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RBC SOARS TO SUCCESS

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- GUEST COMMENT: Trunomi

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Is customer verification the Achilles heel to online account opening?

Just how good is your bank when it comes to digital account opening? Is it not just one example of an area where many banks are patently not yet fully embracing the opportunities offered by digital?

RBI joined forces with Jumio, the online and mobile credentials management to benchmark high street banks in their approach to digital account opening.

Interviews with eight of the largest UK retail banks, covering more than 80% market share, later the result is a white paper 'Is customer verification the Achilles heel in online account opening?'.

The research covers areas such as: Is digital account opening working at the moment? What is holding it back? Is it down to the consumer or to the bank? What other outside influences are there in the process? And, finally; what can today's digital bankers do to lower their abandonment rates?

The common theme to all the banks interviewed is that despite the shared desire of banks and customers to move to online banking and money management, old-fashioned customer verification procedures mean that almost half (48.75%) of those who attempt to open a bank account online do not complete the process.

The banks interviewed cited a high percentage of non-matches to credit reference agency verification databases and instances where customers are required to visit a branch to have their ID document verified, turning what could be an easy intuitive digital experience into a chore.

There is quite a range in the results between the strongest performing banks and those at the other end of the scale.

Some banks are leaping ahead of their peers when it comes to embracing digital. However, the fact that in this day and age, potential customers may have to leave the comfort of their homes merely to show their ID in a bank branch is unthinkable. Yet, this remains the case in the 'age of convenience'

Banks are only now starting to use their online account opening processes as a differentiator. Very few traditional banks are seeking to differentiate themselves via their digital offering.

In the same way that traditional retailers had to tear up the rulebook and re-engineer their business processes from the ground up, banks need to adopt this mentality, rather than transfer "behind the counter" thinking to their digital offering.

With the increasing pressure on banks to make a profit and keep their customers, making the account opening process as simple and as engaging as possible is crucial.

Looking at the vast numbers of consumers abandoning the process, there is ample opportunity for a bank to improve its online originations process and march ahead of their competitors. This would not only make the bank a part of the digital revolution, but add a competitive edge due to its ease. The choice between opening a bank account online in fifteen minutes or opening one within a couple of days by going into a branch is hardly a choice at all.

I recommend the report to all who are interested in optimising digital banking; the full report can be downloaded on our website. ■

Douglas Blakey
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GATCA Compliance: Is it better to build or buy?

Fast on the heels of the U.S. FATCA, is the "global account tax compliance act," or GATCA. The OECD released its initial version of this new regulation last year, and more than 65 countries have committed to it. **Subhasis Bandyopadhyay**, Head Capital Markets CoE at Mindtree digs deeper into this new regulation

Like its predecessor, GATCA was created in response to the growing awareness of off-shore tax evasion and to increase transparency and enhance reporting. Many countries and international financial institutions are interested in GATCA because it offers the advantage of a single, common, global standard.

Nothing about GATCA compliance will be easy. Therefore, many companies are comparing the pros and cons of building an in-house compliance solution versus purchasing one from a third-party Governance, Risk and Compliance (GRC) vendor. To help you in your decision to buy or build, we've listed the pros and cons of each.

The pros of buying a GATCA solution

- Complexity offload. Large financial institutions with offices around the world face a complex landscape with a seemingly unlimited number of tax accounting methods and taxable transaction categories. Many companies want a vendor who has experience with MiFID I, Dodd Frank Act, FACTA and European Market Infrastructure Regulation (EMIR) compliance.
- Built-in credibility. A GRC implementation from a well-known regulatory compliance vendor has more credibility with regulators.

These vendors are most familiar with industry best practices and make it their business to stay on top of the latest regulation trends and advancements.

- Shorter implementation time. Third-party GRC compliance implementation projects are typically much shorter than in-house projects.

Highly skilled vendors have developed standardised onboarding and reporting tools and features that meet a range of complex business cases in their product offerings.

- Continuity safeguards. Established vendors can advise on the inevitable regulatory changes and periodically review processes to make sure that a company continues to comply with regulations. They are also available in the long term to incorporate improvements and changes.
- Lower total cost of ownership. Companies who opt for an in-house approach frequently forget the hidden costs of doing business, such as accounting for the impact of resource switching, on-the-job training, and project missteps due to inexperience. Also, ongoing maintenance and upgrades require skilled resources that may have been reassigned to new projects, which must be replaced with expensive staff.

