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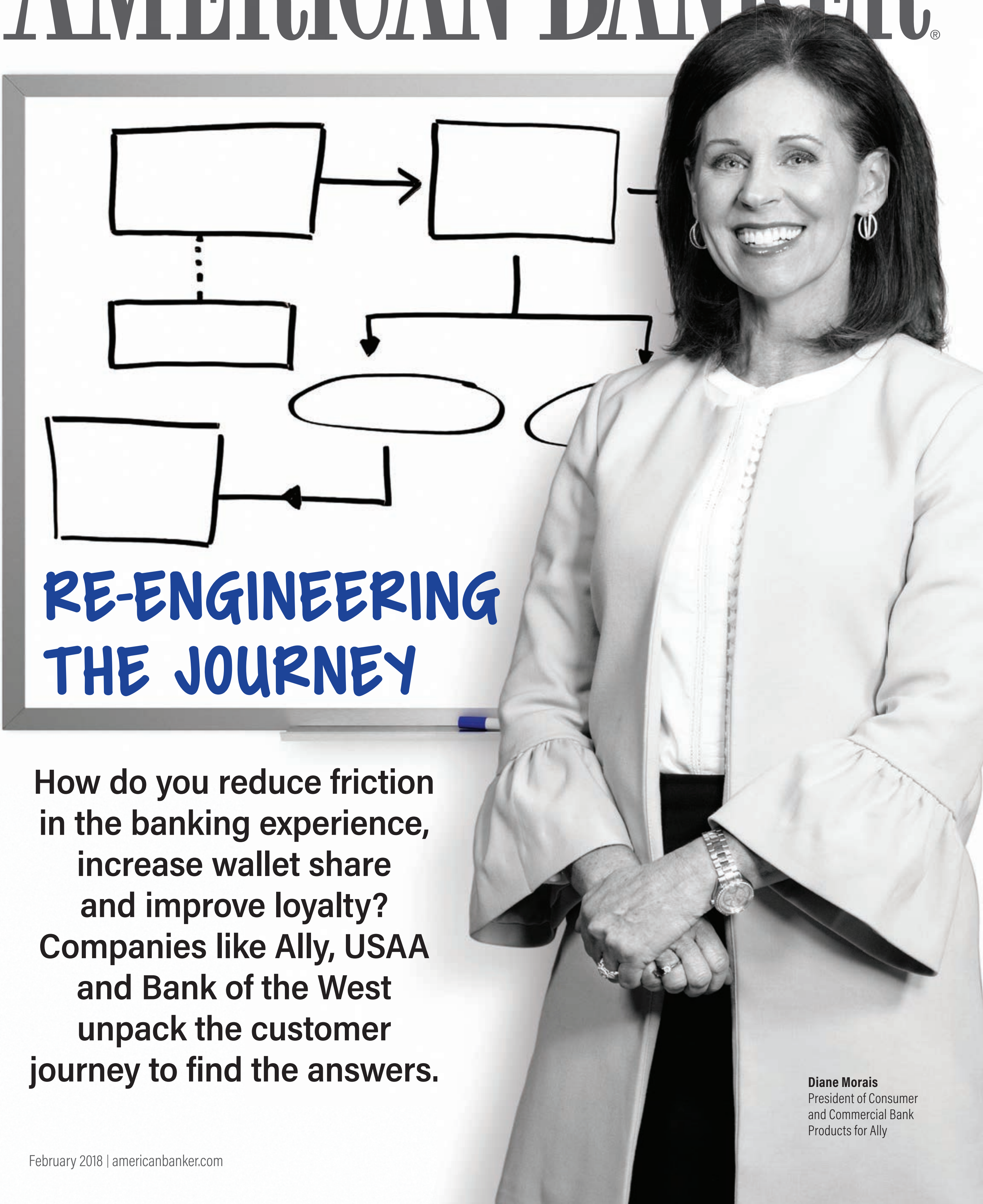

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Diane Morais
President of Consumer and Commercial Bank Products for Ally


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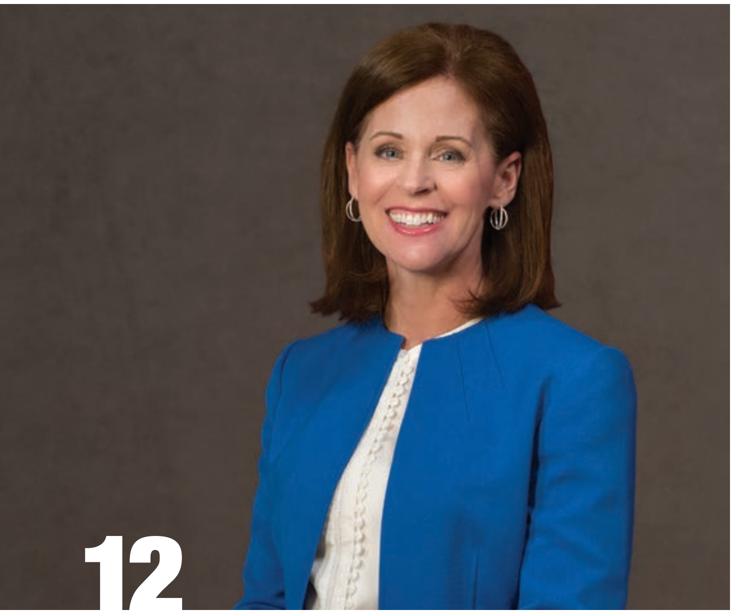

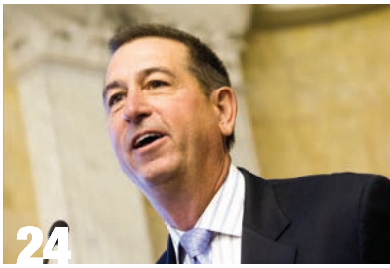

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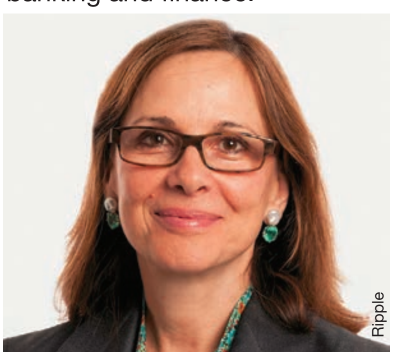
Zoe Cruz joins Ripple board of directors

In adding Morgan Stanley veteran Zoe Cruz to its board, Ripple further cemented its ties — and those of the cryptocurrency industry as a whole — to the world of mainstream banking and finance.

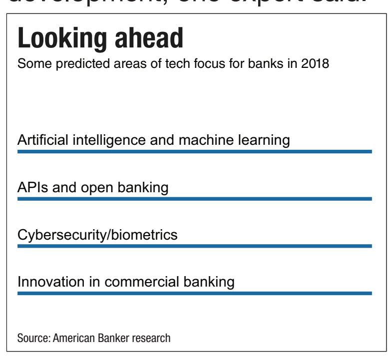


Ripple

MOST SHARED

The top tech priorities for banks in 2018

Innovation in the banking industry will continue at its rapid pace this year if projected budgets are any indication. More of every bank's spending is earmarked for technological development, one expert said.



YEAR IN REVIEW

What were the most popular stories of 2017?

Check out our slideshow for a quick look at what had readers clicking last year, including coverage of the power struggle at the CFPB between Mick Mulvaney (below) and Leandra English.

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Shared Office Space Becomes Marketing Hook

How banks are capitalizing on the co-working craze and building relationships with entrepreneurs

By Hilary Burns

WHEN CITIZENS BANK OF EDMOND in Oklahoma consolidated offices a year ago, Chief Executive Jill Castilla wasn't ready to sell the excess space – and she had a novel idea about what to do with it.

Inspired by her recent visits to some Silicon Valley offices and the Barclays fintech accelerator in New York, Castilla had her staff transform the vacated office into a 12,000-square-foot entrepreneurial center called Vault 405. Her hope is to provide about 200 small businesses shared work space and resources at affordable prices, fueling the local economy and customer relationships at the same time.

"We see this as an extension of the bank, providing a fertile ground for small-business growth," said Castilla, whose $252 million-asset bank is in a historic suburb of Oklahoma City.

So-called co-working locations are popping up in cities around the country for entrepreneurs and small-business owners not yet in need of their own offices. Now some banks, especially those with extra real estate on their hands as a result of consolidation, are stepping into the co-working business to appeal to innovative, fledgling companies that perhaps could become the next tech giants.

More banks are subletting or creating shared spaces because digital banking reduces the need for large branches, said Ken Thomas, a bank consultant and president of Community Development Fund Advisors. Leasing excess space becomes an additional source of cash flow for the bank, he said.

