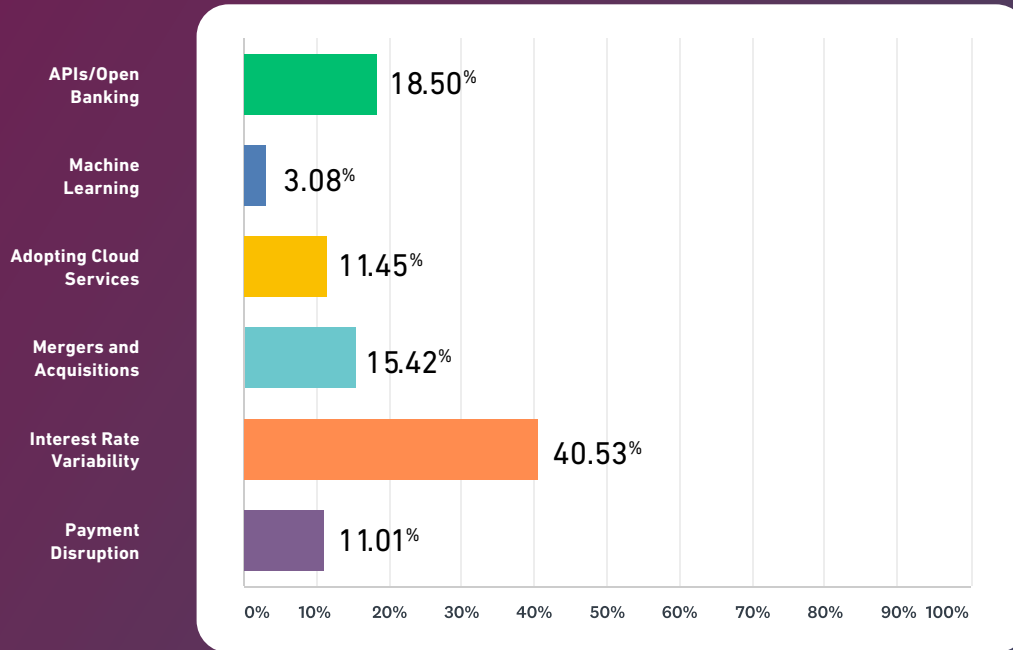
CSI's annual Banking Priorities Survey poses questions to banking executives, designed to reveal the top financial industry issues and trends this year. In the following pages, you'll find charts containing the complete results of the survey.

*What conclusions can you draw from the data?*



Q1

Which one issue will most affect the financial industry in 2020?



# Q2

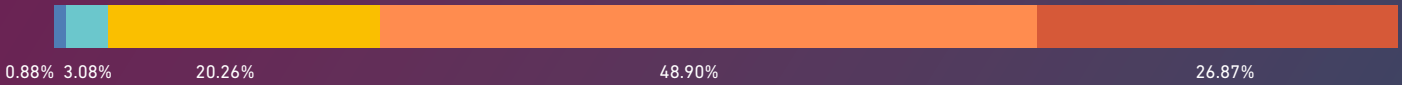
How would you rate your bank's performance in the following areas?