The cons of buying a GATCA solution

- Higher initial costs. Licensing fees are typically high in the first years to recoup implementation costs and progressively reduced over time. You may not have the budget to purchase a third-party solution in the short term.
- Some alterations required. Third-party solutions, no matter how sophisticated and comprehensive need customisation to work with the complex mix of legacy and new systems, operating platforms, and dozens of specialised applications that comprise your financial system.

The pros of building an in-house GATCA solution

- Built-in knowledge. If your IT organisation has deep technology expertise and a good working relationship with its compliance arm, the interfaces can be readily built between systems to extract and integrate the needed reporting data.
- Systems familiarity. Typical challenges for regulatory implementation include sourcing data from disparate applications and integrating with existing applications. These issues can be addressed with in-house staff familiar with front and back office system details.
- Exact fit. There is no need to compromise on business requirements or make extensive customisations to a one-size-fits-all product. Your solution can be built from the ground up to meet the specifications of the various business units involved at any level of granularity.
- Lower initial costs. Compared to third-party implementations that carry high first-years licensing fees, highly skilled in-house resources can be quickly put to work.

The cons of building an in-house GATCA solution

- Coping with complexity. It can be difficult and time-consuming to determine the correct reporting responsibilities or to compile comprehensive and precise data and process requirements.
- Longer implementations. Those same complexities pose an enormous challenge to in-house resources if they have no previous experience running complicated multi-system integration projects. The stringent timelines GATCA imposes adds more pressure to the mix.
- Hidden costs. Your in-house staff may need to invest in unplanned resources or new technologies. Reassigning resources also exacts a cost in the delay or cancellation of other important core business projects.
- Support gap. Companies frequently forget to address ongoing upgrade and maintenance responsibilities once implementation is complete and the team moves on to the next project.
- Lack of scalability. In-house solutions may not be capable of scaling or adapting to the continual changes inherent in regulatory compliance.

No matter what you choose, go with an experienced IT partner

Regardless of the choice you make, be sure to engage an experienced IT partner to advise you during any or all of the GATCA implementation planning and implementation stages.

Look for a GRC partner who is familiar with designing reporting systems, employs best business practices and thoroughly understands the different products in reportable asset classes. As the first GATCA deadline approaches on January 20, 2016, now is the time to examine what is best for your organisation— to buy or build. There's a great deal at stake. ■

Hype or here to stay: Emerging trends of FinTech

FinTech is here; evidenced by new and emerging solutions that continue to revolutionise financial services, impacting how we manage customers and how they, in turn, manage their money. The industry is in disaggregation with FinTech startups luring customers out of typical banks. **Stuart Lacey** of Trunomi writes

Customer-centric solutions such as peer-to-peer lending, personal currency and direct payments are offered at a fraction of the price.

Mobility is a key driver and payment revolutions like Apple Pay are creating headline news. However, the key to creating a true value-proposition and better user experience is the personalisation of services. This is best achieved by collecting and analysing customer data, or Personally Identifiable Information (PII).

Changing regulations across the globe are impacting the level at which companies can collect and store PII data. New laws will soon prevent companies in Europe and the US from using this data without consent from its owner – the consumer – and technology is playing a huge role in determining how customer behaviour can be seen, tracked and leveraged without explicit permission. This role can be explained under what we call the 'Six Ds' – the latest trends of emerging financial technology.

Digitised

The financial industry has seen rising demand from consumers for more online and mobile services for several years. Many consumers now even wish to handle transactions as complex as mortgage agreements online. This cultural shift and the proliferation of social media have created more data than ever for corporations to collect, extrapolate and even sell. However, while the industry moves toward digital processes to save money, time and trees, many systems for customer account opening and customer account data still rely heavily on paper-based processes and document storage. Personal information will soon be in a digitised format too, available via an app for customers alone to update and give companies permission to access.

Dematerialised

The days of walking around with a camera, a GPS device, a phone and a compass are indeed long gone. As technology becomes increasingly sophisticated, separate devices are rendered redundant and, instead, dematerialised into applications hosted on a smartphone or tablet. Similarly, buying software on a CD-ROM is ancient history – the market has moved to cloud-hosted and SaaS solutions. These require little to no spend on hardware and enable rapid technological improvement rather than resales.