Some banks recruit coffee shops or other financial firms to lease their space, while some focus on entrepreneurs.

Lead Bank in Garden City, Mo., built a branch in Kansas City in 2015 designed to appeal to local tech entrepreneurs. It provides free office space to two startups each year as part of a local grant program. The branch has free Wi-Fi, coffee, conference rooms and a rooftop space with views of downtown.

"We are truly trying to put our money where our mouth is when we say we support small businesses and entrepreneurs in Kansas City by giving them a great location and office space," said Melissa Beltrame, the director of marketing at the $210 million-asset bank.

Local nonprofit organizations also use the space for fundraising events. Other community members and bank clients can rent the rooftop space for networking or corporate events on a Friday or Saturday night for $3,000. That rent is another revenue stream for the bank.

Beltrame said it's hard to say how many accounts the bank has acquired because of the community-oriented space. However, the new space has helped the bank with brand recognition and loyalty, she said.

Sometimes banks can be the tenant of a co-working facility. Silicon Valley Bank in Santa Clara, Calif., uses 11 co-working spaces leased from WeWork and other private firms to study new markets or seek out client prospects.

The bank opts to rent co-working space in a new market before committing to an office lease. It also uses co-working spaces to recruit top talent in markets where Silicon Valley Bank does not yet have a presence, said Jody Brown, the bank's real estate director.

Beyond that, the $49.8 billion-asset unit of SVB Financial will rent co-working space in markets such as Boston and San Francisco, where it already has its own offices, to reach entrepreneurs and promising upstarts. "That's where our clients are and where innovation is happening," Brown said. "We want to have a finger on the pulse of who emerging potential clients are."

Moreover, Silicon Valley Bank designs its offices to appeal to innovative companies by offering collaborative spaces and incorporating clients' products such as smart water coolers and seating-reservation software.

In all these instances, bankers repeatedly emphasized that they are taking the long view. At Citizens Bank of Edmond, depending on the accounts the customer has with the bank, startups could receive free or discounted rates, Castilla said. For now, the bank is charging monthly fees between $400 and $1,000 for office space and $175 to $275 for a desk or shared space. Day passes are available as well.

Castilla said the bank expects to break even on its investment. She hopes a few years down the road Vault 405 will have a wall of success stories from current and former members.

Citizens Bank of Edmond also plans to bring a local grocer into Vault 405 later this year.

"We are really trying to do this to establish stronger relationships with small businesses," Castilla said.

Home Equity Lines Blurred

What HELOC tax deduction suspension means for banks

MANY AMERICANS WHO USE THEIR homes as ATMs are about to get hit with a sizable withdrawal fee.

The tax law President Trump signed in late December suspends the deduction on interest for home equity loans and lines of credit, ending a longstanding perk of homeownership.

Under the old law, homeowners who took out a second loan of up to $100,000 could deduct the interest from their taxes. That provided an incentive for consumers to use home equity products – instead of other types of loans – to finance everything from car purchases to higher education to the consolidation of credit card debt.

The new law suspends that favorable tax treatment between 2018 and 2025. The change applies not only to homeowners who take out new home equity loans, but also those who already have them.

Experts predict that the revised law will reduce the demand for home equity loans and lines of credit in certain customer segments – in particular, those who itemize their deductions and have other borrowing options.

"I think at the margin it makes you less likely to do a home equity line of credit," said Laurie Goodman, co-director of the Housing Finance Policy Center at the Urban Institute.

What it means for lenders is less clear. Demand for home equity loans has declined sharply since peaking in 2009 and could slow even more now that the tax break has been suspended.

But some experts say that any decline in home equity balances could be offset by higher demand for auto, credit card and other consumer loans. The worry is that only borrowers with blemished credit will take out home equity loans, increasing the risk to banks.

How the new tax law affects consumer decision-making will depend heavily on individual circumstances.

Only taxpayers who itemize their deductions will be hit with larger tax bills as a result of the change in the treatment of home equity loans. Those are often folks who have relatively high incomes and other viable borrowing options. In the past they may have used their home equity to pay for unrelated purchases.

"Years ago I remember using a home equity loan to purchase my new car because I could get a better rate and a lower payment," Joe Tyrrell, executive vice president of corporate strategy at the mortgage tech company Ellie Mae, recalled. "I was also able to deduct the interest."

Tyrrell expects fewer Americans to go that route under the new tax law. "The prevailing belief is that instead, they can negotiate a better deal with the car dealer," he said.

For many less creditworthy homeowners, home equity loans are likely to remain the most economical way to gain liquidity. That's because for individuals with tarnished credit records, the interest rate on an auto loan or a personal loan is likely to be substantially higher than the rate on a home equity loan.

Still, the inability to write off the interest on those loans could wind up hurting those borrowers, said Sean Fox, co-president of the debt resolution firm Freedom Financial.

"Many folks are running at the edge," he said. "Small changes in their situation can really matter."

Edward Pinto, co-director of the Center on Housing Markets and Finance at the American Enterprise Institute, is a longtime critic of government subsidies for homeownership, and he supports the new tax law's treatment of home equity loans.

But Pinto also warned that the law may increase the level of credit risk for home equity lenders, since better qualified borrowers will turn to other products. The creditworthiness of home equity borrowers will become a larger issue if housing prices drop again, as they did a decade ago. "As we know, that equity could be real or illusory," Pinto said.

After the financial crisis, the use of home equity products dropped substantially, in part because homeowners no longer had much equity to tap. Banks also dialed back on offering these loans.

As home prices have recovered, the market has rebounded somewhat. Still, it often makes more sense for homeowners to refinance their entire mortgage than it does to take out a second loan.

While that calculus may start to change, assuming interest rates continue to rise, the new tax liability will be a disincentive for some borrowers to use home equity loans.

When people need a large sum of cash, they typically ask, "What's the easiest and least expensive way to get it?" said Ron Haynie, senior vice president of mortgage finance policy at the Independent Community Bankers of America.

– *Kevin Wack*

Banking Panel Shuffle

Hatch retirement will have ripple effect in the Senate

U.S. SEN. ORRIN HATCH'S PLAN TO retire at the close of 2018 after four decades in office could have a ripple effect throughout the Senate, including the leadership of the Banking Committee.

The departure of Hatch, an 83-year-old Utah Republican who chairs the Finance Committee, will leave an opening to oversee one of the Senate's most coveted panels.

Senate Banking Committee Chairman Mike Crapo, R-Idaho, is third in seniority among Republicans on the Finance Committee. He may want to trade up to what is viewed as a more prominent chairmanship, leaving an opening atop the banking panel. That could in turn affect the committee's agenda on everything from what to do about the government-sponsored enterprises to regulatory reform.

If Crapo gives up the Banking Committee gavel next year and the GOP holds the Senate in midterm elections, Sen. Pat Toomey, R-Pa., would stand in line potentially to become chairman of the banking panel. Sens. Richard Shelby, R-Ala., and Bob Corker, R-Tenn., have both served on the banking panel longer than Toomey, but Shelby – a past chairman – is termed out and Corker also has announced plans to step down from the Senate.

It is not completely clear what Toomey would prioritize. Like Crapo, the Pennsylvania senator supports regulatory relief. Recently, Toomey has helped lead the charge in classifying Obama-era regulatory initiatives as eligible for congressional rollback through the Congressional Review Act.

Toomey has supported rolling back parts of the Dodd-Frank Act in the past, including eliminating Title II, which established the "orderly liquidation authority" allowing regulators to unwind a failed megabank in a manner meant to avoid a systemic collapse. Toomey has introduced legislation that would replace the current resolution with a specialized bankruptcy process to handle the failure of a large bank.

But the biggest impact of a possible GOP changing of the guard on the Banking Committee would perhaps be on housing finance reform.

Crapo has been one of the most active lawmakers in trying to advance housing finance proposals, having led discussions in 2013 and 2014. Those efforts are expected to pick up in earnest in the first half of 2018.

If he intends to pursue the chairmanship of the Finance Committee next year, that could further motivate him and other members to try to move quickly on reforming Fannie Mae and Freddie Mac. Other key GOP players in housing finance reform discussions include Corker and House Financial Services Committee Chairman Jeb Hensarling, R-Texas, who are both stepping down from Congress next year.

It will ultimately be up to Republican senators to decide who takes the gavel of the Finance Committee, and the question would be moot if Democrats seized control of the Senate in midterm elections and in turn assumed the committee chairmanships.

And if the GOP held control, Crapo could face competition to chair the Finance Committee, including from Sen. Chuck Grassley, R-Iowa.