1 Lowest      2      3      4      5 Highest

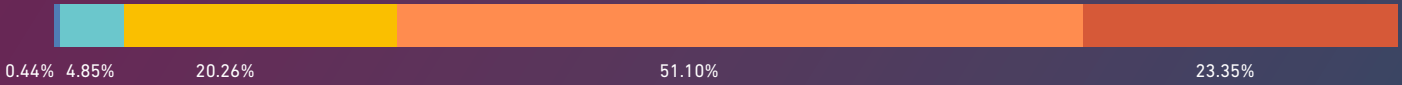
## Attracting New Customers



## Retaining Current Customers



## Compliance Readiness



## Cybersecurity Readiness



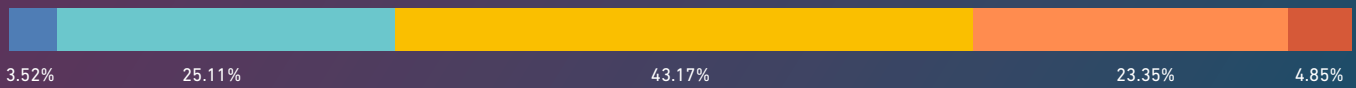
## Digital Experience



## In-Branch Experience



## Recruiting and Retaining Talent

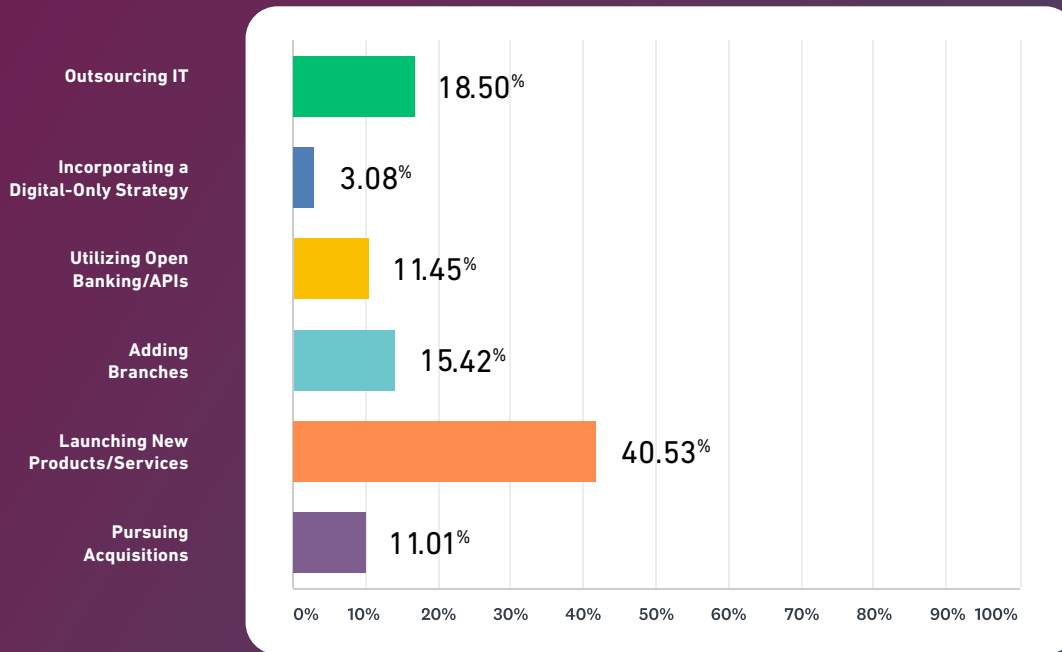