Demonetised

A consumer can download a personal financial management app, use it to track spending and better save for a deposit on a house – a completely free, life-changing tool. Many new technologies not only offer exceptionally high value, but are also incredibly affordable for a business or a consumer to use. Square, for example, allows small businesses – a cab driver or a local fruit stand owner – to collect payments easily using a small, inexpensive piece of hardware.

As consumers, we often accept 'freeware', complicit of the trade-off we enter into. The internet music streaming service Spotify serves a series of unavoidable adverts to subscribers of its free service. Consumers are beginning to understand that, in the context of technology, nothing is truly free, although awareness has not yet hit its peak. Many users of Uber, for example, are unaware of the data collected and utilised by the company. Like it or not, this is a major trend.

Disruptive

We all use technology that, upon establishment, disrupted its respective industry in order to bring consumers a new service. Uber reinvented how we view taxi services. The Uber app makes finding a car in your area easy, but it allows you to pay less for your journey and in a more convenient way. Airbnb now sells more rooms per night than the top 11 hotel chains combined.

Me2B technologies for the financial industry will soon embrace another big change, allowing individuals to update and control the use of their PII data via an app. By granting a bank or business real-time permission to access their personal data, consumers protect their personal information and streamline processes such as opening a bank account. They will also be able to control who uses and accesses their data, eliminating the Big Brother factor and ensuring prior consent to its use is granted, backed up by regulatory enforcement.

Distributed

Technology is moving toward a distributed approach. Bitcoin, for example, has taken currency and distributed and digitised it. Personal data should, and will be soon become distributed, or put back into each consumer's hands to control.

Decentralised

We are moving away from centralised control of information by the government and large consolidated warehouses. Instead, information is increasingly housed in smaller data sets distributed over broad networks of computers and systems. This is a positive change, as it reduces the industry's energy footprint and decreases risk of a single point of failure for data-breach.

Financial organisations the world over are clamouring to find ways to mine and use customer data, which, in turn is giving rise to consumers becoming more aware of how their data is tracked and used.

This raised level of awareness will require a whole new business model to emerge to address the use of personal data. The consumer will be at the core of that business model – and in the future will even be able to self-monetise the utility value of their PII. In order for this to happen, regulation, public policy and consumer demand will soon collide in a battle around 'consent-to-share'. As a result, new solutions are already coming to market that enable consumers to digitally manage and share their identifying information across most of industries and verticals. Now is the time to start standardising these solutions. How the industry will respond is yet to be seen, but one thing's for certain – however readily it is embraced, data, its ownership and privacy will help shape the future of the banking world. ■

Stuart Lacey is CEO of Trunomi

Financial heads collide at RBI London 2015

Retail Banking: London 2015, sponsored by Fiserv, held host to some of the boldest minds in retail banking today. Following a keynote speech by Vernon Hill, the founder and chairman of Metro Bank, four panels revealed many crucial insights into the future of retail banking. **Patrick Brusnahan** reports

Held within the glamorous walls of the Waldorf Hotel, the conference kicked off with a keynote speech from the legendary Vernon Hill, founder and chairman of Metro Bank.

He began by highlighting his strategy oat Metro Bank of considering their customers not as customers but as fans.

He said: "Great businesses with great value learn to get fans."

Hill stated that his idea was not to acquire, but to build. The fact that Commerce Bank, the lender he founded in the US (subsequently sold to Toronto Dominion for $8.5bn with masterly timing a year before the banking crash) went from one suburban store to over 500 branches, or stores, pays testament to that.

In the UK, said Hill, "a country where you swear nobody switches banks, over 500,000 people have switched to us [Metro Bank]."

He felt that the big banks in Britain had taken the customer for granted and that Metro was not 'burdened by the past'.

There was also a huge defence of a bank's physical presence. This was in relation to Metro Bank's branches, also known as stores.

Vernon Hill, Metro Bank

Hill said: "The store is the public face. It's part of the brand and the experience. We're open for the consumer's convenience, not ours. Retailers make their stores different and fun. That's what we're trying to do."

Winston Kassim, vice president of strategy & strategic performance management (Personal & Commercial Banking) of Royal Bank of Canada, concurred.