He is a past chairman and still has two years of eligibility under Republican term limits. However, Grassley also currently serves as chairman of the Senate Judiciary Committee, another highly regarded panel. *–Ian McKendry*

The Impetus For IPOs

Why more community banks are going public lately

A BULLISH OUTLOOK ON THE FINANCIAL sector encouraged more banks to go public over the past year.

Some were eager to take advantage of investor optimism following the presidential election. Several had compelling stories built around high-flying niches, while others were looking to provide liquidity for investors or create a currency for acquisitions.

As of late December, 11 banks had held initial public offerings, excluding mutual conversions. That's almost double the number that took place in 2016, based on data from Sandler O'Neill. (But that's not quite as high as the 15 IPOs conducted in 2014, a year when post-crisis investors pursued exit strategies.)

Momentum could continue if bank stocks remain hot.

"People will buy into you if you have a good earnings growth story. But we will have some headwinds," said Vincent Hui, a senior director at Cornerstone Advisors who oversees the firm's risk management and M&A practices.

The KBW Nasdaq bank stock index is up about 16% this year, which has spurred investors to pump more money into bank stocks, industry experts said.

Banks also have cleaner balance sheets and stronger operations compared to the post-crisis years, said Brian Sterling, co-head of investment banking at Sandler O'Neill.

Banks with unique business models are appealing to investors lately.

Esquire Financial looked at the IPOs of Triumph Bancorp in Dallas and Live Oak Bancshares in Wilmington, N.C., as it was preparing to go public, said Andrew Sagliocca, the Jericho, N.Y., company's president and chief executive.

Triumph, which focuses on factoring and other nontraditional businesses, had its IPO in 2014; Live Oak, a major small business lender and technology innovator, went public the following year. Triumph's stock rose more than 25% this past year, while Live Oak's shares have increased by roughly 35%.

Executives and directors at Esquire, which has a specialization in offering services to law firms, began mulling an IPO in early 2016 to create liquidity for shareholders and allow employees to take an ownership stake in the company. A publicly traded stock also allows the company to access capital markets more efficiently, Sagliocca said.

"We were in a true inflection point," he said. "There were a lot of institutional investors that wanted to invest in a unique business model. The market conditions were stronger than in the past."

An increasing number of banks with less than $1 billion in assets are bucking conventional wisdom by going public, said Rory McKinney, managing director and head of investment banking at D.A. Davidson. Such institutions can make the leap if they have strong management teams and returns that are beating out larger rivals.

"Investors are always looking to invest in different types of new stories," McKinney said. "There is interest in the sector as a whole ... because of the bright lights economically across the country, tax reform, reg relief. Those things come into play from an investor perspective in connection with an IPO."

Esquire, with $480 million in assets, was familiar with the view that banks of its size may be too small to go public, Sagliocca said. Investors, however, seemed more concerned about the company's business model and performance metrics.

By late December, Esquire's stock price had increased by more than 25% since its June IPO.

"The proof is we have been successful," Sagliocca said. "Based on the stock price, there's interest I would assume."

Dealmaking is another factor. Aspiring acquirers can benefit from having a stock to offer a target.

"Banks need a currency to do deals," Tom Michaud, the president and CEO of Keefe, Bruyette & Woods, said during a panel discussion at the University of Mississippi. "Cash can't compete with a bank that can offer stock trading at 2.5 times tangible book."

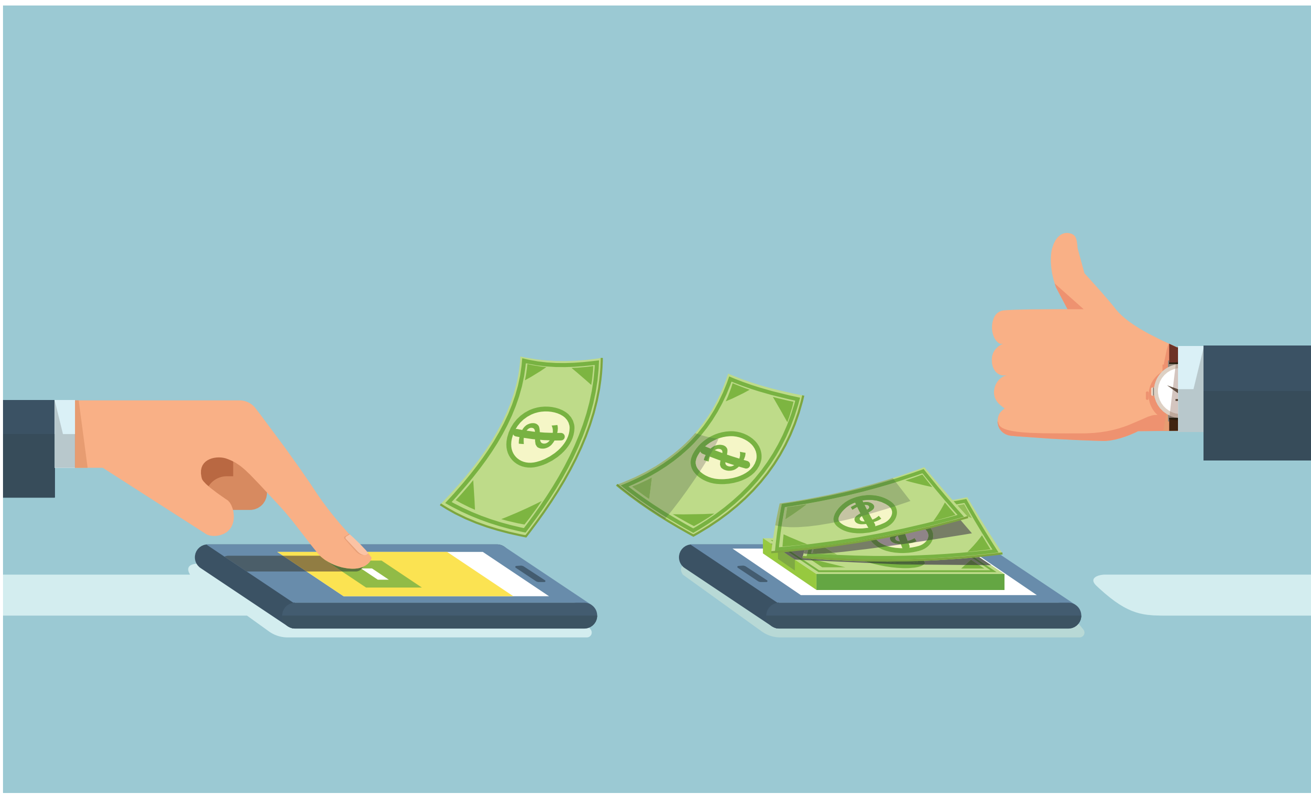
While there is an expectation that IPO activity can remain steady in 2018, some constraints exist. The number of banks is down 7% from the end of 2015, providing fewer candidates for public offerings. At the same time, there are only so many management teams that are interested in running public companies or would have a constructive use for extra capital.

Investors also could turn bearish based on a domestic or international shock, noted James Cassel, chairman and co-founder of the investment bank Cassel Salpeter.

"There's no reason next year shouldn't be good for bank IPOs – but with an asterisk," he said.

"My view in general is that time is never your friend with an IPO because so many things are outside of your control," Cassel added. "If you want to raise capital in the third quarter of next year, you might want to have your head examined as to why not now." *– Jackie Stewart*

BankTechnology



Banks Help Themselves by Helping with E-Payments

Facilitating electronic payments for businesses gives fee income a boost

By Laura Alix

THE INCREASING DEMAND FOR HIGH-tech services from commercial customers has created an opportunity for some banks to increase fee income.

One particularly promising area is helping businesses with electronic billing and payments.

Fifth Third in Cincinnati partnered with a company to offer this service, and the move contributed to an 86% increase in its projected 2017 fee income from payments and treasury management solutions compared with a year earlier, Chief Strategy Officer Tim Spence said.

Now the $142 billion-asset company has a new partnership in the works with an online portal that simplifies payments between middle-market companies.

With growing consumer adoption of person-to-person payment apps like Venmo and Zelle shaping businesses' expectations around payments, the Fifth Third experiments are an example of how a variety of banks – including U.S. Bank and TD Bank – are not only responding to the trend but capitalizing on it.

"Users are basically expecting the same level of simplicity and ease of use on the business side that the bank provides on the consumer side," said Sayantan Chakraborty, head of the global trea-

IMAGE FROM GETTYIMAGES.COM

sury management product development group at U.S. Bank in Minneapolis.

Two recent surveys of business executives bear this out.

