



## **PODCAST TRANSCRIPTION SESSION NO. 105-ROBERT MORGAN**

Welcome to the Lend Academy podcast, Episode No. 105. This is your host, Peter Renton, Co-Founder of Lendlt and Founder of Lend Academy.

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**Peter Renton:** So we have someone a little different today to the typical Lend Academy Podcast guest, but I'm delighted to welcome Robert Morgan, he is the VP of Emerging Technologies at the American Bankers Association. Now the ABA is the trade association for the banking industry and they've been around for a long, long time. And what Rob does...his position is quite interesting because he's really in charge of emerging technologies which is really fintech and he has been in this job for a while.

I met him a couple of years ago at a conference and I wanted to get him on the show to really talk about the positions of the ABA. We go through a lot in this podcast, we talk about their Fintech Playbook that they released last year, we talk about their endorsed solutions providers, and we talk about what the bank of the future is going to look like, who is more willing to partner with fintech platforms today. We cover the OCC Fintech Charter, we talk about open banking and data sharing in some depth and also look at some of the more interesting technologies coming down the track. It was a fascinating interview, hope you enjoy the show.

Welcome to the podcast, Rob.

**Robert Morgan:** Thanks, Peter, and thank you for having me.

**Peter:** Okay, so let's get started by giving the listeners a little bit of background about yourself, particularly what you've done prior to joining the American Bankers Association.

**Robert:** Sounds good, yeah, I was an economics major, graduated from Connecticut College, spent a little bit of time working in wealth management in New York City and since then I've been at the ABA for about six years now.

**Peter:** Okay, and then what is your position at the ABA and what do you do there exactly?

**Robert:** I'm our Vice President of Emerging Technologies and what that really means is that I'm in charge of our fintech program here. Functionally, what this means is my time is really split 50/50; I spend about half of my time helping our banks understand what's happening in fintech, helping facilitate bank/fintech partnerships. The other half of my time is spent looking at how the regulatory structure needs to adapt as banking becomes increasingly digital.

Now our priorities in this space are to ensure that there are policies in place that help banks innovate, enable them to partner with fintech companies all while ensuring that customers remain protected and get consistent experiences throughout their experience with financial services.



**Peter:** Okay, that's a pretty broad mandate, I would say, so...and let's back up a second, why don't you tell us exactly what the American Bankers Association does and what's sort of the focus of the organization?

**Robert:** Yes, absolutely. The American Bankers Association is the voice of our nation's \$17 trillion banking industry. These banks employ about 2 million people and extend about \$9 trillion in loans.

**Peter:** Okay, and so is that advocacy, lobbying, is it all of the above? I mean, are you focused on education, what are the primary areas for the organization?

**Robert:** Really all of the above. We're an advocacy organization as well, but we do a lot to help our members, both help them understand what regulations are coming out of DC as well as understand challenges to their business model and help them adapt going forward.

**Peter:** Right, okay. I think there's more than 10,000 banks I think from memory, how many banks are members of your organization?

**Robert:** Fewer banks than that today, we've seen some pretty strong consolidation in the industry over recent years, unfortunately, but ABA represents the majority of that industry and our membership really mirrors the makeup of the industry, particularly in terms of size. We represent everything from the smallest community banks to midsize, regional and large banks, really the breadth of the industry.

**Peter:** Okay, okay, so let's talk about fintech. Last year, you released a Fintech Playbook and obviously it's your focus, and you've been in the job a while, but just...why don't you talk us through what was in the Fintech Playbook and how it's really helping banks?

**Robert:** I'm glad you brought that up. The Fintech Playbook is something that we're really excited about. The Playbook was the result of an internal staff task force that was convened by our CEO, Rob Nichols. He tasked our group with finding creative out-of-the-box ways to help our banks innovate and better leverage fintech. So the Playbook was the first major deliverable to come from this task force and what we really envisioned was an actionable report that's going to help banks evaluate the fintech landscape, help them figure out what fintech means for them. At the end of the day, what we wanted to do really was to answer three key questions.

First, what does fintech mean for my bank? What's the impact on the dollar for dollar basis, where am I going to see fintech impact my business model as a banker? Second, what is the community bank of the future look like, how are banks going to change as banking becomes increasingly digitized and what does that look like? Finally, we wanted this report to be actionable. There are so many consulting reports out there to be effect of: big data is going to change banking, hire us to figure out how. We wanted this to go a step further and actually



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provide a roadmap for banks about how they can adopt some of these technologies through either building them out internally or partnering with startups.

