

# NBF KNOWLEDGE SERIES

## UNLOCKING OPPORTUNITIES, LEADING CHANGE

Thursday, 3<sup>rd</sup> November 2022  
Waldorf Astoria, DIFC, Dubai  
8:30 AM – 1:30 PM

### Agenda

This year has been marked by elevated oil prices and rising inflation across the world. In the UAE, supportive government policies to further diversify the economy have accelerated GDP growth. Other positive signs for the UAE's economy include the tourism industry's robust recovery, progress on infrastructure projects, and investor-friendly reforms.

Challenges remain, however, due to global economic uncertainty, shifting market dynamics, and rising interest rates. As such, two themes stand out amid 2022's challenges: leveraging digital technologies to create opportunities and embracing the new operating environment.

Regarding the first theme, a 2020 study by Deloitte found that U.S. companies possessing a high digital maturity reported 45% revenue growth versus just 15% revenue growth for companies with low digital maturity. Businesses can leverage innovative digital tools such as big data, machine learning and artificial intelligence to create new revenue streams.

On the second theme, digitalisation has intensified competitive pressures, and businesses must now navigate a new operating environment: hybrid working models have become ubiquitous, while supply chain disruptions are occurring worldwide. So, creating more resilient supply chains has become a major priority. Moreover, the shortfall in trade finance availability reached \$1.7 trillion in 2020, equivalent to 10 percent of global trade, according to an Asian Development Bank study. This presents a clear opportunity for banks and exporters to meet this gap.

The first event in the NBF Knowledge Series explored these changing market dynamics and the role that financial institutions can play in helping companies navigate change and unlock business opportunities.



## Session 1

# Leveraging Digital Technologies to Create Opportunities

MODERATOR: James Faulkner, Director, London Stock Exchange Group (LSEG)

### PANELLISTS:

- **Hans Henrik Christensen**, Senior Director, Technology and Entrepreneurship, Dubai Integrated Economics Zones Authority
- **Frederik Bisbjerg**, SVP Digital Transformation and Innovation, Daman Insurance
- **Ismail Yavuz Sakaoglu**, Chief Technology Officer for Financial Industry Enterprise Group, Huawei

### Discussion Summary

#### New opportunities exist, but companies must know how to find them

The event's first panel focused on digitalisation and digital technologies. Opening the discussion, James Faulkner, Director at London Stock Exchange Group (LSEG), asked panellists how young digital businesses are using their technological advantages. Hans Henrik Christensen, Senior Director for Technology and Entrepreneurship at Dubai Integrated Economics Zones Authority, started by noting that multinationals and major banks often struggle to innovate. Yet he also stressed that although start-ups have greater scope and opportunity to disrupt established industries, "you need to know how to find these opportunities". Offering a slightly different perspective, Frederik Bisbjerg, SVP for Digital Transformation and Innovation at Daman Insurance, said that while companies should be on the lookout for what is happening in the industry, they should not "forget to look inwards as well". Companies generally have not altered their processes because "they do not know how to make these profound changes", said Bisbjerg.

#### Operational pain points exist, such as automation and a changing customer journey

Continuing with the theme of operational pain points and challenges, Ismail Yavuz Sakaoglu, Huawei's Chief Technology Officer for Financial Industry Enterprise Group, highlighted the need for companies to improve the customer experience they provide, because "the customer journey is changing", he cited the decline of in-branch banking as an example. Bisbjerg also mentioned hurdles to achieving greater automation, such as long-used manual workflows in organisations, while also highlighting the role of "no-code" applications to reduce the impact of this issue. Sakaoglu expanded on the discussion about automation, using anecdotal evidence to argue it is vital to fully understand the processes and workflows that are being automated.

#### Challenges such as regulatory and data sovereignty issues, silos, and legacy systems persist

This discussion led panellists to consider the broader challenges and considerations at play. Christensen mentioned regulatory and data sovereignty issues, citing the example of global messaging services such as Slack and how national data sovereignty must be observed in such cases. For Bisbjerg, silos, bureaucracies and legacy systems were his main concerns. Commenting on these challenges, Bisbjerg said the customer journey should be as seamless as possible, tying in with Sakaoglu's earlier emphasis on this aspect.

#### Several success stories now exist

Christensen highlighted some success stories. Crypto firm BitOasis raised \$30 million, for example, with UAE policymakers doing much to support its fledgling crypto sector. Initiatives include the launch of the Virtual Assets Regulatory Authority. Christensen cited two examples: the exploration of tokenisation at Dubai Silicon Oasis, and a startup that aims to reinvent the loan approvals process by deploying an algorithm that checks 80 data points to provide a near-instant decision. On the tokenisation example, Christensen said: "there are enormous opportunities: we think you can tokenise real estate... Imagine tokenising shares". These innovations could make current processes much less cumbersome.

#### Balancing digitalisation and the human element require care and consideration

The panel discussion concluded with a perennial concern Faulkner voiced, namely how companies and other stakeholders can increase digitalisation without losing the human touch. Bisbjerg noted that the people element is becoming increasingly important in the insurance industry. Simple things such as chatbots can help, he said, given that few people want to phone and speak with insurance companies. Sakaoglu agreed that online interaction is important, but also noted that SMEs do not have the IT resources to do this in-house and so want to use cloud-based technologies in a flexible way. Sakaoglu said the human touch must be integrated with new platforms in a balanced way, so that businesses do not stop growing while implementing profound changes to the way they operate.

