

Digital Agenda of Romanian Retail Banking

White Paper – Presentation for
SWIFT Business Forum Romania



The White Paper has been developed with support from 11 banks, in a joint effort to speed up adoption of digital solutions in Romania

White Paper context, objectives and participants

CONTEXT & OBJECTIVES

- > **Romania has reached the digital tipping point** and the acceleration of retail banking digital agenda will bring numerous benefits to consumers, banks and public institutions alike
- > The paper focuses on the **main regulatory stumbling blocks** to introducing **digital end-to-end processes** and **potential solutions** to these obstacles, in a joint effort to speed up the adoption of digital solutions in Romania



PARTICIPANTS

The Digital White Paper aims to answer three critical questions

White Paper key questions



1 Why?

The digital imperative in Romanian retail banking

2 What?

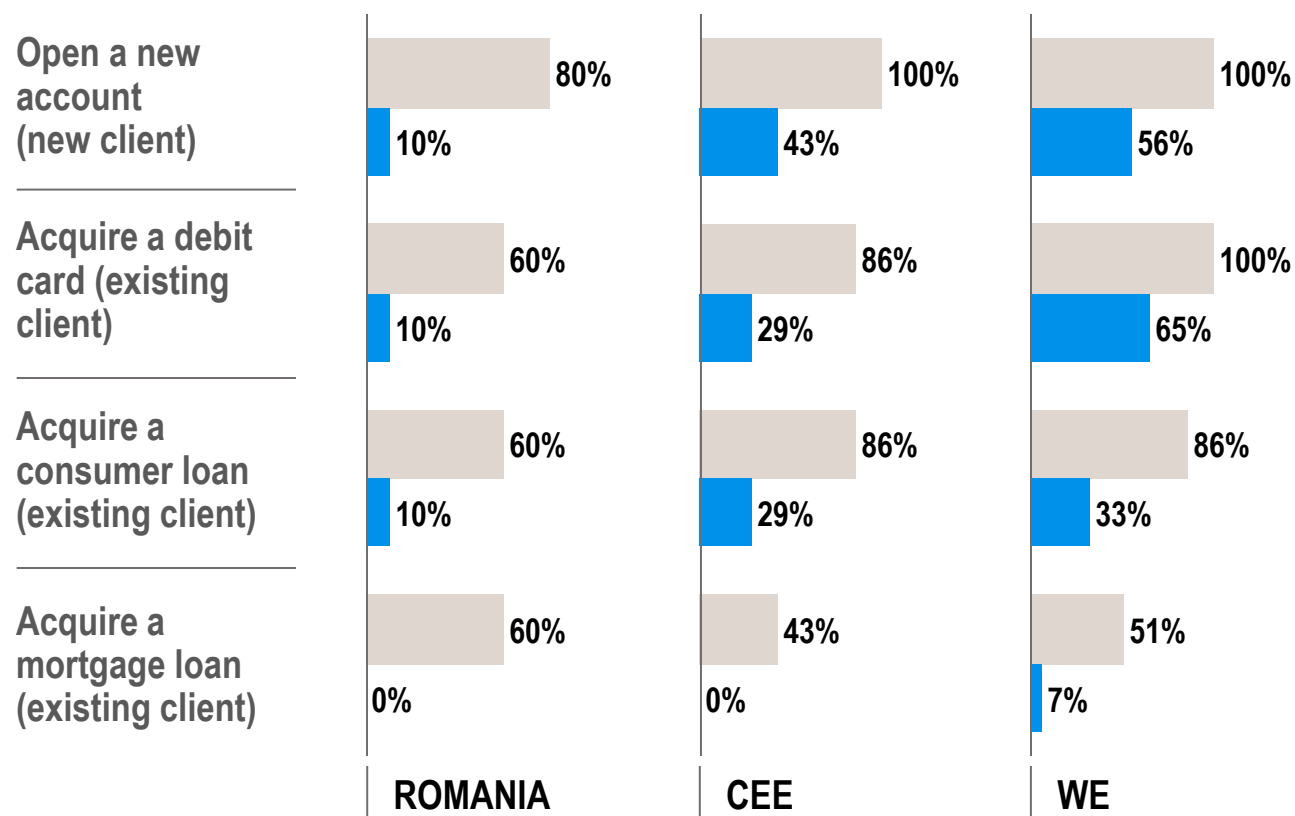
Main regulatory stumbling blocks for digital end-to-end processes

3 How?

European case studies and best practices

The adoption of end-to-end digital solutions in Romania is lagging significantly behind WE and other CEE countries

Benchmarking of banking services availability via digital channels [% of banks¹⁾]



- > Results according to a Roland Berger Retail Survey conducted at European level – More than 10 Romanian banks participated and over 65 from other European countries
- > Romanian consumers have a very limited range of services that can be acquired remotely, via an end-to-end digital process – Significant gap vs. not only WE markets, but also vs. other Central and Eastern European countries (e.g. Poland)