**Peter:** Right, so it's interesting. Your Fintech Playbook obviously is available on your website. It's not just for your members because you've got it open to the public, at least the executive summary I should say. So let's just talk about just a couple of those things if we could for a second.

Banking has obviously gone through some pretty dramatic changes over the last few years and as you mentioned, there's been a consolidation and with a new generation, there's reduction. I've read many times reduction in number of branch visits, particularly by younger people, so I'm very curious about the community banks which is the second thing you mentioned. What is your view on that in the future, how is that going to be different, the community bank in ten years time, how is it going to be different to the community bank of ten years ago?

**Robert:** So I think what we're seeing really across the industry, whether it's in the startup space, whether it's in community banks or large banks, is really just a natural progression of digitizing services. We've seen this in a number of other industries, but at the end of the day, what banks are working to do is create technologies that meet customers where they are.

In the past, that meant spending a lot of time and resources on making the in-person experience really great. Today, more often what that means is making the digital and even mobile experience just as seamless. For banks, they've realized that their front door is now their mobile app rather than their branch. So they're putting just as much time and effort into making that a seamless experience for customers as they do physical presence.

**Peter:** Yeah, that makes sense, that makes sense. I want to talk a little bit just...I know it's not your area, but it's something that came up. I want to talk about your endorsed solutions providers because you have a few different companies that you have actively endorsed for your members. I want to talk a little bit about how that process works and what it actually means to be an endorsed solutions provider.

**Robert:** Yeah absolutely and that's a really great question. The endorsement program is a great program designed to help our banks find the best-in-class providers for whatever product it is they're looking for. So we've got a thorough process that our team here goes through to help evaluate which of those companies are and help identify them. We start off by asking our bankers what markets they're looking at and evaluate companies in those markets based on what's best for our banks. That's followed by a full due diligence process; it helps the banks get a level of comfort with that company before reaching out to them. So the idea is that our banks know the weight of an ABA endorsement means it's a company that we've looked at thoroughly and we've vetted them and it's worth the bank's time.

**Peter:** Okay, I imagine that's a huge...particularly for some of the smaller companies I imagine that's a big difference maker for them because they really have a marketing edge...I notice that



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sometimes it's not the larger player in the space, it's one of the small or mid-sized players that got endorsed so I guess size is not really a major criteria.

**Robert:** The team evaluates really all criteria here, but at the end of the day, they go with the solution that works the best for our banks and I think this is really important, especially as we look at the fintech space and our broader plan to help our members innovate. What we're doing now is looking at companies in the fintech space. We laid out the vision in the Playbook for what the community bank of the future looks like; now we're trying to help find the companies that will help our banks realize that vision.

**Peter:** Yeah, that makes sense. So let's talk a little bit about partnerships, bank partnerships with fintech platforms. I mean, we've seen a few marketplace lending platforms partner with banks and we have seen some other areas of fintech as well. And there was this Accenture report that just came out about a week ago, I believe, you know, the basic question whether the fintech revolution had stalled and whether it was going to realize its potential so I'd like...when you're talking with your members how they do they feel about partnering with marketplace lending platforms and other fintech platforms? Is that different today than what it was a year or two ago?

**Robert:** Yeah, I think banks have come along in terms of viewing fintech as a partner as I think a lot of the fintech companies have as well. I think if we were having this conversation a few years ago, the discussion would have been a more competitive one, but at the end of the day, both fintech and banks bring a lot to the table and partnerships seem to be the order of the day. When you think about it, there are really a lot of synergies between the two. Banks have long standing relationships with their customers, they're trusted by those customers and they've got a lot of experience doing business in what's really a heavily regulated industry.

At the same time, startups bring this culture of innovation and an ability to iterate and try new things, sometimes failing which is something a bank can't do, but you need to be able to do that to innovate and they've got these slick consumer interfaces that the customers really love. So we're really excited about this and think that partnership is the way forward. At the end of the day when banks and fintechs partner, the customers get these new services that they love from a provider they can trust.

**Peter:** Yep, I understand that. Where do you think your member banks like need the most help, what's the most impact that fintech platforms can have on their business? Is it customer experience, is it the technology piece, is it mobile? What are you seeing as far as what your members actually need?