## Collecting and Utilizing Customer Data



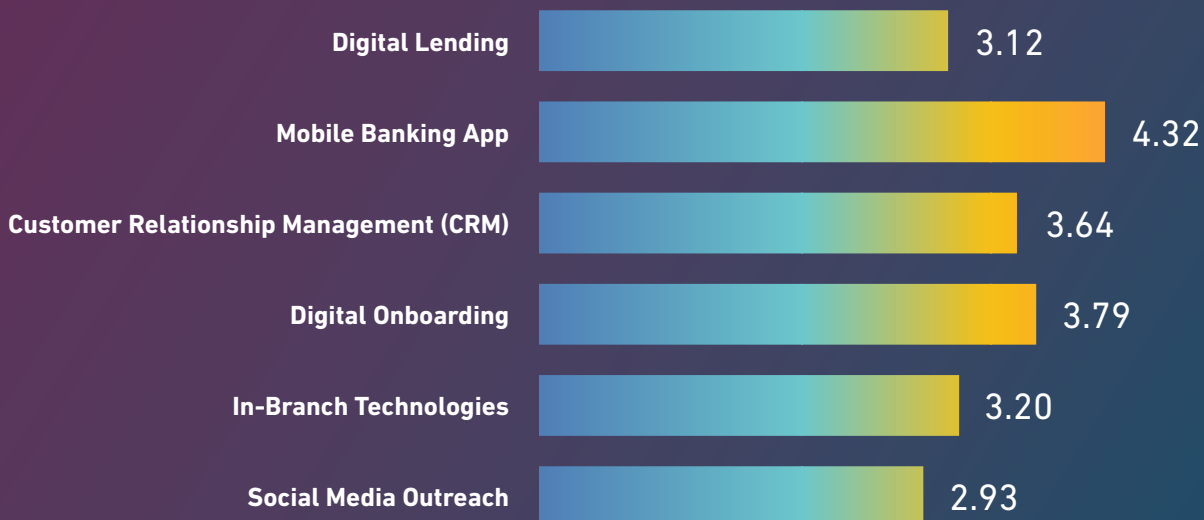
Q3

Which of the following tactics will you explore in 2020 to increase your institution's market share? (Check all that apply)



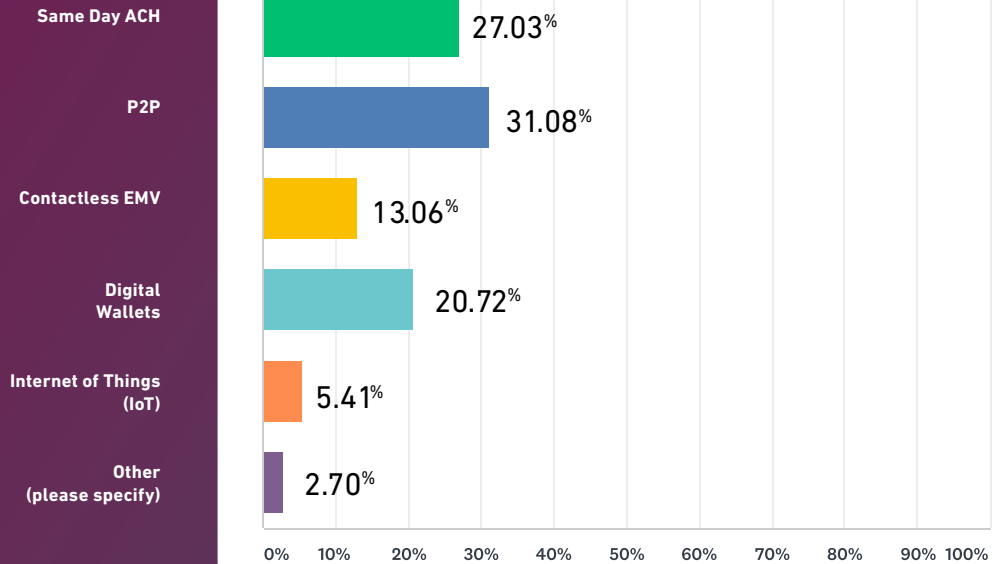
Q4

Which technologies will your institution use to attract new customers in 2020? Please rank the following in order from greatest to least importance.



