

Banking and Capital Markets bi-weekly news round-up

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Welcome to the DXC-curated news round-up.

A collection of technology-related articles for banking and capital markets (BCM). DXC Technology (NYSE: DXC) helps global companies run their mission-critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds.

With this news round-up, published every 2 weeks, we highlight innovative and emerging news, regulation and research, as well as including DXC thought-leadership that explores new ideas, technologies and best practices.

To thrive in the complex and competitive financial market, banking and capital markets firms need products and services that work for twenty-first century customers and meet regulatory obligations. Modernise your IT and transform your business with [DXC Technology's IT services](#) and [robust partner ecosystem](#).



Should you have any comments or suggestions, please feel free to contact me.

Happy reading.

Jean-Paul Simoes

**Director of Banking and Capital Markets (BCM)
Compliance, DXC Technology**

jean-paul.simoese@dxc.com

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Artificial Intelligence (AI)

The A.I. Wars Have Three Factions, and They All Crave Power

Note: Accessing the full article may require a subscription.

New York Times: There is no shortage of researchers and industry titans willing to warn us about the potential destructive power of artificial intelligence. Reading the headlines, one would hope that the rapid gains in A.I. technology have also brought forth a unifying realization of the risks — and the steps we need to take to mitigate them.

The reality, unfortunately, is quite different. Beneath almost all of the testimony, the manifestoes, the blog posts and the public declarations issued about A.I. are battles among deeply divided factions. Some are concerned about far-future risks that sound like science fiction. Some are genuinely alarmed by the practical problems that chatbots and deepfake video generators are creating right now. Some are motivated by potential business revenue, others by national security concerns.

The result is a cacophony of coded language, contradictory views and provocative policy demands that are undermining our ability to grapple with a technology destined to drive the future of politics, our economy and even our daily lives.

Banks looking to innovate want help from AI: Survey

Note: Accessing the full article may require a guest account or subscription.

American Banker: Competition from fintechs and neobanks that specialize in excellent digital experiences have forced the hands of banks and credit unions to focus their innovation efforts on customer experience, leaving areas such as operations, products, business models or partnerships on the back burner.

This focus has also made banks sensitive to technological levers they can pull to bolster their customer experience. Recent developments in generative AI have blown away both retail and enterprise users, leading banks to heavily consider the technology as a potential differentiator in the customer experience arms race.

These findings from [a recent survey](#) by American Banker build on previous work by others, including consulting firms [McKinsey & Company](#) and [PWC](#), that found customer experience to be a key differentiator for potential clients, a distinct competency of leading financial services companies and an obsession among smaller institutions looking to grow their business.

The survey, conducted by American Banker's parent company Arizent, found that customer experience has grown over the past year as a priority for financial institutions, with 78% of respondents last year reporting it as a top-three innovation priority compared to 92% saying so this year.

DXC's perspective

This is a meaty report on GenAI that acts as a useful primer. For example, there are detailed sections on GenAI risk, investment, and sustainability. In all the drive to adopt GenAI, however, the key question is this: How do we train our organisation in GenAI faster than we are training our GenAI models? If the balance is wrong, we risk not just wasted investment but also developing systems that may be harmful to customers, the business, and its reputation.

David Rimmer
Industry Advisor, BCM
DXC Technology

AI Here & Now

Note: Accessing the full report may require providing some information.

Gartner Business Quarterly: Enterprise leaders cannot ignore generative AI because their rivals won't. As the hype swirls — will it save untold hours of work? will it end life as we know it? — only one thing is clear: It won't go away.

Nearly half of more than 2,500 executives we polled said they have been planning to spend more on AI of all kinds since ChatGPT rolled out in late 2022. And separately, dozens of executives have told us in conversations that they want to move faster than they did on past AI initiatives and get something into production within a year.

Their biggest question: What steps must we take over the next 12 months, so we don't have to play catchup for years to come — while protecting against pitfalls known and unknown?