The chief financial officers of 300 companies from a wide range of industries and with annual revenues of at least $25 million said they anticipate greater utilization of electronic payment in a fall survey by Citizens Bank.

Respondents said nearly a quarter of their payables are handled electronically and that they want to see that number climb above 40%; meanwhile, they would like to raise the receivables paid electronically to 54% from 39%, according to the survey.

A separate study by Aite Group this summer found that small businesses still make 44% of their payments by check, but that they are increasingly interested in electronic payments.

Of the businesses that responded in the Aite survey, 56% already use automated clearinghouse payments, though most of them use it for less than 20% of their payments. Another 36% said they would be interested in ACH if their bank offered it.

They also are willing to pay for electronic business payments, said Christine Barry, a senior analyst with Aite in Boston. “We find that banks, especially community banks, have a tendency to feel they have to give everything away for free, especially to small businesses,” Barry said. “Yet we see small businesses paying fintechs to offer them the right capabilities. If it saves them time and increases convenience, they are willing to pay for it.”

To attract those clients, banks should allow multiple users to access the payments platform, as any given business might have several people involved in the payments process, Barry said. They also should offer rules-based engines that tell business clients the best way to pay for a particular transaction, she said.

Business clients are dealing with shifting consumer demands in the same way that banks are, Fifth Third’s Spence said.

Fifth Third partnered with a company called Transactis, which delivers bills electronically and then allows payment by a variety of options, be it credit card, ACH, electronic check or even PayPal. This option is particularly helpful for hospitals, which tend to have poor collection rates, Spence said.

The $309 billion-asset TD Bank also partnered with Transactis, in addition to offering same-day ACH capabilities in line with Nacha’s implementation dates.

The $459 billion-asset U.S. Bank decides what to charge for those services on a case-by-case basis, basing the fee on the entire relationship the business has with the bank, Chakraborty said.

Fifth Third is poised to launch a partnership this year with AvidXchange, which provides an online portal that promises simpler business-to-business payments.

Businesses face a lot of operational complexity in the payments process, particularly in payments between businesses, and they want to keep down costs, Spence said.

In a more traditional transaction, one business invoices the other for a product or service provided. That invoice might have one number, the payment another number, and any relevant tracking information could have yet a third number. Reconciling all of that information can translate into a major hassle for small accounting departments.

AvidXchange will automatically reconcile all of that information for both parties. Spence said the platform is also programmed with logic that can tell the user the most efficient way to pay, whether by ACH, wire or card.

U.S. Bank offers a similar payments portal, called VantagePoint, to its larger corporate clients. “Businesses of all sizes want to make sure that they receive the payments they’re expecting as fast as they can,” Chakraborty said. “And then once you get it, you want to know who has sent you the money, why they’ve sent you the money and then you can apply that money properly.”

Both U.S. Bank and Fifth Third said that they are also looking at offering smaller businesses payments options that more closely resemble consumer payments options like Venmo and Zelle.

“You can imagine for a landscaper, how nice it would be to be able to provide the services, take a picture of the lawn after it’s mowed and send that with a request for payment to the homeowner,” Spence said. “We’re not there yet, but we think that a lot of the technology we’ve developed for consumers is probably long-term applicable to the small-business owner too.”

Mexican Connection

Department store chain backs U.S. lending startup

IT’S NOT SO UNUSUAL FOR A SILICON Valley lender to announce that it has raised $50 million in equity funding.

But a $50 million funding round led by a Mexican department store chain? That’s unexpected.

Insikt, a San Francisco-based lending startup, announced in December that Grupo Coppel, a privately held Mexican conglomerate, is the lead investor in its Series D round.

The two companies actually have a lot in common – even if one is largely a brick-and-mortar retailer, while the other is striving to modernize the lending business. Both have expertise in providing credit to underserved consumers, and both serve working-class, largely Hispanic customer bases, though on two different sides of the border.

Insikt was co-founded in 2012 by James Gutierrez, an entrepreneur who has long been focused on bringing Latino immigrants into the U.S. financial mainstream. His former company, known today as Oportun, provides installment loans to consumers, many of them Spanish speakers, at more than 245 locations in eight states.

Gutierrez said that his vision for Insikt grew out of a realization that by partnering with existing retailers, he could offer credit to a similar customer demographic without operating a network of standalone stores. Today, Insikt's installment loans are available in more than 600 stores in California, Texas, Illinois and Arizona, as well as online. The company's partners include a Hispanic grocery store chain that has more than 40 locations in Southern California and a large operator of remittance shops.

Insikt's loans carry interest rates that are substantially lower than those of payday loans, and they also offer an opportunity to build a credit history.

Insikt has processed 325,000 loan applications and made more than 120,000 loans. Gutierrez declined to disclose loss rates on the company's existing loan portfolio, but said that bad loans are trending down as the company hones its credit models.

The money Insikt raised in December brings its total equity funding over the last five years to $100 million. It plans to use the cash infusion to expand the number of stores where its loans are available. "We believe we should be growing that network to 5,000-plus," Gutierrez said.

Grupo Coppel has plenty of its own experience in consumer financial services. Roughly 70% of the retailer's sales are financed through its own private-label credit system. And about a decade ago, it obtained a Mexican banking license.

Today, Grupo Coppel operates roughly 1,000 bank branches, mixing banking and commerce in a way that U.S. regulators have not allowed.

David Coppel, the chief merchant and a board member at Grupo Coppel, said that the Mexican conglomerate has been looking at opportunities to invest in fintech companies for the last five years.

Its leaders chose Insikt largely because they were impressed by Gutierrez and his team.

Another factor was the size of the U.S. economy, which dwarfs that of Mexico.

The two companies are planning to share data about their respective customer bases. "There's just a long list of synergies around data and underwriting," Gutierrez said. "We want to share a lot of knowledge both ways."

Over time, Insikt plans to add new products, such as purchase financing, microloans for businesses and credit cards for consumers who have reliably repaid their installment loans.

Its U.S. plans also call for expanding beyond the Hispanic market. The company's installment loans are appropriate for anyone who cannot get approved by mainstream lenders, Gutierrez said. "If you have three jobs, two jobs, you're working hard, you care about your kids' future, you know what? You shouldn't be shut out of the system." *– Kevin Wack*

'Better and Cheaper'

Blockchain makes inroads in real estate lending

REAL ESTATE DEALS ON A BLOCKchain are becoming real.

The startup Propy recently sold an apartment in the Ukraine through its blockchain, and in the last week of December it began letting Californians buy and sell properties on its blockchain using bitcoin. They will be able to use U.S. dollars next year.

Other startups, including ShelterZoom and RealBlocks, are offering their own takes on the idea of buying and selling real estate on a distributed ledger. ShelterZoom has built an Ethereum-based platform that went live Dec. 14. RealBlocks lets people invest in housing on its blockchain with fiat or digital currency (and starting in February 2018, its own tokens). It has completed seven deals so far.

Distributed-ledger technology could simplify real estate investment, turning a complicated process into a series of clicks. It is essentially a database that can live in many places at once, where transactions and smart contracts can be executed, theoretically without any need for middlemen.

At some point, not only real estate transactions but mortgages themselves may be handled on a blockchain. Banks will have to adapt.

"I don't know if this is removing banks from the process," said Eric Piscini, principal, banking and technology consulting at Deloitte.

But it could force banks to become more efficient, he said. "Maybe they'll be leaner because they won't need to have as many people as they used to, to manage those processes."

What blockchains can do

Theoretically, almost every element of a real estate transaction could be handled on a blockchain.

"When you want to buy a piece of real estate, whether it's commercial or retail, wherever the current process is very inefficient, which is most places, a blockchain platform can make it better, faster and cheaper," Piscini said.

Propy, which is based in Menlo Park, Calif., calls itself the Amazon of real estate. Its site lets users search for properties and brokers the way Realtor.com and Trulia do.

It records deals on its blockchain registry, which it hopes will be adopted by many jurisdictions as an official ledger and as a way to issue title deeds online.

Herein is a big promise of blockchain: that it could replace today's clunky title deed and registry processes, which involve going to a local town hall and getting a clerk to find the right documents.

Yet it will be a challenge to get thousands of local governments, as well as homeowners and real estate investors, to accept a number on a blockchain as the official deed to a property.

RealBlocks lets people invest in rental properties like Section 8 housing over a blockchain. “Rather than having to set up LLCs and deal with the tax, legal and accounting complexities associated with purchasing real estate, we’re making the process seamless by doing it on the blockchain using tokens,” said Perrin Quarshie, RealBlocks’ chief executive.