He said: "I was most impressed with the layout of the Metro store I visited the other day. There is no question in my mind that customers want branches."

Hill said that he hopes to turn a profit by the fourth quarter of this year and said: "I'm not trying to be a US brand, I am a US brand. The customers are saying 'Thank God we have a choice'. We get that people want change."

He concluded: "The Americans have lost their minds and the business environment is much better here."

The Retail Banking Landscape

Karina McTeague, director of retail banking supervision at the Financial Conduct Authority (FCA), stated that her objective was 'making the market work well', particularly when it came to innovation.

She said: "We are committed to being a forward-looking regulator. We are supportive of innovation in and for firms. The regulator and the regulated both need to embrace technology."

However, she warned that utilising technology without the proper thought process can lead to trouble. When looking at a digital strategy, McTeague highlighted the need to think about the risk for customers.

If the new digital strategy was about cutting costs, it absolutely could not be at the customer's detriment.

She added: "Nobody wants the excitement of innovation to be overshadowed by a loss of confidence."

The emergence of mobile phones and social media were of particular concern. Every bank's interaction on social media has to be compliant. Even if somebody retweets something from a bank's Twitter page, it must still be compliant.

She noted that there are now as many mobile phones on the planet as there are people. With the world now being an instant and a digital one, the sales process must be seen through the customer's eyes and cybersecurity now has greater prominence than at any other time.

She concluded: "If the banking industry is to be trusted digitally, it needs to be transparent in its data collection and its goals."

Travers Clarke-Walker, chief marketing officer of Fiserv, put a particular emphasis was put on the new entrants in the marketplace and their effects.

Clarke-Walker asked: "Are disruptors actually challenging the status quo?"

He asked this as while the rapid growth of mobile adoption is evident in the United Kingdom, only 34% of the country use mobile banking.

For any Tier 1 bank, the risk of possible disintermediation is massive. The industry is having its 'Kodak moment', in that they now have to fight to stay relevant or fall away forever due to emerging and disruptive forms of technology.

This is a startling thought as customers may not necessarily have brand loyalty to their own particular banks and could move to a challenger bank or one of the newer startups entering the fray.

Clarke-Walker said: "The opportunity is to be first and foremost with these new payment methods.

"The providers took all of the friction out of payments. Technology solves challenges if it is always on, transparent and frictionless. Customers want the future and not the past."

McTeague added: “We’re keen for new products, but you need to think about the consumer experience. It can get intrusive, but in this world, there is money to be made as a first mover.”

Clarke-Walker continued: “Despite millennials’ attraction to technology, all of millennials’ first applications will need human participation. There is a place for all channels at certain points.”

Winston Kassim was at pains to stress that banks ‘must be on the customer’s path to stay relevant’.

Key Customer Segments & Improving Customer Experience

Rajat Garg, managing director and EMEA head of retail banking & wealth management at CitiBank opened the second session with a bold claim.

He argued: “Clients want safety, security and quality advice, but we’re in an era of recurring financial crises. Crises are here to stay and we need to take that into account.”

As a result of the constant turmoil that the financial sector appears to be in, Garg believed that the sales process needed to change and his entire organisation needed to be realigned.

As a result, the sales force is no longer driven by targets, but by the portfolio review process.

Tom Kentgens, global business development private wealth management at Ortec Finance, addressed the issue of adding value to investment advice by using digital methods and compliance.

Kentgens said: “We’ve seen a massive shift to discretionary advice and execution only. Execution only will be used by many more clients.

“Discretionary advice will be the next level where portfolios are automatically managed by asset managers. Advice on a face-to-face level will only be available for the biggest clients that are active in their transactions behaviour.”

Garg concluded: “Big banks need to listen. The UK has the fourth largest affluent segment and wealth management is now risk management. This emerging gap is an opportunity.”

Kentgens also believed that it was important that all of a bank’s mobile operations on mobile worked properly, but in terms of social media, clients don’t really trust it for business.

He said this showed that banks have a clear difference in viewpoint of channel usage from their customers.

Andrew Moody, industry head of finance at Google, stated that ‘data and process are the new black’.

Moody continued to explain that digital has completely changed the marketing process. People spend more time on digital channels and, as we spend more time online, there are more individual moments.