This issue of *Gartner Business Quarterly* will help you act now. It's packed with use cases along with guidance for considering investments, enticing customers, and rethinking your talent strategy. Just as importantly, you'll find analysis of very real dangers ahead, some that have hit the headlines and some that have not.

Pathways to progress: Board Oversight and Accountability in an Artificially Intelligent World

CMS Law-Now: The unexpected speed with which Artificial Intelligence (AI) has captured the public imagination – both in business and in private lives – has been staggering. And both the regulators and the regulatory system itself have struggled to keep up with the pace of change.

In October 2022, the FCA and the PRA issued DP5/22, which sets out a high-level framework for discussion of the evolving regulation of artificially intelligent systems. While the questions the regulators asked back in 2022 were potentially wide ranging, the tenor of the discussion paper was clearly geared towards evolution in the regulatory regime, and not revolution.

That made sense. Given the Government's re-positioning of the UK post-Brexit, the impact of AI on the wider economy, the advent of the regulators' competitiveness objectives and the government's broader consultation on AI regulation (which closed in June 2023), it is difficult to see how the UK regulators can go too far out on a limb.

What does this mean in practice?

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Essential Evolution of Banking: How Banks Can Transform Testing Using AI

DXC Technology webinar – 1st Nov.: The IT landscape of typical large financial services institutions has become so complex that no one — at least no human — can completely understand the impact of change on the end-to-end environment. At the same time, the price of failure from poorly implemented change has never been higher. Outages impact brand, customers, and colleagues, and are a major concern to regulators focused on operational resilience.

Into this *complexity gap* are stepping new generations of AI that have proven very capable at recommending appropriate tests, and even writing them for you. The result is testing that is both more effective and more efficient. AI is already predicted to transform software development, marketing, research, and many other walks of life — why not testing, too?

Join this 1st Nov. session with experts from DXC and Tricentis to hear how adding a layer of intelligence can transform key areas of testing such as test data management and test case design. This intelligent testing enables the safer, more predictable, and faster change that customers, application teams, operations and regulators are all looking for.

Bank Sector

Customers' credit scores hit by Barclays IT fault

Note: Accessing the full article may require a subscription or small payment.

Financial Times: Barclays bank has been accused of damaging the credit records of buy-to-let mortgage borrowers by failing to fix a key software fault customers first reported at least six years ago.

The high street bank has informed one affected customer that it is “unlikely” to resolve the problem before the end of 2024, when it plans to move clients to a new system. Customer accounts managed with the bank’s Trinity IT system did not accurately record monthly loan repayments, resulting in the bank wrongly flagging customers in arrears and marking down credit records shared with credit agencies.

Borrowers were left unable to secure new loans or move to other lenders, including over the past two years when interest rates have soared. In one case, Barclays mistakenly issued seven monthly defaults on 22 mortgages on a single borrower’s credit file.

Internal emails reviewed by the Financial Times showed Barclays was aware of the software fault as long ago as 2017, but it still refused customers’ requests to switch out of Trinity-based products without paying exit penalties.

Cloud

Banks can improve scalability and leverage existing investments with a hybrid cloud strategy

DXC Technology: Success in the banking industry requires the ability to derive value from large amounts of data, deliver superior and personalized customer service, and get to market quickly with innovative services — all while controlling infrastructure costs. A properly deployed hybrid cloud environment enables the agility, scalability and infrastructure services that banks need to meet the demands of the modern banking customer and maintain a competitive advantage.

Historically, companies in the financial services industry have had mountains of data to deal with, and when cloud computing emerged with the potential to offer virtually unlimited storage capacity, banks quickly jumped on the bandwagon.

Consumable services from public cloud, such as advanced data analytics and machine learning, allow rapid insights from this data. Furthermore, the acceleration of AI developments will require specialized compute capabilities and the digitization of vast amounts of data, making it difficult for banks to keep up if they are not in the cloud.

Still, many banks remain committed to running at least some of their core systems and services on on-premises infrastructure in data centers that they own and operate themselves.