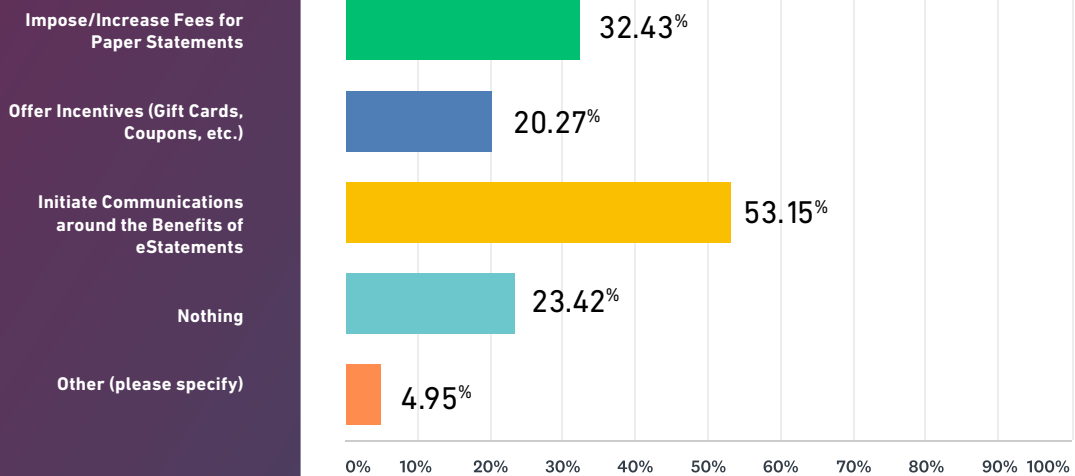
Q5

Which payments technology will be the highest priority for your institution in 2020?



Q6

Which methods will your bank use to increase eStatement adoption this year? (Check all that apply)



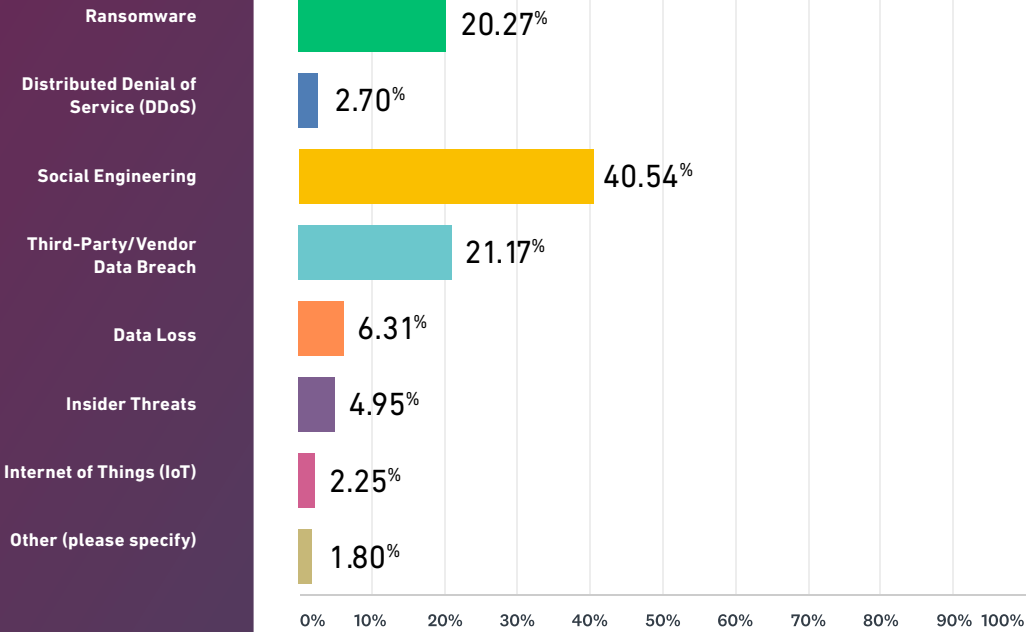
# Q7

As a percentage of your overall budget, technology spending in 2020 will:



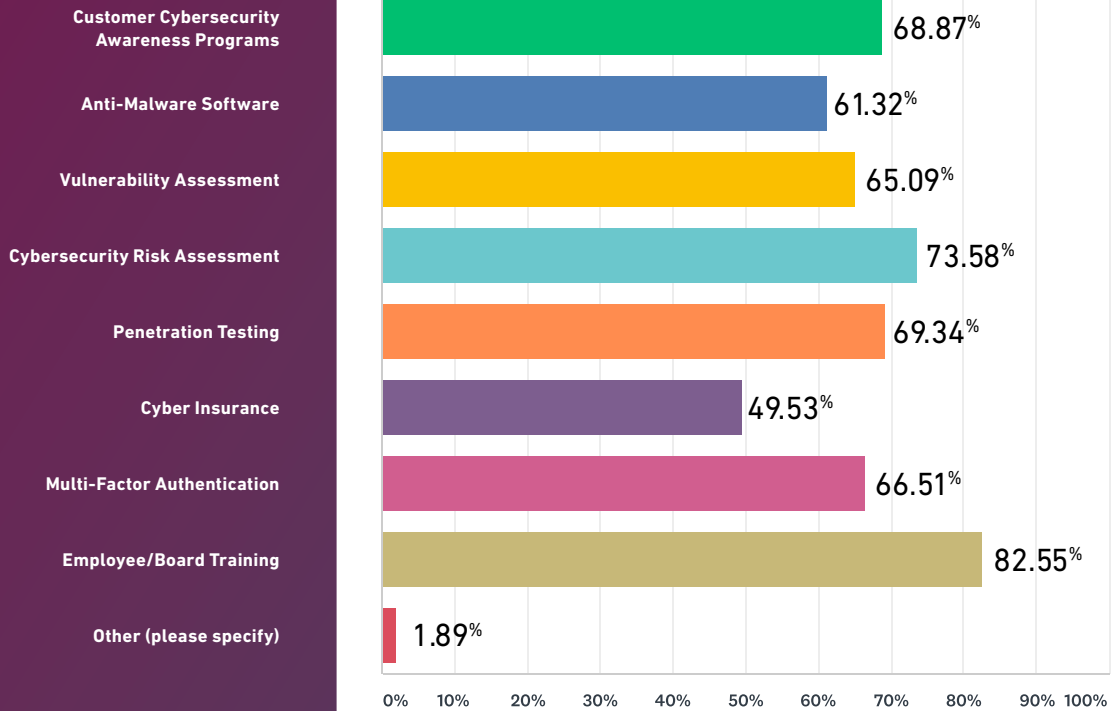
# Q8

What is the greatest cybersecurity threat to your bank in 2020?



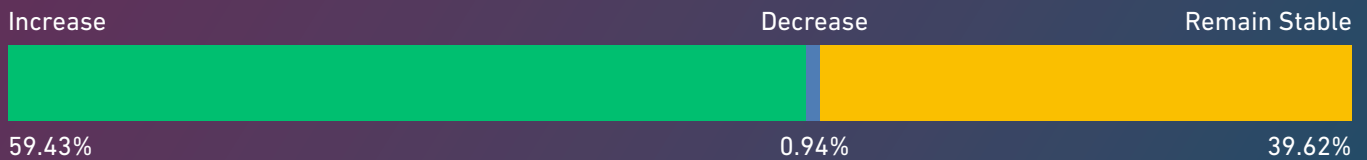
Q9

Which of the following cybersecurity prevention tactics will you leverage in 2020? (Check all that apply)



Q10

As a percentage of your overall budget, cybersecurity spending in 2020 will:



# Q11

Please rate these upcoming regulatory issues by importance for your bank.



