Fondsdepot Bank launches innovative digital services

Client name: Fondsdepot Bank GmbH
Location: Hof (Saale), Germany
Industry: Banking
Saddled with legacy technology, hamstrung by waves of new regulations, and faced with new competition from upstart FinTechs, Fondsdepot Bank knew it had to get off Excel spreadsheets and go digital.

What started out as an effort to modernize back-end business processes and regulatory reporting functions has blossomed into an ongoing, comprehensive digital transformation highlighted by a robot financial advisor.

Fondsdepot Bank is not a traditional consumer bank. It is one of Germany’s largest independent fund platforms with three major product areas: retail investment account administration in partnership with distribution organizations such as insurers, financial intermediaries and broker pools; central funds ordering and depository management for institutional investors; and business process outsourcing for banks, insurers and investment companies.

Fondsdepot Bank is owned by DXC Technology, so it was only natural that bank officials would collaborate with DXC’s digital transformation experts in the drive to digitize business processes, develop new services for the customers and create entirely new business models.

The first target of the digitization effort was the bank’s fragmented, manual, Excel-based regulatory reporting system, which was struggling to keep pace with new regulatory reporting requirements and data protection regulations that had gone into effect across Europe.

DXC experts attacked the problem by implementing a cloud-based, regulatory reporting “as-a-service solution. The benefit to Fondsdepot Bank is that DXC assumes responsibility for the infrastructure, provides the trained personnel and handles the business process functions. DXC follows the highest security standards, deploys the most advanced digital business processes and uses standardized templates so new regulations can be accommodated quickly. Fondsdepot Bank just pays a fixed service fee.

The results have been impressive: Regulatory reporting is now 98 percent automated (Fondsdepot Bank still needs to manually check and approve the final report), and the bank has been able to reduce associated personnel by about 90 percent.

Beyond simple compliance, the implementation of a data warehouse platform enables Fondsdepot Bank to analyze financial performance and market trends to make better business decisions.

As successful as that effort has been, it was when the bank began focusing externally, looking at customer needs, that the digital transformation effort really took off. “The most important part of the digitization journey is starting with the customer,” says Sebastian Henrichs, CEO of Fondsdepot Bank. That customer focus led the bank to its second major initiative: Transforming the process of accepting new customers, known as digital onboarding. Until recently, the system had been almost totally paper-based, taking as long as two days for a new account to kick in.
The goals of the digital onboarding initiative were to provide virtually instant onboarding, to create a multichannel service that can be accessed anywhere on any device, to make sure the user interface is simple and intuitive and to deliver the highest levels of quality and security.

The digital onboarding system was, by definition, extremely complex. For example, it needed to accommodate current and future modes of personal identification, such as electronic IDs, or a video identification app that lets customers set up a video connection with a call center employee, hold up their ID in front of their device’s camera and have the call center person verify their identity in real time. Also, back-end batch processing systems needed to be accelerated so customers could obtain direct and immediate responses.

The robot financial advisor

Brainstorming about new ways to provide services to customers also triggered the idea of a robot financial advisor, a service that rides atop the digital onboarding platform and the associated API layer built by DXC.

The way it works is that a customer fills out a questionnaire covering financial goals, investment horizon and risk tolerance. Calling on advanced algorithms and financial models, the robot advisor recommends a discretionary portfolio product to the customer. If the customer decides to go forward with a specific investment, the robot advisor continues to monitor and evaluate the strategy. Of course, human advisors have not been eliminated; Fondsdepot Bank has chosen a hybrid approach in which the robot advisor supports a human advisor.

Digitization efforts are ongoing

While these digitization efforts have had a major impact, Henrichs says the bank is just getting started on the road to transformation, which he now considers to be a way of life rather than a specific project.

With the solid working relationship DXC and Fondsdepot Bank have, “We are actually relying on DXC expertise on a continuous basis,” he says. The entire mindset at Fondsdepot Bank has shifted to becoming a developer of software-based services for customers. “It’s a different way of doing business.”

He adds: “Our nature is to be very conservative, and DXC is bringing a different view to the table, to not only see risks, but also see the opportunities from the technology side.” The trick was combining the technology, architecture and approach the DXC team brings to the table with the specific regulatory and industry expertise of the Fondsdepot Bank team.

Henrichs says one of the first things he did when he assumed the CEO role in 2018 was to start changing that risk-averse culture. He formed a management team around digital transformation. He held cross-functional workshops to identify and reach consensus on business goals, as well as to conduct skills assessments to identify employees who were enthusiastic about taking on leadership roles.
That initial team formed the basis for the expansion of the effort across the entire organization.

“For the majority of our processes, we need to be fully automated and scalable,” Henrichs says. “With that scalability, we will be able to consolidate the market as well as gain market share from our competitors.”

Learn more at www.dxc.technology/banking