CMA launches market investigation into cloud services

UK Gov: Following Ofcom's referral, the CMA is launching a market investigation into the supply of public cloud infrastructure services in the UK.

Ofcom [on 5th Oct.] referred the public cloud infrastructure services market to the Competition and Markets Authority (CMA) for an independent market investigation to further examine the market and consider whether there are competition concerns and, if so, what interventions can improve the supply of these important services for UK customers.

Cloud services allow remote access to computing resources on demand and over a network. They are being rapidly adopted by many businesses and have become an essential part of how many digital services are delivered to consumers. Ofcom has estimated that the market for cloud services in the UK was worth up to £7.5 billion in 2022.

In its [market study](#), Ofcom identified a number of features in the supply of cloud services that make it more difficult for customers to switch and use multiple cloud suppliers.

DXC's perspective

No doubt the CMA will be able to make some sensible changes to improve competitiveness (expect egress fees especially to be under the microscope), but ultimately clients will still need to deal with a complex set of decisions and technologies to ensure they can move workloads when needed. **DXC's Cloud Right™** approach has helped our clients navigate these issues on their cloud journey and achieve their strategic objectives when moving critical services to the public cloud.

Jay Hibbin
Client Executive - Cloud & Infrastructure Services
DXC Technology

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Cybersecurity

Cyber resilience: Recovering from a ransomware attack

DXC Technology webinar – replay: A cyberattack occurs somewhere in the world every 11 seconds. And 73% of businesses say they were targeted by at least one ransomware attack in the past 24 months. Against this ever-shifting threat landscape, enterprises need to realize that traditional disaster recovery does not equal cyber recovery. And the key discipline to embrace today is cyber resilience.

But what is cyber resilience in today's context? Resilience to what? What have we learned from the adversaries' latest tactics and targets?

Register to replay this important webinar and gain access to:

- Lessons learned from cyberattacks and their true business impact.
- The three imperatives for comprehensive data protection.
- How Dell Technologies and DXC approach cyber resilience together.

Data

What everybody should know about data monetization

MIT Sloan School of Management: Most companies know the impact that data — and, more significantly, a keen analysis of that data — can have on business strategy. Far fewer understand how to successfully convert the results of data efforts into monetary value.

There is a clear distinction between creating value from data and realizing that value in the form of some type of financial gain, according to a new research briefing by researchers Barbara H. Wixom, Cynthia M. Beath, and Leslie Owens, who are affiliated with [MIT's Center for Information Systems Research](#).

Data monetization is also the subject of the researchers' new book, "[Data Is Everybody's Business: The Fundamentals of Data Monetization](#)."

Most organizations approach data monetization either too narrowly — such as simply selling their datasets — or too broadly, with an eye toward creating benefits from data use, according to the research briefing.

The key is making a proper distinction between value creation and value realization. Creating value from data means using it to fix processes or to provide services, which in turn delivers improved efficiency, productivity, and time to market, and even customer and employee satisfaction benefits. While companies regularly create value with their data, far fewer successfully monetize that data by measuring whether the value contributes to the overall bottom line.

Digital Transformation

Essential to evolutionary: the phases of banking transformation

The Times and **DXC Technology**: Consumers increasingly expect on-demand services, yet the digital transformation needed to meet this expectation remains a challenge for large financial institutions, particularly if their core banking systems continue to run on legacy technology.

“Large institutions that have been around for years are carrying so much technical debt,” says Jeremy Donaldson, managing director of banking and capital markets for EMEA at DXC Technology. “Their challenge is trying to figure out how to digitise in a way that fits within their current technology environment. They might have a strategic direction, but the execution of those strategies can take time because of the environmental complexities in which these transformations need to take place.”

For example, most banks are working on giving customers the ability to self-serve and allow transactions to take place across all channels, with digital assets being developed at pace. “These digital assets increasingly trigger digital transactions,” says Andy Haigh, head of banking and capital markets for EMEA at DXC Technology. “This requires having the operational agility and capacity to respond quickly to shifts in consumer demand and being able to formulate and launch new products instantly.”