## CECL



## Marijuana Banking



## Political/Sanctions Programs



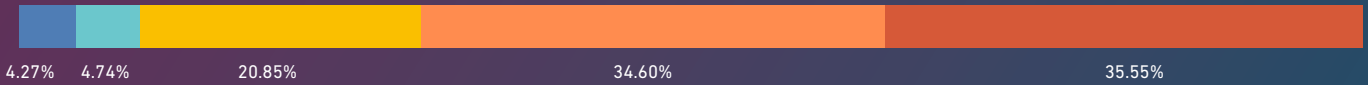
## BSA/AML Modernization



## Beneficial Ownership/CDD Rule



## Data Privacy



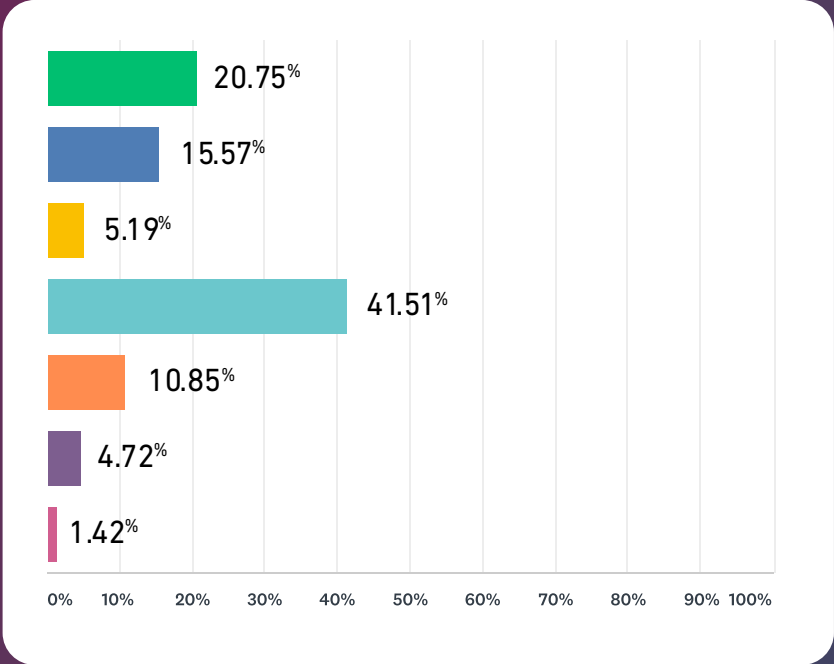
## Changes to Regulation CC



# Q12

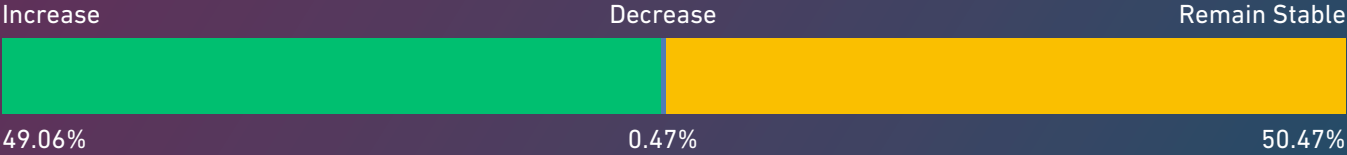
Which regulatory issue will claim the largest percentage of your budget in 2020?

- CECL Implementation
- AML/Financial Crime Prevention
- Marijuana Banking Due Diligence
- Data Privacy/Protection
- Vendor Management
- HMDA/CRA Modernization Rule
- Other (please specify)



# Q13

As a percentage of your institution's overall budget, regulatory compliance spending in 2020 will:





Q14

What methods will your bank use to attract new talent in 2020?  
(Check all that apply)

College/University Relations

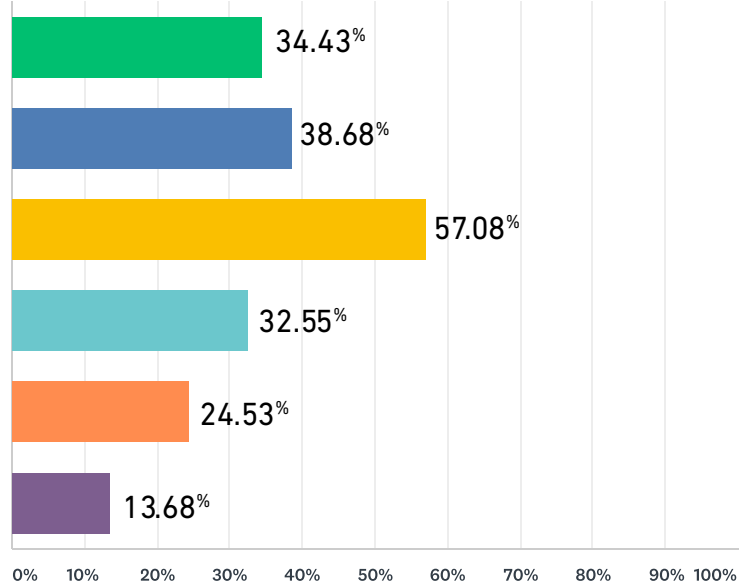
Internships

Social Media Outreach

Local/Regional Job Fairs

Outsourcing

Other (please specify)



