Independent Banker

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Innovation Station by Charles Potts

**6 innovation trends for 2021**

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s we start the new year, much remains uncertain. In general, “uncertainty” implies a state of limited knowledge that makes it impossible or impracticable to describe a future outcome. And it’s this ambiguity that many community banks face when addressing market needs for 2021.

Despite this, community banks will continue to demonstrate a thoughtful and courageous approach to innovation to meet the needs of their customers. Here are six opportunities for community bankers to consider as they flesh out their 2021 planning.

**1. Digitalization.** Demands on community banks to process Paycheck Protection Program loans for small businesses in 2020 accelerated digitalization and laid a strong foundation for future innovation around digital products and services. Investing time and resources into digitalization in 2021 is non‑negotiable.

**2. Artificial intelligence and machine learning.** Expect a heightened focus on using AI and machine learning to improve digital and mobile-first strategies and support front- and back-office processes. Processes enhanced by these tools include ever more complex regulatory compliance, know your customer (KYC) risk management, and Bank Secrecy Act (BSA) and anti-money laundering (AML) requirements from an underwriting perspective.

**3. Regtech.** Leadership changes at the national level often correlate strongly with increased activity around regulatory needs, changes and technology. This may result in a shift in the tools and technologies community banks employ to meet the needs of their markets. ICBA will continue to focus on the regtech space and apprise members of new developments.

**4. Cybersecurity.** Cybersecurity should be a part of any bank’s comprehensive, strategic approach to fintech and innovation initiatives. ICBA’s Preferred Service Provider Directory is an excellent place to look for solutions geared to meet community banks’ needs.

**5. Financial literacy.** Look for heightened awareness and increased demand for solutions to serve underbanked and underserved people. Several new entrants appeared on the scene in late 2020 to address financial literacy and financial wellness needs of these communities. This will be an essential year for increased awareness and adoption at the national level.

**6. Cryptocurrency.** In 2021, expect to see more robust and solid use cases for cryptocurrency. The year will bring opportunities for community banks to adopt some of these capabilities to serve targeted subsets of the market.

Equally important is your continued involvement in ICBA. ICBA’s ThinkTECH Accelerator 3.0, which launches Jan. 6, provides community banks with opportunities to engage directly, partner with early stage fintechs and help shape the future of community banking. Visit *icba.org/thinktech* and sign up to lend your expertise and insights as a mentor.

As we look to the future, Benjamin Franklin’s words come to mind: “Nothing can be said to be certain, except death and taxes.” And I would humbly add, community banks’ resolve to serve their customers and communities well. ¡

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