**Robert:** So in terms of some of the specific technologies, I'll actually send you to our Playbook, we go through in detail there mapping out specific technologies and the dollar for dollar impact they'll have on the banking industry. But looking at this more broadly, I think the trends that we're seeing are how are customer expectations being shaped in a digital and mobile era and how do banks meet those expectations. In a world where I expect to open up my phone and be



able to hit a button and have a cab show up, I expect the same thing from my bank so it really is that end-to-end experience that customers are looking for.

**Peter:** So then are you noticing any difference because obviously you've got big banks. I think I heard Goldman Sachs say they spend like several billion dollars on technology every year and obviously all the major banks are spending vast amounts of money on technology. The smaller banks can't afford to do that, but are there differences in the willingness of big banks versus small banks to look for fintech platforms as partners or are there certain things they want just keep in-house? What do you notice between the size of banks?

**Robert:** So I think banks of all sizes are really eager to partner and innovate. Like you said, we've all heard the news from large banks partnering with fintech companies, but there's really a lot of action happening in community banks as well. Community banks are both innovating and partnering to deliver some of these solutions. The beauty of technology is that it's scalable, meaning you don't need to be the largest bank to be able to deliver a great experience across the country, you don't need that physical footprint that you might have needed ten years ago. So I think there's really a lot of opportunity to level the playing field with using technology.

One of the things we're really working on here as we focus on how to help all of our members innovate is how do we leverage the experience of some of the larger banks and give community banks the resources to really fully engage in this ecosystem. Like you mentioned, some of the larger banks are able to invest directly in these companies and get that direct access to the ecosystem. What we're doing is looking at ways to help give community banks similar access.

**Peter:** Right, so just going on from that, I mean, the community bank of the future and this is...I've written about this and others have as well that so many community banks now are very heavily skewed in one asset class when it comes to their loan book. Oftentimes, it's commercial real estate, it might be residential real estate, but what the possibility is and the way I see it is we can go back almost to the days of George Bailey and It's A Wonderful Life and the Bailey's Savings and Loan or whatever where a community bank, you can go in there and if you are a small business you can get a loan, you can even get a consumer loan, you can even potentially get your invoices of your small business factored all through a community bank, is that what you're hearing from community banks that you're speaking to that they see this as a way for them to really diversify their loan book and diversify their product offering so they can really be like a one-stop shop?

**Robert:** I really think that when you look at community banks they're all a reflection of their community. They provide the services that their community needs so the way each bank adopts these technologies is going to be different depending on what community they are in. I think more of what our banks are focused on is how they do what they do well today. How do they make that experience better using today's technology and make it more available to their customers.



**Peter:** Okay, so it's not necessarily about diversifying, it's more about making things better. Okay, that makes sense. So I want to switch gears and talk about regulation a bit. I know you said it is half of your job and obviously Washington right now is...there's a lot of things happening that are not related to the banking industry, but we haven't heard so much about the OCC Fintech Charter in recent weeks as we heard earlier this year. I'd like to actually just talk about that for a second, what is the official ABA stance on the OCC Fintech Charter?

**Robert:** Yeah, great question. And so the OCC has really taken a very thorough and open process here as they've evaluated the options for a charter. We really appreciate that process and their willingness to engage with all invested parties here. So ABA supports the Fintech Charter to the extent that the OCC holds chartered institutions to the same standards that they hold all banks. When you're looking at this, what's really important to understand is what the OCC's authority is and what specifically they've done here. Keep in mind, the OCC is tasked with chartering and overseeing national banks. As such, anything that they charter is going to be a bank first and foremost.

What they've done is create the Special Purpose National Bank Charter and this isn't actually something terribly new, there have been tailored banking charters for years; the Credit Card Bank, the Limited Purpose Trust Company. What they've done here is tailor the charter to the activities that they're seeing in the fintech space so becoming a bank might not be the right option for every fintech company, but it's important that all banks are held to the same standards.

The title "bank" really carries a significant weight in the mind of customers and shouldn't be taken lightly so any fintech company that's granted a national banking charter gets the instant credibility that comes along with being a bank. So from our perspective, what we want to do is make sure that the regulations and oversight are in place so that customers get that consistent experience regardless of who they go to.

**Peter:** Yeah, that makes sense. I guess from my perspective a fintech platform that might have a small amount of deposits but let's look at some of the marketplace lenders that really are about matching borrowers with investors and you've got SoFI who are talking about getting a banking license, they're talking about getting an industrial banking license. So your perspective is they should be...even if they really have a very different makeup financially as far as their balance sheet, the balance sheet looks very, very different, you're still saying that despite that they need to be treated as if they were a traditional bank.