Q15

What benefits will your institution offer employees in 2020?  
(Check all that apply)

Tuition Reimbursement

401K Match, Profit Sharing or  
Other Retirement Plan

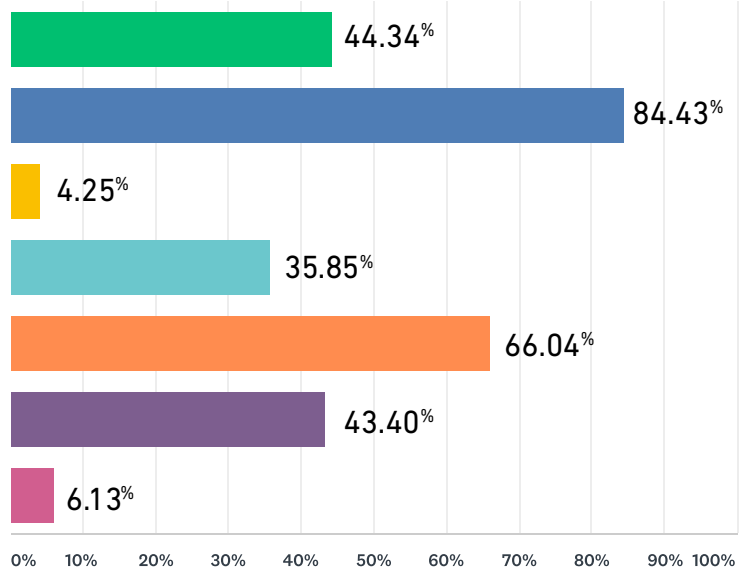
Unlimited Vacation

Workplace Wellness  
Program/Gym Reimbursement

Performance Bonuses

Paid Maternity/Paternity Leave

Other (please specify)



# Q16

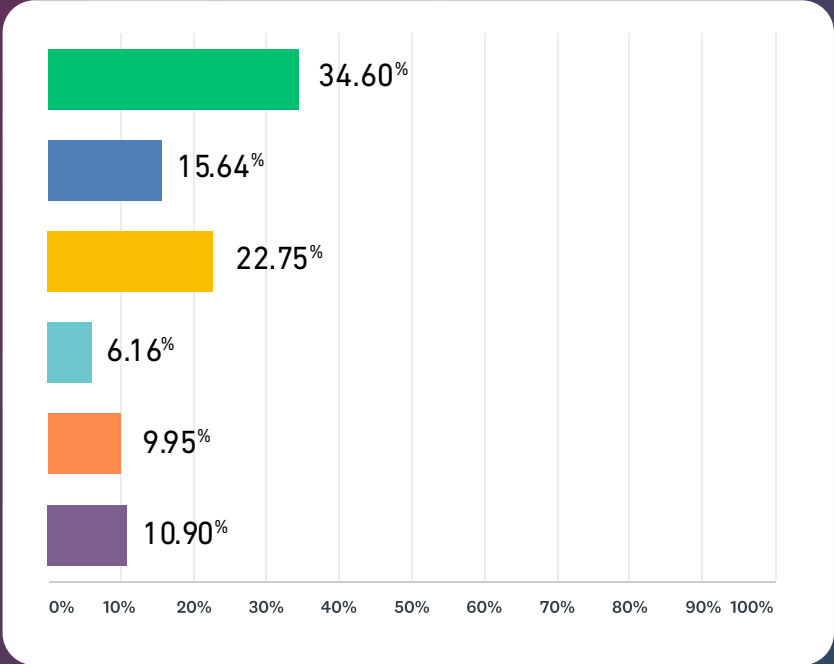
Which best describes your institution?



# Q17

Which best describes your role?

- C-Level Executive
- Senior Vice President
- Vice President
- Director
- Manager
- Other (please specify)



# Q17

What is your institution's asset size?