The company can help users find a mortgage through its mortgage brokerage partner First National Financing. It also partnered with SALT Lending so that participants will be able to take out a loan or line of credit using the tokens they buy from RealBlocks as collateral.

A blockchain combined with smart devices could let real estate investors track the condition of their investments and know, for instance, that equipment is being repaired and replaced on schedule. “Almost in real time, you can know if that piece of real estate you invested in is in good condition or not,” Piscini said.

A blockchain can also let people who are nonresidents buy U.S. real estate, which today is difficult. And it could let more people participate.

“If someone who is managing a property can also be an investor in the property with that mechanism, then they would manage the property better,” Piscini said. “The renter or leaser might be more incentivized to do a good job maintaining the property if they’re also an investor.”

Big hurdles

For real estate blockchains to work, many things need to happen, one being that courts would have to accept smart contracts the way they accept paper-based contracts today.

“Blockchain is a very natural database technology to keep records like titles and to make them widely accessible,” said Dror Futter, partner at Rimon Law and a member of its blockchain practice. “The issue is, you need to have the real estate blockchain recognized as a title registry. You can’t have a situation where you have multiple registries.”

Consumers would have to be willing to accept a smart contract as their only way to engage with real estate participants. “If something goes wrong, who’s picking up the phone?” Piscini said. “If there is a major event, an earthquake, how do you manage the smart contract? At the end of the day, are we willing to trust this? That’s going to be the biggest challenge.”

The tokens many blockchain startups plan to issue to represent real estate assets raise regulatory questions.

“Will those tokens be considered another risk or another type of equity or will they be considered just an investment in real estate?” Piscini said. “I think the jury is out on that.”

In Piscini’s view, the only way to get the entire real estate finance system to accept transactions on a blockchain would be for regulators to mandate its use.

Regulators might do this for three reasons: to make the real estate market more open; to exert control over the real estate market (for instance, to limit a North Korean investor’s U.S. purchases); and to obtain a macroeconomic, real-time view of the real estate market, so they can react immediately.

All of this will take time. “Blockchain is the internet circa 1993,” Futter said. “The technology is still immature, it’s not user-friendly, there are still issues being identified, and hacks are occurring. It’s a little overhyped in terms of what it can deliver today. But it can do most of these things on a limited basis today.”

Mortgages of the future

Eventually, it is likely that mortgages will be handled as self-executable smart contracts on a blockchain, rather than as paper documents.

“Could you do a mortgage completely by way of smart contract? Yes,” Futter said. “The technology is there today to form a mortgage between two parties. The question will be, from a legal perspective, will it be deemed an enforceable agreement? That’s more a question of evidence than anything else.”

States like California are starting to accept smart contracts as legal evidence, so long term this will not be an obstacle.

Futter believes smart contracts themselves won’t contain every term of a mortgage agreement. They might contain key terms like interest rate, loan amount and duration. But an underlying master agreement would cover all the terms and conditions typical of a mortgage.

A blockchain could also facilitate crowdsourced mortgages. Instead of taking out a $200,000 loan from one lender, a borrower could get $2,000 each from 1,000 investors.

What banks should do now

Blockchain technology will take over the recording and transaction activities banks do today, Piscini said. Therefore, banks must focus on value-added services. “Now it’s not just lending money, it’s managing property and helping people do a lot of things outside of just getting money to buy real estate,” he said. “So the banks have to reinvent themselves and find new services and solutions.”

Futter suggests that at a minimum, banks should have people following these developments. They could be experimenting with creating records, tracking documentation and verifying transactions on a blockchain.

“The financial crisis showed this recordkeeping aspect is not the biggest strength of a lot of banks,” Futter said. “The blockchain creates a reliable storage mechanism that’s accessible depending on whether you do a public chain or private chain. You can store all the documentation around the mortgage transaction, including the financing, on a blockchain. You could do the mortgage processing automatically going forward, payments could be made and foreclosure would occur automatically – those kinds of things are all doable on the blockchain.” *– Penny Crosman*

Diane Morais
President of Consumer and Commercial Bank Products for Ally

eering the journey

HOW DO YOU REDUCE FRICTION IN THE BANKING EXPERIENCE, INCREASE WALLET SHARE AND IMPROVE LOYALTY? COMPANIES LIKE ALLY, BANK OF THE WEST AND USAA MAP THE CUSTOMER JOURNEY TO FIND THE ANSWERS.

BY ROB GARVER

PHOTOGRAPH BY MITCHELL KEARNEY

For the typical banking customer, there are some interactions with a financial institution that are as predictable as they are frustrating.

A call to the customer service line will almost inevitably require entering information into an automated system before being put on hold – and then being asked to provide those same details again once a person picks up.

Lost your wallet? Count on multiple calls to different parts of the bank, one to cancel and replace your credit card, and another to do the same for your debit card.

Need a loan to renovate your kitchen? Don't expect the fact that you already have a mortgage with your bank to make the application process any simpler.

These are all what bank analysts refer to as "pain points" – interactions that frustrate a customer, potentially driving them away. But while these encounters may still be common across the industry, a handful of banks are on the forefront of a movement to eliminate this kind of friction in the customer experience. They are re-engineering how their businesses operate with a focus on what's called the "customer journey."

The idea is to identify where customers hits snags in any process, whether that just slows them down or causes them to discontinue what they are doing. Fixing the process so that doesn't happen is hardly ever simple.

In Detroit, the bank unit of Ally Financial is working to make sure that customer service reps in their call centers know who is on the line – and what needs that person might have – before they even pick up the phone. In San Francisco, Bank of the West is importing a product from Europe designed to ease a customer's path through the myriad financial transactions involved in home ownership. And in San Antonio, Texas, USAA is tackling all kinds of pain points that harm customer retention and overhauling its management structure to make this effort a continuing focus.

An emphasis on the customer journey has the potential to help banks achieve some perennial goals. For as long as some bankers have been in the business, they have been looking for a way to successfully cross-sell additional products to existing customers – getting someone with a basic checking account to add a credit card and maybe look into investment services, or persuading a mortgage customer to consider a home equity loan.

There also has been an effort over many years to break down the silos that have typically made it difficult for banks to serve a customer holistically, rather than as a disparate entity within each line of business.

Customer journey mapping unites these efforts, while also layering on data analysis in a way that can offer meaningful and actionable insights.

Given all the moving parts, successfully implementing a customer journey approach is a complex undertaking, involving significant investment in information technology and, in some cases, a broad restructuring of management responsibilities within the bank.

"We have a plethora of information on our customers," said Diane Morais, president of consumer and commercial bank products for Ally. "How they do business with us. What kind of products they have. Do they interact with us online? On mobile devices? How frequently do they call? What kind of relationship do they have with us?"

A lot of banks struggle with how to effectively use the customer data they have to achieve business goals.

But in 2017 Ally initiated a strategy meant to tackle that challenge.

Using the data it had already collected along with analytical frameworks based on demographic and psychographic data, the bank created a set of archetypal customer "personas" that it uses to guide customer-facing employees in the way they communicate.

For the online-only Ally, call centers are an especially important touchpoint for customers, and the bank is intent on making those interactions productive and positive. Before employees answer the phone, they know not only the identity of the person they'll be speaking to, but some key facts that will help determine how they approach the conversation.

Is it a retiree on the line, with a preference for traditional high-touch banking relationships and a generally conservative approach to new products and technology? Or is it a millennial, whose usual interactions with the bank have been through the mobile channel but who, for some reason, has decided she needs to talk to a person today?

This information primes the customer representative to anticipate the needs of the customer, ideally making a call to customer service – an experience virtually nobody looks forward to – more pleasant in a way that cements and potentially expands customer relationships.

Getting to that point was a challenge.

But using advanced analysis of customer data, banks at the forefront of managing customer journeys have found that they are able to improve the rate at which prospects are turned into customers and at which existing customers begin using additional services.

"It's about how we get more relevant in the way that we talk to them," Morais said.

In many cases the price for banks moving to a customer journey approach has been a substantial restructuring of operations.

Over the past two years, USAA has broken down its internal reporting silos and rebuilt them with the aim of dramatically changing the way customers interact with the bank, said Scott Lippert, vice president and general manager of bank shared services.

"We've organized around member experiences," Lippert said. "We've taken every way that a member can experience USAA Bank and we've given that to an individual to be responsible for that end-to-end experience regardless of channel."