**Robert:** No, I don't think that's exactly what we're saying here, more that you should regulate similar activities the same way so as a startup or a bank, if I'm facilitating a payment, I should be regulated like I'm facilitating a payment. If I'm lending, I should be regulated according to lending rules and I think what the OCC has done here is show a willingness to tailor towards those business models. If you look at the Charter, what they've envisioned is a non-depository model so certain rules associated with deposit insurance won't apply. That just makes sense, right, you don't need to comply with deposit insurance if you don't have those deposits.



**Peter:** Right.

**Robert:** But there are other rules that they've said, should apply. Take CRA, for example, they've said traditional banks have a responsibility to have an affirmative commitment to their community as demonstrated through CRA. We'd expect any chartered entity that's lending to have that same responsibility so at the end of the day, I think it's looking at the activity that is taking place and regulating consistently across those activities.

**Peter:** So what is your interest and your personal take on whether you see fintech platforms/marketplace lending platforms...do you see them becoming banks and taking advantage of this Fintech Charter, assuming, of course, it does come to pass which is a big if, of course.

**Robert:** Like I said earlier, I don't think the Fintech Charter will be for everyone. The OCC has set a really high bar here and if you look back, a lot of the call for the Fintech Charter came from both payments and lending companies who were worried about the burden of being licensed in 50 separate states. Ask any banker and they'll tell you that becoming a bank is not the right way to avoid regulations. (Peter laughs) So I don't know that there will be a ton of relief there, but I do anticipate there'll be some interest from some of the more established lending firms particularly, who might already comply with a lot of these standards through their existing bank partnerships, but want some of the powers that come with being a national bank like the ability to export interest.

**Peter:** Yeah, okay, that makes sense. So I want to talk about open banking and PSD2 is...these topics are all the rage in Europe, I've been over to London and everyone is talking about open banking and how you've got platforms like Zopa, the first peer to peer lending platform on earth, is becoming or launching a digital bank. So I'm curious about...there was an article in American Banker a couple of weeks ago that actually talked about this that American banks, the premise was that they really should embrace some of the principles of open banking that's happening in Europe and I'm curious to get what the ABA's official view is on some of the open banking, PSD2 really is about data sharing at the core and that's something...it's a fairly hot topic. So what is the ABA's view on data sharing?

**Robert:** Yeah, good question. This is another really big issue in this space. Data sharing is a critical issue for both banks and fintechs alike and there is a lot of misinformation out there today on this point and banks' positions. Let me be clear here, banks support consumers' ability to share their data in a safe and transparent manner. Now if we look at some of the legacy processes that happen, particularly screen scraping, I think everyone can agree that this process is broken and this requires consumers to give full access to their account by forfeiting their username and password really for an unlimited period of time. If you think about it, that would be like making an extra set of keys for your plumber because he had to come in and make a fix. There is a better way forward.



Our position here is that when they're sharing their data consumers deserve to have security, they need the protection of their data to be the same regardless of where it stands, they deserve transparency so they need to know where their data is going, what data is being shared and control over that data. I may want to authorize a service to have access to my data, but if I'm not using it anymore should they still have access? Customers need a way to control that which they don't often have today. The good news here is that banks, data aggregators and fintech companies are all committed to making this a reality; it's not as easy as flipping a switch. In Europe we've seen some of the mandates that have come out, but you need to remember that they have a very different structural industry. We were talking earlier about the number of banks in the country...

**Peter:** Right, right.

**Robert:** ...it's much easier to figure this out in an industry where you may have ten banks. We have 6,000 so it's much more complicated here, but there is serious progress being made. We've heard big announcements from some of the big banks that are allowing API access into their systems to facilitate that sort of secure connection that gives customers the control they deserve. I actually sit on a group that's brought together by the FS-ISAC which is the Financial Services-Information Sharing and Analysis Center who is working to develop the durable data API which is meant to be a standard format for these APIs to help facilitate access done the right way. So everyone here is working towards the same goals and we're making really good progress.

**Peter:** So you would say then in, what, two to three years when we connect our bank account to Mint or anyone else or someone who's a member of this API, we won't need to give over our username and password?

**Robert:** That's the hope, I mean, if you think about the way you use Facebook to login to other services today, you can do something really similar in banking, right, rather than give away my Facebook login when I want to connect Spotify to my account. I go to Facebook and the window opens, I log into my account it says Spotify wants to access your profile picture, your username and your friends. Two of those sound reasonable, I don't know if I want them to have my friends, I don't need that part of the service so I uncheck that. At anytime, I can go into my Facebook profile, see who has access to what data and either take that access off or set parameters around it so that's the vision going forward.