On this topic, he said: “The real question is whether all the digital marketing tools are integrated.”

There are currently half a billion Google searches on banking each year and technology is at the heart of this. Banks needs to adapt to suit this trend or risk being left behind by technology firms and retailers, two industries excelling in the digital sphere.

That is why, in Moody’s words, a chief marketing officer is now also a chief technology officer and a chief investment officer.

Hal Oskarsson, executive chairman of Verdicta, considered the notion of changing customers’ perception with something known as corporate framing.

He said: “A lack of trust is making the scenario different to what is used to be. Reactions have changed dramatically. The fundamental values of people have changed.”

The main point was that banks are still communicating in the same ways that they always have, but they need to reframe all touchpoints.

Oskarsson explained that the concept of corporate reframing could be the answer. One example he gave was Allianz’s corporate framing strategy which led them to increase their market share in Iceland from 5% to 25%.

He concluded: “Reframing is a deeper understanding of how people react and think subconsciously.”

Transformation, Big Data and Online Branches

The third session of the conference focused on one of the most prominent trends in the banking arena: Digital Evolution.

Sophie Guibaud, vice president of European expansion at Fidor, begun by talking about the beauty of a 'hybrid model' for banks.

While many banks consider FinTech to be a disruption to the sector, Guibaud posits the idea that 'FinTech is not a threat, but an opportunity'.

However, she felt that perhaps banks were not taking advantage of the opportunity as much as they could.

She said: "I haven't seen much change in online banking for a while. It hasn't moved a lot. Banks have had to focus on regulation, not innovation."

Due to the strain of the financial crises in the industry and the focused efforts on profit, 'banks are offering what they can, not what consumers want'. However, she stated that 'banks need to focus on customer experience to remain competitive'.

The way to follow this strategy is through FinTech. It provides an opportunity to provide a better customer experience.

Banks can lend their infrastructure for FinTech to operate and, in fact, banks need to operate the DNA of FinTechs.

By that, she meant 'using clients' information to provide a fuller banking experience'.

Some of the statistics given were sobering. 71% of millennials would rather go to the dentist than listen to what banks are saying and one in three is open to switching banks within the next 90 days.

She concluded: "70% of millennials believe that financial services will be completely different in five years time."

Pierre Habis, managing director and group head of consumer, business and private banking at MUFG Union Bank, spoke on the personalisation of data for a stronger customer experience.

The first point he purported was the common denominator in the industry; taking existing technology and making it frictionless.

The problem is that their research finds that only one third of consumers are somewhat satisfied by their bank and, in the US, attrition is high and in double digits. He said: "While everyone is focused on tomorrow, there's still something happening now."

Daryl Wilkinson, head of group digital development at Nationwide, discussed the digitisation of branches and whether this was the future of high street banking.

Wilkinson believed that the branches of today need speed and convenience. Another factor becoming increasingly important was personalisation.

While FinTech firms and technology in general were helping remove the friction from branch services, particularly identification, there still needs to be a human touch augmented by technology.

Travers Clarke-Walker of Fiserv stressed the need to recognise the power of our devices. "The quality of what you can do with transactional data could be much richer."

But David Pope, European Marketing Director at Jumio, said: "In terms of getting out from behind the counter, banks don't really have that mentality. Unfortunately, the motivation to get digital services is not for the consumer, but to save costs."

Habis said that 20% of consumers may only come in to a branch once a year. The big challenge is to get the folks that do not come in to come in. After that, banks need to engage the people that come in.

He added: "What is actually happening in that one moment when a customer walks in? It has to be about making people feel good."

Wilkinson expressed the importance that branches still play in the lives of consumers. He said that 80% of customers need branches in case something went wrong. He believed that branches gave a sense of reassurance and even seeing a branch was reassuring to a customer.

Habis announced that MUFG are planning on launching four new cashless branches and concluded: "Branches are not going to go away in the near future."

Innovation and Disruptors in Retail banking – Building a Roadmap Beyond 2015

The final, and most heated, panel of the day consisted of Phil Tootell (founder and executive director of Certeco), Anne Boden (CEO of Starling), Alex Letts (CEO of Ffrees) and Anthony Thomson (founder and chairman of Atom Bank). It turned out to be, as chair of the panel Douglas Blakey stated at the


Anthony Thomson, Atom Bank

beginning of the panel, a 'fairly lively and controversial final session'.