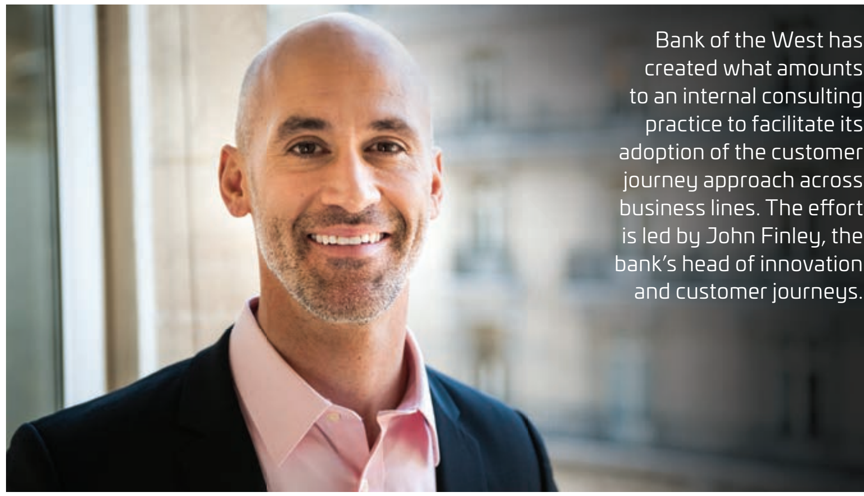
USAA, which serves only current or former military members and their families, refers to its customers as "members." It is largely a digital bank, though it also has some physical locations.

One example of how USAA's overhaul has improved the customer experience is in its handling of lost cards, Lippert said.

In the past, a customer who lost a wallet containing both a debit card and a credit card would have to go through two completely different processes to get new ones. This made sense to the bank from the perspective of its internal organization, but it was very frustrating to customers.

"The lost debit card would report up through one silo, and the credit card up through another silo," Lippert said.

But, he added, "That should be one experience." To make it that way, USAA forced two formerly separate segments of the bank to organize the card replacement process around the needs of the customer, not the convenience of the individual business line.



Bank of the West has created what amounts to an internal consulting practice to facilitate its adoption of the customer journey approach across business lines. The effort is led by John Finley, the bank's head of innovation and customer journeys.

The bank also had to change the responsibilities of the managers in charge of the process. Now, Lippert said, USAA has one team that is responsible for the lost-card replacement experience, with the goal of making the process simple for customers, even if it's complicated on the back end.

A willingness to take on complicated back-end projects in the name of providing a better customer experience is one of the hallmarks of a bank focused on the customer journey.

At Bank of the West, the move to a customer journey approach has involved the creation of what amounts to an internal consulting practice.

The effort is led by John Finley, the bank's head of innovation and customer journeys. Finley and his team work with business units on "embedding" a customer journey approach into the way the bank operates.

"A customer journey approach is an approach to putting the human right at the center of what we're designing for," said Finley, who spent several years in Paris at Bank of the West's parent company, BNP Paribas, before returning to San Francisco last year. "Putting the customer right at the center and then mapping out the entire customer experience across all the touchpoints between the customer and the bank and really putting the customer's needs at the heart of what we're focused on delivering."

It seems like an obvious idea, really. One could reasonably ask why banks haven't always been designing their products this way. The answer, in part, is that it's complicated.

For one, the data that helps identify the "pain points" that harm customer relationships hasn't always been there. And for another, actually making it work requires new ways of thinking that don't necessarily come naturally to bankers who rose through the ranks in a more traditional era.

When Finley engages with business line leaders on improving the customer journey, he said, the first step in a five-step phase for solving a problem is to convince them to "not think like a banker."

This step entails cultivating empathy for the customer – "really understanding what the customers' needs are" – and making a commitment to address those needs even if that means stepping out of traditional lines of reporting or protocols.

Next comes definition of the problem, again from the customer's perspective rather than the bank's, and the assembly of a multidisciplinary team to brainstorm possible solutions. At Bank of the West, the usual practice is to create prototype solutions that are tested on small groups of customers, then refined before getting rolled out more broadly, Finley said.

As an example, he cites a program launched by BNP Paribas Fortis, a Belgium-based unit of the parent company. The program, called Home on the Spot, forced bankers to step well outside of their comfort zone.

Fortis recognized that one of the major life challenges faced by almost all of its customers was managing the financial stresses of their living arrangements. Over the course of a lifetime, bank customers deal with a common set of related tasks, such as renting an apartment, moving, buying a house, renovating, refurnishing, upgrading appliances, and more.

It also happens that Fortis, like most banks, has products designed to help finance many of these activities.

Though "you obviously can't deliver all of that capability all at once," mapping a customer journey to address part of that experience is possible, Finley said.

Fortis envisioned a service that would smooth a customer's path through both the home search and financing process. This also would create opportunities for the bank to highlight how it could help with related products.

The end result is a Fortis-branded online service that allows prospective homebuyers to search real estate listings and provides other services.

"So as somebody is going through the home search experience – before they're even thinking about buying – the bank begins to establish that relationship," Finley said. "So that when you then get to the stage of applying for a mortgage, BNP Paribas is the first partner you're going to be thinking of."

The effort is not just about a mortgage, though. The intent is to stay involved with the customer well past the mortgage transaction, and connect them with different business lines within the bank, including, for example, those that offer financing for appliance upgrades or home renovations.

"Outside of applying and getting financing … there are a lot of different things you have to do that make moving so difficult," Finley said. "So the idea behind this approach is to really partner with the customer through this entire life cycle."

The Home on the Spot program is young enough that BNP Paribas doesn't have much data about its impact on the bottom line. However, customer feedback has been positive enough that similar efforts are rolling out to subsidiaries, like Bank of the West.

USAA has a similar holistic approach for customers seeking auto loans, and it uses customer journey mapping in that effort.

A 2017 Forrester Research report discusses the idea of customer journey mapping with reference to Auto Circle, USAA's automobile buying service, this way: "It uses journey mapping to break down life events into discrete tasks and identify the emotional states and needs that the brand can satisfy at each step along the way. For instance, rather than just selling auto loans, USAA extends its services across the entire journey. With Auto Circle, USAA helps customers research, find, negotiate the price of, finance, insure, maintain, and ultimately resell vehicles."

As banks move toward increased digitization of the customer experience, a focus on the customer journey can be a helpful way of optimizing online and mobile services, said Aurelie L'Hostis, a London-based analyst with Forrester.

"The reason for that is that it helps align the different stakeholders in the company behind a common and very clear business strategy," she said. "That means they can work cross-functionally, but it keeps the customer at the center of what they are doing."

Where some companies are struggling with a focus on the customer journey, she said, is in taking into account all the different perspectives within the institution.

"You have people from lines of business and marketing trying to design the journeys and decide what kind of functionality they want, and they ask the people on the tech management side to develop everything," she said.

But unless the technology team is involved in the process early on, "it is very difficult," she said.

Similarly, banks that focus on the customer journey from a technology perspective might inadvertently handicap themselves.

L'Hostis said that she worked with one insurance firm that wanted to make it easier for customers to file claims. "They launched a claims app and what they found out later was that their agents were actively discouraging customers from using the app because they were worried that it would cut them out of the important moment of truth – which is when the customer would make a claim – and that would endanger that customer relationship."

At Ally, the management team has bought into the idea of creating multidisciplinary teams to manage different aspects of the customer journey.

"It is absolutely changing how we are working," Morais said. "We are going through an important transformation from what we consider the old way of delivering technology and solutions to using an agile framework and creating much more integrated teams."

This entails creating squads of specialists from various parts of the bank – business leaders, marketing experts, technologists – and giving them responsibility for managing the way customers move through specific elements of their relationship with the bank, such as onboarding, navigating the mobile app or applying for a loan.

"They come together in a highly collaborative way, really mapping out the customer journey and thinking about it in an end-to-end perspective," Morais said.

For many of the institutions that have moved wholeheartedly into managing the customer journey, that has involved a substantial investment of time, managerial attention and money.

But even for banks unable to make the kind of investment that Ally, USAA and Bank of the West have, real benefits are still achievable. Most banks are sitting on a vast trove of data about their interactions with customers that, with a little help, they could use to greatly improve the customer experience, whether it be online or in person.

"They have the data already that will answer 75% of the challenges they have within the institution," said Rob Heiser, founder and president of Segmint, which helps banks use customer data to identify and anticipate customer needs.

He suggests banks take at least this one item out of the customer journey toolbox: customer journey maps.

"We've taken every way that a member can experience USAA Bank and we've given that to an individual to be responsible for that end-to-end experience regardless of channel," says Scott Lippert.

Journey mapping can cover a customer's entire relationship with a bank, but, in general, it tends to be used to analyze more isolated interactions, focusing on friction points in specific experiences. For instance, most banks have access to data that would let them see which customers most frequently abandon the loan application process and where in the process they do so.