**Peter:** Okay, so banks are being proactive here, they're not waiting for regulation to come and tell them they have to do this because clearly, the customer wants that. By just how ubiquitous that Facebook login, it didn't exist five years ago, that's for sure, but it's now everywhere. So customers want this and so what you're saying is regulators are not going to be driving the bus here it's really the industry.

**Robert:** Absolutely, you see banks moving today because it's what their customers want. I think there's actually a risk of regulators pushing here and mandating specific standards. We've seen



time and time again where specific standards being mandated actually restrict innovation because the use cases that are out there today may be very different tomorrow. So let's say certain data fields are mandated to be shared, but you run the risk of what if tomorrow we need a totally different set of data. That might limit the banks' ability to work with the tech companies and make that data available.

**Peter:** Yeah, okay, makes sense. So obviously you have a pretty broad mandate, as I said earlier, that you're looking at all kinds of different technologies. We've talked a little bit about data sharing...I know that listeners are very well versed in all the marketplace lending initiatives that are happening, but what are some of the other technologies that you're looking at today?

**Robert:** That's a good question, I mean, who knows where banking is going to be down the road, but there are definitely some really promising technologies that we're looking at today that could end up having big implications for banking. I think the first one that comes to my mind is biometrics. As we're talking about putting data in more places, the ability to better secure that data and make sure the right people are accessing it is critical. So we've seen huge advancements in biometrics and what companies are able to do in terms of actually authenticating the customers to make sure you've got the right person.

It started out as thumbprint ID on your phone today, we've seen banks implement facial scans, "selfie pay" for example, but we've even seen really next level things of knowing what your customers' patterns are online. I know that it takes Peter five tenths of a second to go from the login screen to click on his account balance and he's usually doing it from these GPS coordinates and how do you detect possible fraud by deviations from that. So that's one area that I think there's a lot of potential to shape the future of banking.

Another thing that comes to mind is the idea of RegTech, I think it's clearly one of buzzwords today, but holds a lot of opportunity, We mentioned the huge consolidation that's taken place in the banking industry and really a lot of that has been driven by regulatory burden. All of the new rules and compliance is really expensive, particularly for community banks, who on average have 44 employees. So we're really excited about the opportunities that new technologies pose to help reduce some of that burden and make the banks more efficient.

**Peter:** Okay, we're almost out of time, but final question...so we've talked a bit about the future, I'd be curious, actually, and this is a little bit of a different question. I mean, how do you think...in ten years time there's going to be lots and lots of technology, but how do you think banking will be similar to today in ten years time?

**Robert:** That's really a good question, I'm always nervous making predictions for the future. I think it was Bill Gates who said that we always overestimate what's going to happen in the next two years while totally underestimating the next ten. I think what's clear is that as we go forward, banking will continue to digitize. At some point, we might not even need the term fintech, it will just be banking or financial services. My hope is that as we grow and integrate some of these



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technologies, we maintain our diverse banking system that is so important to customer choice and that we're offering customers innovative financial products in a way that they can trust.

**Peter:** Okay, we'll have to leave it there. Rob, it's been great having you on. I feel like...we live in interesting times, you have a very interesting position and it's going to be fascinating to see how all this unfolds. Thanks for your time today.

**Robert:** Peter, thanks for much for having me, really great discussion.

**Peter:** Okay, see you.

**Robert:** Take care.

**Peter:** I have to tell you, I do get quite excited when talking about these future technologies that Rob is right in the thick of and he's mentioned some of them. It's fascinating to me the change that is coming and we've already started seeing it. Like today, we were talking about this after I hit the stop button on the recorder here. I log into my US Bank account which is where my personal checking account is and I just hold my thumb on my phone and I don't have to remember my password which is quite long so I don't have to type it in and that's very, very convenient. All of the different things around security, data sharing...I feel like we are getting to a stage where banking is going to become much more convenient even than it is today. It's obviously a lot more convenient today than it was ten years ago. I think it's exciting times, as I said Rob is in the thick of it there at the ABA and I will be personally keeping tabs on a lot of these things. Obviously at LendIt, we will be covering a lot of these future technologies as well.

So anyway on that note, I will sign off. I very much appreciate your listening and I will catch you next time. Bye.

(closing music)