Anthony Thomson, who also founded and was a former chairman of Metro Bank, began by considering competition in the banking sector.

He highlighted his upcoming, digital-only bank, Atom, which he wanted to be the 'world's first telepathic bank'.

His first statement was bold. He said: "Bank branches do not have a future."

He believed that banks were stuck and bogged down with legacy real estate and wrong perception; value is price. His belief was that service and convenience are far more important than price.

He continued: "Nobody cares about banking. There's no future for branches as a transactional centre. People are doing more and more on mobile devices. The consumers that get the best service are the ones that self-serve."

Thomson believed that a bank has to be more about culture than strategy. He concluded: "Culture eats strategy for breakfast."

As the panel began, Anne Boden claimed that banks have been very slow to adapt in recent times. She said: "While we were worried about the crisis, people and technology were moving on without us."

Alex Letts was also dismissive of current strategies held by high street banks in the United Kingdom. He said: "The business model in banking is driven by products that drive people into debt."

Paul Tootell had bold claims to make about Certeco. He said: "We are the executors of change. We set out to compete with our own big four in the consultancy world."

A huge debate began over the idea of the free current account, one very much present in the British market.

Boden believed that a free current account was entirely feasible.

She said: "All of our plans are on the basis of offering a free current account. We haven't even considered being chargeable. Current accounts are profitable.

"What we have at the moment in most organisations is the cvost of cash and the cost of branches allocated in the current account product. Isn't that unfair for the people who don't want to use those branches and don't use cash?"

Letts disagreed and said: "You cannot offer that service for free."

However, he added: "The free current account with credit is a scandal. It's anti-competitive and it does prevent innovators like Ffrees approaching the market.

"I suspect the CMA have spotted that and, at some point, we'll get round to a judgement that makes it quite hard for banks to continue with that. The other bad news for the banks is that a lot of consumers have realised free if in credit banking in a trap."

A question posed to Thomson, as Atom is a fully digital bank, is what happens if the system goes down in a digital bank?

He replied: "If a banking infrastructure goes down, you won't feel better because you're in a bank branch."

Tootell added: "Your system might go down, but it does not take six weeks to figure out what the problem is."

With regards to the increasing competition in the marketplace, Boden was optimistic. She said: "I feel passionate about the fact that people need choice and proper banks, like me and Atom Bank hope to be. People need products that give functionality, like Ffrees.

"The diversity in the marketplace can only create real competition. While we have all the major players offering the same product in the same way with roughly the same charging mechanisms, we're not going to have innovation."

Thomson was not very enthusiastic about its current situation.

He said: "It has become easier, but not easy, to become authorised as a bank. However, I do not think having more banks and more competition actually results in more choice for consumers if all the banks are doing the same thing. You have to do something different."

Letts agreed: "While account switching is now easier than ever, only 1.4% of people switch. It's a joke. Not because the switching service is bad, but why would you move from one piece of rubbish to another piece of rubbish?"

Thomson added: "It's also a misleading statistic.

"The 1.4% of people who have moved are the people who have moved everything. Depending on whom you ask, 8-9% of people have effectively moved banks, but they have not closed the existing account."

As the Q&A began, a delegate posed a tricky question wondering if any of the panel's offerings were actually disruptive at all, noting their significant lack of scale compared to the big banks within the UK.

Thomson disagreed and gave Virgin Atlantic as an example of a disruptive company which started small, but then changed its own industry.

He also regarded his old bank, Metro, as a particularly disruptive presence in terms of increasing opening hours at branches and removing the incentives for branch workers selling products.

Boden said: "We don't need five million customers to be disruptive. I believe that in five or six years' time, we will start to see a trend where some banks will consolidate.

"You'll see a few big banks in the marketplace, but you will have certain people buying their financial services from disruptive providers.

"At the moment, a lot of disruption is coming from people trying to get around the system. There's been disruption in other industries, we've not seen it in banking, but it's coming."

Thomson concluded: "The biggest disruption we've seen in the market is from providing software as a service.