An anecdote from a report by McKinsey & Co. illustrates the value of how a relatively isolated set of data points can shed significant light on a bank's business. Authors Raffaella Bianchi, Michal Cermak and Ondrej Dusek cite their experience working with a regional bank that was concerned about losing out on potential loan customers. The bank determined that 80% of its prospects initially accessed the bank's website, but that only one in four of them remained online, while the same number called a call center and a slightly smaller number went to a branch.

"The channels' differing performance pointed to specific problems," they wrote. "Ultimately, more than one-fifth of customers who visited a branch ended up getting loans. But in the online channel, less than 1% got a loan after almost 80% dropped out rather than fill in a registration form. Finally, in call centers, a mere one-tenth of 1% of customers received a loan–perhaps not surprising, since only 2% even requested an offer."

After collecting that information, the bank greatly simplified its online registration process and set up an internal system to clarify how it would handle customers who began their interaction in one channel but switched to another.

The result, according to McKinsey, was a 25% increase in loan sales across the board, as well as a similar uptick in other products.

"That's what you're trying to do with journey mapping," Heiser said. "You're trying to find out where the friction is and why there is fallout."

There is a danger, though, in tying customer journey efforts too tightly to technology, warned Forrester's L'Hostis.

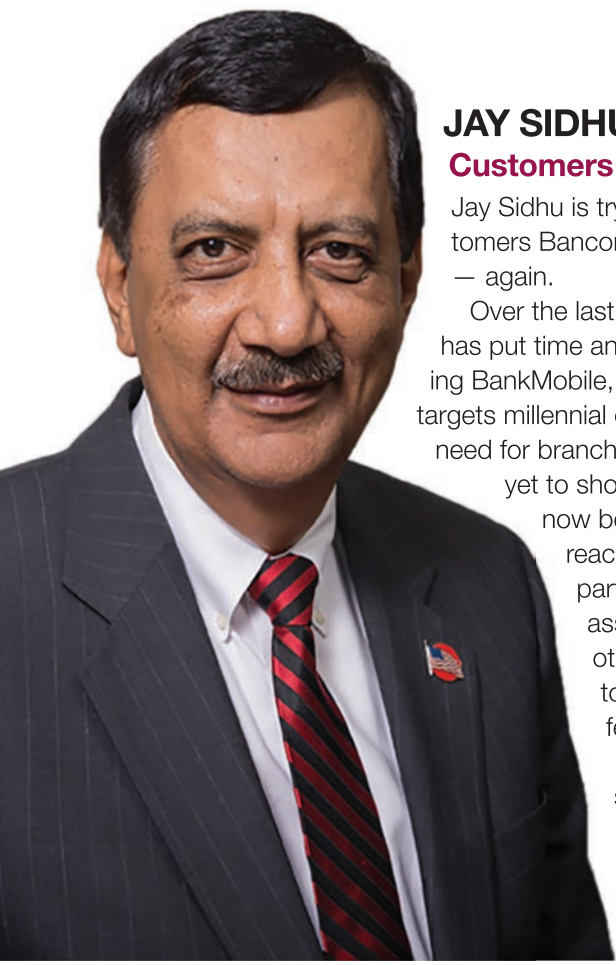
"When you talk to banks, they all tell you 'Yes, we want to improve the customer experience, it's the most important thing for us.' But actually, when you start asking them about their digital strategy, what you hear is that they want to push everything digital. They want a 100% digital sell."

Taking the human element out of the process, she said, can lead to "misunderstanding of customer behavior and preferences, and sometimes low adoption of the tools they develop."

When it comes to customer journeys, it seems, a map is good, but a guide is important too. □

Small banks, big challenges

These five chief executives in the community banking sector will be tackling some unique challenges in 2018. Iberiabank's Daryl Byrd is trying to win back the confidence of investors after a string of up and down quarters, while Customers Bancorp's Jay Sidhu is working on a complicated spinoff of its digital-only subsidiary. Litz Van Dyke of Carter Bank & Trust, Doug Bowers of Banc of California and David Becker of First Internet are testing new markets and strategies, all in an effort to maintain their banks' relevance in the face of intensifying competition from both inside and outside the industry.



JAY SIDHU

Customers Bancorp

Jay Sidhu is trying to reinvent Customers Bancorp in Wyomissing, Pa. — again.

Over the last several years, Sidhu has put time and energy into building BankMobile, a digital-only unit that targets millennial consumers with little need for branches. But the unit has yet to show a profit and Sidhu now believes it will never reach its full potential as part of a $10.5 billion-asset company that, like others its size, is subject to caps on interchange fees.

His solution is to spin off BankMobile and reposition Customers as a business bank focused on acquiring teams of lenders with established books of business. "Let BankMobile flourish as a consumer bank, separate and independent, and let Customers flourish as a separate, independent business bank," he said.

DOUG BOWERS

Banc of California

Doug Bowers is hopeful that Banc of California in Santa Ana can return to playing offense in 2018.

The $10.3 billion-asset company spent much of 2017 retooling following the abrupt resignation of former CEO Steven Sugarman. It strengthened corporate governance, unloaded its mortgage business, eliminated some C-suite jobs and, most notably, tapped Bowers as its next leader.

Rather than doing anything splashy, like making a major acquisition or adding new business lines. Bowers wants to build on the bank's success in areas such as title and escrow, small-business lending and multifamily lending.

Perhaps the biggest challenge Bowers faces is preserving the bank's independence. Several analysts have speculated that Banc of California could be an attractive takeover target given its size and reach across the nation's largest state. It's also worth noting that the bank added several activist investors to its board last year.

DAVID BECKER

First Internet Bancorp

First Internet Bancorp in Fishers, Ind., is on a roll. The company, founded in 1999, took more than 15 years to amass $1 billion of assets. Over the last two years, though, its assets have more than doubled, to $2.6 billion, and CEO David Becker predicts that it will continue to grow in the 30% to 40% range for the foreseeable future.

Becker attributes the branchless bank's torrid growth to a national lending strategy that most other banks its size would be reluctant to pursue. Case in point: It recently financed one customer's purchase of several Dollar General stores in the Southwest, Midwest and Southeast. "Her local bank didn't want to do anything with it since they were all out of market," Becker said. "It wasn't a big enough deal for the regional and big banks to get them excited." But First Internet was the perfect lender for her because, he said, "we don't care where the properties are."

Still, the model has its challenges. Investors often avoid banks that lend nationally because the strategy is inherently risky. Another concern for investors is that First Internet's net interest margin is lower than that of its community bank peers because it pays higher rates on its deposits. Becker acknowledges this, saying investors need to look at metrics like operating leverage and noninterest expense, where First Internet outshines its peers. "You have to go through the model to understand where we make money."

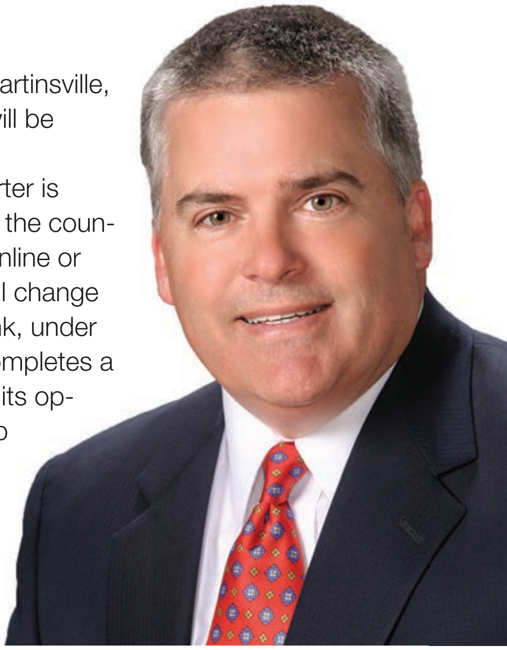
DARYL BYRD

Iberiabank

This past year was a rocky one for the $28 billion-asset Iberiabank in Lafayette, La., and the pressure is on CEO Daryl Byrd to prove its value to investors in 2018. Though there were some major high points in 2017 — its $1 billion-asset purchase of Sabadell United Bank in Miami strengthens the bank's presence in Florida and its pending acquisition of Gibraltar Private Bank & Trust would give it a foothold in the New York market — investors and analysts became increasingly frustrated with Iberiabank's lackluster earnings growth and languishing stock price. Some of the earnings volatility can be traced to issues beyond the bank's control, such as fluctuating energy prices and hurricanes that battered several of the bank's markets. But investors hate inconsistency and Byrd's challenge is to rein in expenses and take other meaningful steps to show that steady growth is ahead.