The panel finished with a brief question and answer (Q&A) session. One audience member asked why it sometimes takes a long time to open a corporate banking account. For Bisbjerg, compliance and legacy systems were key reasons why some processes take longer than others. He cited an example where his firm reduced a process that used to take 6-5 days to just two hours by challenging long-held assumptions.

### Key Recommendations

- **Look for opportunities regularly:** Have an engagement team to scour for opportunities.
- **Adapt regulations to boost innovation:** Have a national regulatory board for innovation.
- **Start with the customer in mind:** Technology is vital but should come second to the customer's needs.
- **Design cloud platforms well:** Cloud platforms must have in-built flexibility.



## Session 2

# Embracing a New Operating Environment

MODERATOR: James Faulkner, Director, London Stock Exchange Group (LSEG)

### PANELLISTS:

- **Jean Claus**, CEO, Allianz Trade Middle East
- **Haitham Abdulla**, Unit Head – Investment Solutions, NBF
- **Victor Yankovskiy**, Global Head, DP World Financial Services

### Discussion Summary

#### Supply chain and macroeconomic issues such as inflation are creating a challenging environment

The second panel focused on the current operating environment for businesses. James Faulkner, a Director at LSEG, asked about current macroeconomic challenges and concerns. Jean Claus, CEO of Allianz Trade Middle East, noted that supply chain management will be “absolutely critical” for companies. Explaining further, he noted that global demand has fallen, easing supply change pressures although it is unlikely to weaken much further. Somewhat counterintuitively, Claus said a few countries would benefit from supply chain pressures such as South Korea, Mexico, Taiwan. On inflationary pressures, Claus stated that we “are living in a VUCA world” (volatility, uncertainty, complexity and ambiguity) and that he expects inflation to decrease by several percentage points next year.

Making sense of what these macroeconomic challenges mean for capital markets and investment, Haitham Abdulla, Unit Head of Investment Solutions at NBF, observed that both equity and debt capital markets are suffering their “sharpest drawdown” in almost a century. At the same time, Abdulla felt that “opportunities exist for people to invest” such as the possibility to buy stocks at significantly lower valuations. Continuing this optimistic note, Abdulla stated that despite challenges such as inflation and rising interest rates, “it is in human nature to be resilient”.

Victor Yankovskiy, Global Head of DP World Financial Services, said he was concerned with certain aspects of global trade such as food insecurity. Citing the example of fertilisers, he warned that while demand is high, the market for fertiliser raw materials is quite volatile.

#### Accessing affordable capital remains a major concern, but the number of tools and success stories are increasing

Regarding the difficulties SMEs face in accessing affordable capital, Claus highlighted the issue of limited financial literacy among business owners and managers, as well as a lack of time for busy owners to request financing and complete the financing process, which can sometimes take months. Claus pointed out that tools do exist to assist SMEs, such as software-based accounting solutions including automated supplier invoicing and predictive analytics that help project working capital requirements. Two other funding sources Claus mentioned were peer-2-peer (P2P) financing and neo-banks that cater especially to SMEs.

Abdulla noted the industry has been able to raise significant funding and he provided an alternative perspective by focusing on banks. He stated “the majority of capital is still provided by banks,” which can provide large-scale financing. On the usual borrower-lender relationship that remains vital for the banking industry, Abdulla noted it is driven by the “level of certainty” in the relationship, which in turn affects cost of capital. Abdulla remarked that in this regard, considerably more information is now available about companies and individuals, helping lenders to assess creditworthiness and other commercial aspects better. As such, the borrower-lender relationship will likely change into more of a partnership. For example, fintechs and artificial intelligence solutions can apply data analytics to provide insights that enable the provision of bespoke solutions.

For Yankovskiy, other challenges include the availability of data and the new secured overnight financing rate (SOFR). In particular, how these changes in the cost of funds in turn affect pricing for borrowers. While noting that there is no “one size fits all” solution, Yankovskiy offered some examples from his experiences. These included the onboarding process and digitising bills of lading, which are critical to freight services. On onboarding, Yankovskiy noted while it once took 7-10 days to onboard a client, the process can now be completed in two hours. On digitising bills of lading, he noted how enhancing this process enables SMEs to access financing sooner.

#### Accelerating future growth will require agility and adaptability in a fast-changing world

The panel wrapped up the discussion by considering the success factors that can help accelerate growth. Abdulla said it is primarily “about the principles businesses can follow,” such as the need for agile responses to deal with a fast-changing world. Moreover, “adaptability is a core principle businesses should have”, with Abdulla adding that “availability and flow of information is important.” Yankovskiy concurred, saying that “being agile... would help entrepreneurs to grow their businesses”.

### Key Recommendations

- **Stay alert:** Stay alert to new macroeconomic developments.
- **Revisit investment approaches:** Two good approaches are to invest in multiple asset classes and to invest for the long term despite market volatility.
- **Explore hedging solutions:** Some businesses are highly leveraged, so reducing risk is vital. Hedging solutions can help minimise uncertainty and make it easier to manage capital costs.