FinTech

China’s WeChat is all-encompassing but low-key

The Conversation: Elon Musk’s vision of [Twitter, now rebranded as X, as an “everything app”](#) is no secret. When [the X logo replaced Twitter’s blue bird](#), the internet [buzzed with heated discussions](#) about just what it would mean for X to be an everything app.

Musk promoted his super app project by referring to the [Chinese all-in-one app WeChat](#). But for many American users unfamiliar with WeChat, a train of questions followed. What’s it like to use WeChat? How has WeChat become “everything” in China? Would it be possible to replicate the app’s success [in the U.S.](#)?

I’m [a Chinese digital media scholar](#), and I’ve used WeChat since 2012. But, in contrast to Musk’s enthusiasm, I don’t think WeChat is something to write home about. I believe it’s ordinary rather than special, lacking distinctive features compared with the other popular apps I studied for my current book project about Chinese touchscreen media. WeChat’s inconspicuousness on my phone screen is no accident.

DXC's perspective

This article further demonstrates that fintechs and non-financial institutions are gaining market share in the unsecured credit market. Although this data is based on the U.S. market, similar trends can be found in other geographies with the rise of Buy Now Pay Later (BNPL) products and the less onerous regulatory environment, compared with traditional banks.

Paul Sweetingham
Global Capability Leader, Banking BPO & CX
DXC Technology

FinTech-Issued Personal Loans in the U.S.

The Federal Reserve: The financial technology advances of the past decade brought to prominence a new group of lenders active within the personal loan space—financial technology (FinTech) lenders. Although traditional lenders such as banks, thrifts, credit unions, and finance companies continue to play an important role in providing personal loans to consumers, FinTech lenders gained a notable market share.

In this note, we provide an overview of the FinTech sector as it is captured in two relatively new data sources.

As of the end of 2022, personal loans—also known as installment loans or other loans, and consisting of those for a variety of purposes, such as debt consolidation, medical bills, vacations, or the payment of a large ticket item—reached \$356 billion or about 10 percent of nonrevolving credit.² The Federal Reserve Bank of New York Consumer Credit Panel (CCP)/Equifax data show that about \$50 billion or 14 percent of personal loans consist of FinTech-issued loans. These loans are unsecured, and the majority have fixed rates.

Technology

Anonymous Credentials: Secret-Free and Quantum-Safe

Bank of Canada: An anonymous credential mechanism is a set of protocols that allows users to obtain credentials from an organization and demonstrate ownership of these credentials without compromising users' privacy. In this work, we construct the first secret-free and quantum-safe credential mechanism.

The scheme is secret-free in the sense that an organization does not need to guard a secret key. The scheme is also lightweight in construction. Security of the scheme relies on the ability of the organization to maintain the integrity of a publicly known data structure—namely, a Merkle tree—that utilizes a quantum-safe, partially homomorphic hash function as a foundational primitive. We also construct a simple, quantum-safe, zero-knowledge argument of knowledge of membership in the Merkle tree. Additionally, we explore a concrete instantiation of the scheme and show it to be practically efficient for the core functions of enrollment and verification.

Digital identities enable users to authenticate themselves in online marketplace purchases or when selling goods and services. Physical forms of identity embed special protections against counterfeiting and duplication. Given the nature of digital information, copying valid credentials is trivially easy, despite protections against tampering and unauthorized creation.

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Other DXC BCM News

DXC Gold Sponsor at the 6th World Digital Banking Summit, Berlin

DXC was the Gold Sponsor and exhibitor at the 6th World Digital Banking Summit in Berlin on 5-6 October. This was another fantastic event for our vertical. As a follow up from our sponsorship and participation at the Banking Transformation Summit in London in June, Andy Haigh and Mohammed ("Khal") Khalid delivered their story of the bank of the future in a data-rich world in a keynote speech on the morning of the 5th of October, and Christian Valerius took part in a roundtable on the future of digital transformation in banking.

[Click here to watch the whole](#) keynote speech – we get to experience the full animation and story narration, and the reasoning why we have this vision for the bank of the future.