LITZ VAN DYKE

Carter Bank & Trust



At Carter Bank & Trust in Martinsville, Va., 2018 is looking like it will be momentous.

The $4.2 billion-asset Carter is perhaps the largest bank in the country that still does not offer online or mobile banking, but that will change later this year when the bank, under new CEO Litz Van Dyke, completes a comprehensive overhaul of its operating system. Catching up to the rest of the industry in digital banking should accelerate Carter's effort to attract more low-cost deposits while reducing its reliance on expensive time deposits, said Van Dyke, who took the helm in April following the death of founder and longtime CEO Worth Harris Carter Jr.

"You can imagine if we're in a branch today trying to sell a business checking account and we don't have online channels," he said. "That is a pretty hard sell."

BankThink

BY TALAL DEBS

The Overlooked Key To Risk Management

Many banks are now fundamentally questioning the way they make risk decisions, whether through the use of ever-bigger data sets, machine learning or new methodologies. It may be, however, that the area of greatest innovation in the near term has less to do with these new developments than in rethinking the way banks handle a very old concept: capital.

In the world of high finance, very few topics are guaranteed to kill a good conversation as does any mention of capital. These days the word "capital" is usually uttered in the context of bank regulation and the alchemy of the Basel accords, and it is viewed as a necessary evil to keep us from the brink of financial crisis.

This was not always the case. Such venerable thinkers as Adam Smith were fascinated with the concept and in passing gave us "capitalism" as a market philosophy and shorthand for a way of living and taking risks. This philosophy has proved, in conjunction with democracy, to be capable of reshaping industries and nations. Even that great anti-capitalist Karl Marx couldn't help talking about capital.

But if capital traditionally represented those assets that could be set aside and dedicated to creating a return – "investments" – then why do so many of us in the world of finance now think of capital in its negative aspect, as assets that must be maintained (at great expense) to absorb a loss? There is always a sense in which some tend to view risk through the lens of avoiding loss and some through that of gaining a return, but our current negative view of capital has more to do with recent history.

In the aftermath of the financial crisis in 2008, it was recognized that in spite of sophisticated and well-resourced risk management teams, large banks had failed to allocate and price capital in a way that provided an effective signal to drive good business decisions in the first place. As a result, various regulatory bodies have spent much of the last decade expanding the capital and related liquidity requirements applied to the world's banking institutions.

These new requirements are now in many cases the binding constraints on financial institutions as they seek to operate or expand their financing capabilities. In a way, capital requirements have taken the reins away from erstwhile decision makers as they seek to take on new risks.

Many in the industry have complained, privately and some even publicly, that capital considerations have now overrun those of simply managing the risk. Yet, by one way of thinking, this is exactly as it should be. After all, the argument goes, the banks had invested too little capital to justify returns and cushion their losses.

Whether or not one agrees that this is true, the fact remains that the world of regulated banking is now much more highly capitalized and at greater cost. There is, however, a very significant opportunity this presents that all the complaining about increased regulation has obscured from view: In having to maintain more capital, and deal with the higher cost of doing so, banks must now develop highly sophisticated and efficient tools to deploy, monitor and allocate capital across numerous lines of business and new and old products alike.

OPINION

For more viewpoints on industry issues, visit the BankThink page on **AmericanBanker.com**

The jury is out as to what the new paradigm for capital allocation within large banks may be. But there is an opportunity for the best banks to develop operational excellence at capital deployment that sets them apart from their peers.

As this new frontier evolves, we may learn that some lines of business are not worth doing (in the current way and at current prices) and that others either entirely new or long neglected are poised to have their day. It seems capitalism, the "invisible hand," still has some tricks up its sleeve. □

Talal Debs, a former philosophy professor, banker and risk manager, is head of the risk practice at RSR Partners, an executive search and leadership consulting firm, and a research associate at the Center for the Philosophy of Natural and Social Sciences at the London School of Economics.

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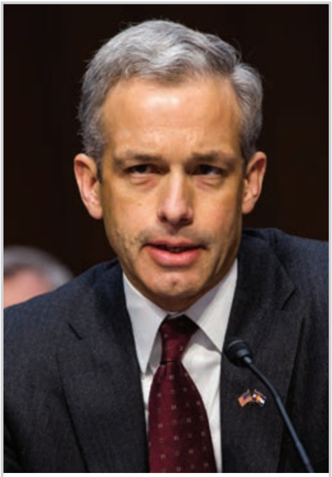


NEWSCOM

JOHN WALSH

"The notion that you can put this genie back in the bottle today is not realistic."

Former U.S. attorney for Colorado, on the Department of Justice rescinding the Cole memo that had eased tension over conflicting marijuana laws

SEN. ORRIN HATCH

"Every good fighter knows when to hang up the gloves."

Utah Republican who chairs the Senate Finance Committee, announcing that he'll end a four-decade congressional career at the close of 2018

JOSEPH BORG

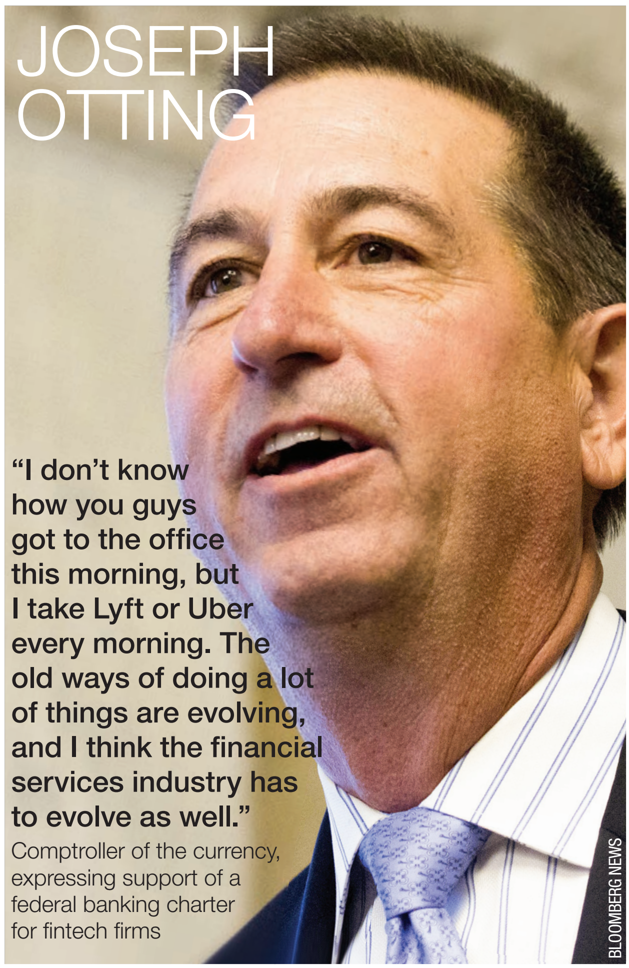
"We've seen mortgages being taken out to buy bitcoin."

President of the North American Securities Administrators Association, on the bitcoin craze

J. CHRISTOPHER GIANCARLO

"Ignoring virtual-currency trading will not make it go away. Nor is it a responsible regulatory strategy."

Chairman of the Commodity Futures Trading Commission, on the need for oversight of virtual-currency exchanges



JOSEPH OTTING

"I don't know how you guys got to the office this morning, but I take Lyft or Uber every morning. The old ways of doing a lot of things are evolving, and I think the financial services industry has to evolve as well."

Comptroller of the currency, expressing support of a federal banking charter for fintech firms

BLOOMBERG NEWS

ROBERT SCHMANSKY

"The most important thing to realize is this is not an investment, it's a gamble. When we gamble, we risk total loss for the chance of a windfall. Think of bitcoin like you would a lottery ticket."

Certified financial planner, on what he would tell a client about investing in bitcoin

JOHN KANAS

"He picked me up in an old, banged-up Chevy Nova."

BankUnited's chairman, recalling a meeting with the late Bob Wilmers of M&T and describing him as a billionaire who always tried to look like a commoner

JARET SEIBERG

"The best move politically is always to bash the biggest bank."

Analyst for Cowen Washington Research Group, on President Trump's tweet about Wells Fargo penalties being pursued and possibly increased

LISA DONNER

"The notion that this administration is or will be tough on Wall Street doesn't pass the laugh test, and that fact is evident in deeds, not tweets."

Executive director of Americans for Financial Reform, in reaction to Trump's Wells Fargo tweet

CHRIS WESTON

"It feels like this whole thing is being driven by the average Joe who isn't nearly as financially literate as a professional fund manager."

Chief market strategist at the online trading platform IG Group, on bitcoin's astronomical gains