■ Process initialization via digital channels ■ Process closure via digital channels

1) Share of banks from the ones participating in the Roland Berger Retail Banking Survey

The acceleration of retail banking digital agenda will bring numerous benefits to consumers, banks and public institutions alike

Key benefits

- 1 Better satisfy consumer needs** – Increasing internet penetration and usage coupled with the rise in digitally mature population creates increasing demand for digital banking solutions; critical mass of digital natives

- 2 Reduce network and processes costs** – Increased digitalization will reduce OPEX, with positive impact on price paid by consumers; higher ROI will also increase investments in the local banking sector and accelerate innovation

- 3 Increase financial inclusion** – Digitalization can be a game changer, enhancing financial services accessibility and boosting banked population in less developed areas

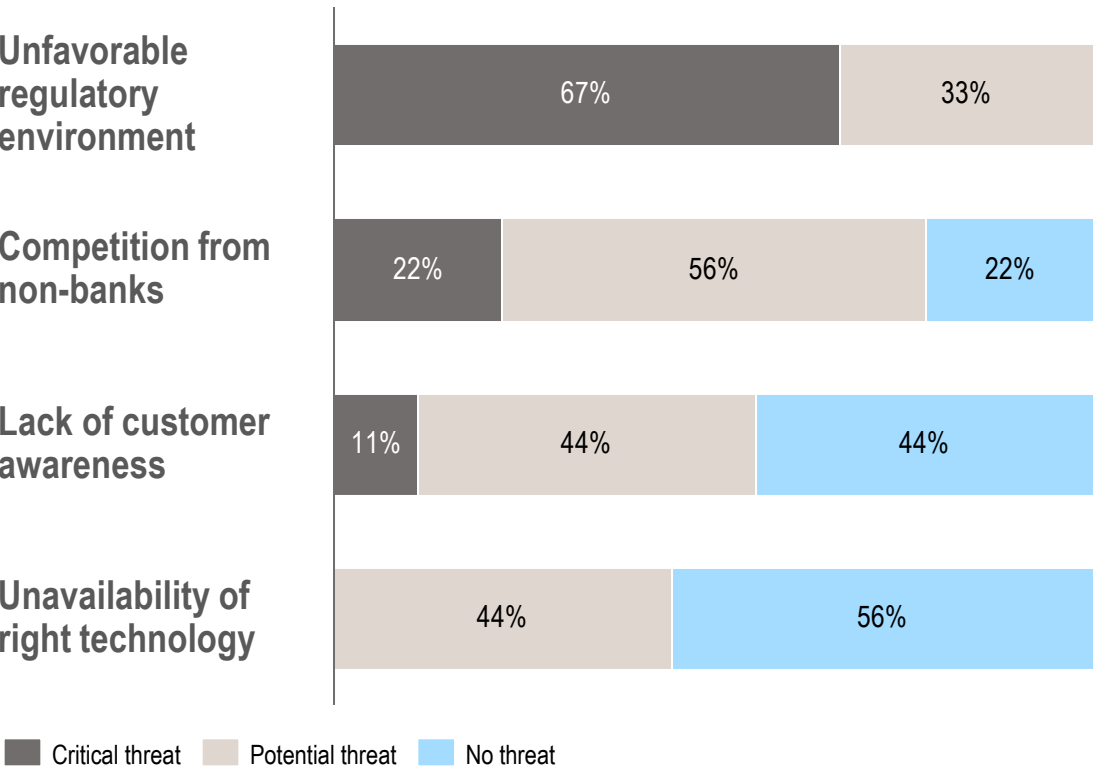
- 4 Increase Romania's attractiveness for investors** – Improving the availability and affordability of financial services would also increase Romania's appeal to foreign investors; digital solutions are a key enabler

- 5 Reduce shadow economy** – Increasing financial inclusion and electronic payments usage effectively reduces shadow economy; digital solutions are critical for success

- 6 Ensure fair competition** – Banking is witnessing an increasing number of innovations with disruptive potential; several of them already present in Romania – Enhanced digitalization ensures level playing field for all competitors

Romanian banks perceive regulation as the most critical hurdle against digital transformation

Main hurdles identified by Romanian banks¹⁾ against digitalization [% of banks¹⁾]