[Click here to watch the roundtable](#) discussion – very useful insights from Christian Valerius on why the transformation towards a data-driven organization is essential.

Webinar: Essential Evolution of Banking: How Banks Can Scale Generative AI for Growth

On 1 November, DXC will host a virtual webinar on " How Banks Can Scale Generative AI for Growth." in partnership with Tricentis. Financial services experts from DXC and Tricentis deep-dived to provide insights into how adding a layer of intelligence can transform key areas of testing such as test data management and test case design. This intelligent testing enables the safer, more predictable and faster change that customers, application teams, operations and regulators are all looking for. [Register now.](#)

PoV with AWS: Banks can improve scalability and leverage existing investments with a hybrid cloud strategy

Unlocking the power of [hybrid cloud](#) in Banking and Capital Markets. In today's financial landscape, a strategic move towards hybrid cloud is pivotal for scalability and maximizing existing investments. But the question remains: How to do it right?

Discover the answers in this insightful Point of View (PoV) by Dave Wilson from DXC Technology, and Steven Brucato and Steven Wong from Amazon Web Services (AWS). They share invaluable insights on choosing the right technology to meet the evolving demands of modern banking customers and maintain a competitive edge. [Click here to read the full article.](#)

Article in The Times (UK): Essential to evolutionary: the phases of banking transformation

The transformation journey for banks is both challenging and essential to stay competitive in today's financial landscape. Dive into our exclusive Raconteur

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report for The Times and The Sunday Times, by Andy Haigh and Jeremy Donaldson where they explore the crucial steps needed for banks to unlock the full potential of digitization and move beyond industry norms. [Click here to read more.](#)

DXC Blog: Digital banking needs the right data — not more data.

Unlocking the power of data in banking. Banks aspire to harness the full potential of centralized customer data. But what's hindering their journey to this data destination? Gain invaluable insights from DXC experts Andy Haigh and Mohammed 'Khal' Khalid as they delve into the challenges faced by banks in achieving a 360-degree view of customer data and how to overcome them. [Dive into the blog.](#)

DXC Blog: AI and data analytics for a data-rich future in banking

AI is revolutionizing Banking and Capital Markets. From fraud detection to risk assessment, it's transforming every facet of finance. Yet, many institutions grapple with scaling AI. Discover actionable insights from DXC experts David Rimmer and Dave Wilson on bridging the gap from experimentation to production. [Dive into the blog here.](#)

Guest blog: Leveraging test automation and AI - How banks and building societies can innovate themselves into a sustainable future.

Data analytics and generative AI are revolutionising the approach banks and building societies take to software development, testing, and delivery. But what's the solution when they struggle to match the rate of transformation necessary to maintain a competitive edge? [Read this blog to find out.](#)

Developing a data strategy in banking and capital markets

Data is king. Banks that know how to effectively harness it, manage it and monetize it can derive far better business insights, create significant growth opportunities and stay ahead of regulatory demands. Huge benefits can be reaped by developing a clear data strategy that defines how to access, ingest and connect the essential data that can drive positive business outcomes. [Read DXC's latest paper](#) to learn about how banks can get the most out of their data.

Executive Data Series: The banking customer in a data-rich world

In the latest conversation of the Executive Data Series, DXC's Head of Banking and Capital Markets (EMEA) Andy Haigh sits down with Mohammed 'Khal' Khalid to discuss how banks can use data and analytics to transform financial services and improve the customer experience. [Listen to the full conversation \(23 mins.\) or read the transcript: <https://dxc.to/3NlsbXI>](#)



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Should you have any questions on the round-up or a particular topic, please feel free to contact your DXC representative.

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About DXC Technology

DXC Technology (NYSE: DXC) helps global companies run their mission-critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds. The world's largest companies and public sector organizations trust DXC to deploy services to drive new levels of performance, competitiveness, and customer experience across their IT estates. Learn more about how we deliver excellence for our customers and colleagues at [DXC.com](https://dxc.com).

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