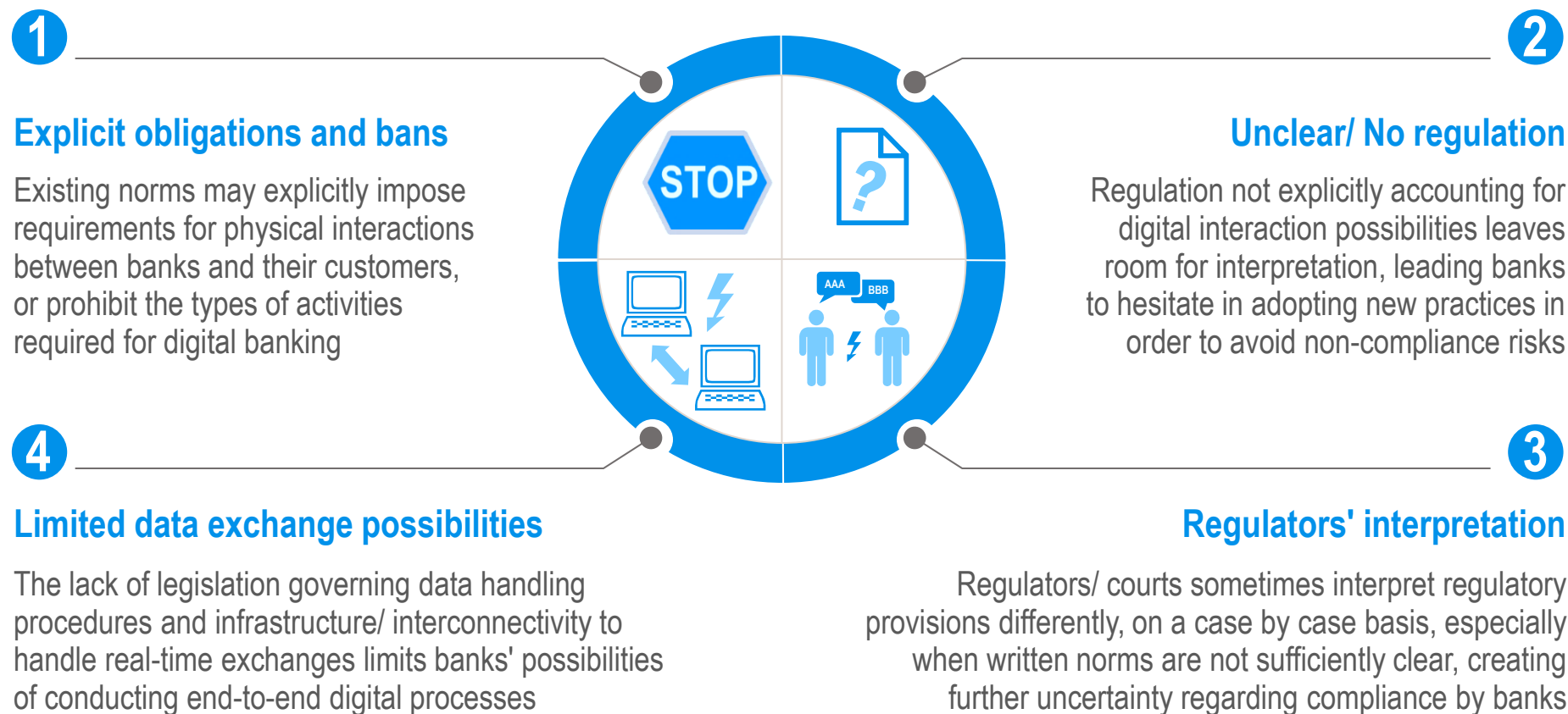
- > While in other European countries regulation has adjusted to address opportunities provided by the digital revolution, Romania seems to be lagging behind
 - In CEE and WE, only 46% of banks see the regulatory environment as a threat²⁾ against digitalization
- > Local banks have all highlighted the imperative to adapt the Romanian regulatory framework to the most recent technological and competitive developments, so that they can better satisfy consumer needs and remain competitive in an increasingly challenging environment

1) Share of banks from the ones participating in the Roland Berger Retail Banking Survey 2) In total, 65 banks from 12 countries participated in a Roland Berger Retail Survey on digital transformation in retail banking, in addition to the Romanian banks

Source: Roland Berger Retail Banking Survey

Regulatory roadblocks can appear in many forms – Issues arise from both explicit rules and unpredictable interpretation

Source or regulatory hurdles for Romanian banks



Roadblocks requiring changes can be clustered in three groups – All must be addressed to allow for end-to-end digital transformation

Digital process roadblocks along customer journey – Onboarding and lending



Identity verification and authentication – KYC regulations require customers onboarding to be conducted face to face, in person; customers are required to visit the branch also for information updates (regular intervals or when contact information has changed)



Paper documents and signature – Documents provided by customers need to be in original, in physical format; customer signature recognized only on paper support; documents provided by banks delivered in physical format in most cases



Proof of revenues – Information provided by third parties (employer, ANAF) as the only acceptable source of data for client scoring; usage of own customer data (e.g. payroll account history) not allowed; loan refinancing or limit increase treated as new loans

Numerous potential solutions are available at European level, all of them fully aligned with current European legislation

European best practices and case studies



- > There are numerous best practices available at European level, all of them fully aligned with current European legislation
- > No general "European solution" identified, based on our research – Most initiatives appear to be country-specific

Roland
Berger