"It has completely changed the way the world approaches bringing banks to market. It reduces costs and the time to bring the bank to market. That is a fundamental revolution." ■

Winston Kassim, RBC, collecting his award

RBC first to retain Global Retail Bank of the Year

For the first time in the 30 year history of the annual Retail Banker International awards, the ultimate accolade of Global retail bank of the year was retained by the previous year's winner: take a bow history makers Royal Bank of Canada (RBC). **Douglas Blakey** reports on all of the evening's winners

In 2014, RBC was Canada's most profitable company, North America's top performing bank, and earned $9bn, an increase of 8% over 2013, which represented a Return on Equity of 19%. This rate of profitable growth is even more impressive when one considers how fast the bank has grown in the recent years.

It is no mean feat. Producing a record result is especially challenging for RBC a it has enjoyed six successive quarterly profits of more than $2bn and as analysts noted, shareholders have come to love quarterly rises in RBC's dividends. In the last fiscal year, the dividend rose by 12%.

While the returns of most global banks were hammered by the financial crisis, RBC's annual Total Shareholder Returns (TSR) have remained strong at 23% over the past three years, 12 percent over the last five years, and 14% over the past 10 years.

During 2014, RBC's one-year TSR was 19%.

This is an impressive record of financial performance that ranked RBC tops in North America among large banks (including the largest six Canadian and 12 U.S. banks) for return on equity and dividend yield.

The star divisional contributor to the bank's group success was RBC's Personal & Commercial Banking (P&CB) segment, which contributed 51% of group earnings in 2014. This segment operates in Canada, the US and the Caribbean, and comprises the personal and business banking operations, auto financing and certain retail investment businesses (including the online discount brokerage channel).

For the fifth year in a row, RBC's retail bank set records for financial performance, exceeded its own business plan, and outperformed its peer group in a wide variety of metrics.

Overall, (North America and Caribbean), P&CB's total revenue was up 5% to $13.7bn, net income after tax (NIAT) was up 2% to $4.5bn and retail earnings (which include insurance and wealth management) were up 4.1% to $5.56bn.

In Canada, P&CB's revenue was up 5%, NIAT was up 7%, total balance sheet volume growth (loans and deposits) was up 5% or 16% above the Canadian peer group average at Q4/14 – and met the bank's goal of achieving a 15-25% premium over its Canadian peer group average.

This rate of volume growth is significant as RBC has the largest volume base amongst its peers

Despite challenging market conditions, in 2014 RBC's Canadian retail bank managed to maintain or increase its market share leadership position in five of six key categories (Total Personal Lending, Personal Investments, GICs and Mutual Funds; Business Lending, and Business Deposits).

Furthermore, the bank grew its business without sacrificing credit quality or profitability. For example, in 2014 the gross impaired loans as a percent of average net loans and acceptances decreased by 3 basis points to 0.33% from 0.36%, net interest margins remained stable at 2.71% versus 2.72% (18.5 bps better than peer average), the efficiency ratio improved by 50 bps to 44.2% and remained the best (i.e. lowest) among its Canadian peers (700 bps better than its Canadian peer group average, and 620 bps better than TD Bank (which had the second best efficiency ratio), and its operating leverage improved to 1.2%.

"Royal Bank is our top pick in the Canadian bank space. First, Royal Bank has the strongest asset management franchise in the business. Second, it has a scale advantage in Canadian P&C banking that should allow it to manage costs better than peers in a slower growth environment, and we saw evidence of this in 4Q FY14"

Doug Young, Desjardins Capital Markets, December 12, 2014

Improved Efficiency & Productivity

Overall, the bank's continued focus on implementing its strategic programmes resulted in the following key efficiency and productivity improvements in 2014:

- Best-in-class efficiency ratio of 44.2% in 2014 for Canadian Banking, improved by 50 bps over 2013 and by 560 bps since 2008. This ratio is 700 bps better than RBC's Canadian peer group average and among the best in the world;
- RBC leads the industry with 18% of our retail clients having at least three key products or services with us (transaction, investment and borrowing), compared to the peer average of 12% and next closest competitor at 16%, and
- RBC's in-branch sales volume and unit sales were up 11% and 9% respectively vs. 2013 experiencing positive growth in almost all lines of business. Home Equity and Cards were particularly strong contributors to this growth, benefiting from its very successful employee pricing mortgage campaign and our industry leading credit card loyalty programme.

The value RBC provides clients through its distribution strategy is optionality and flexibility. In the physical network, this means giving clients the option of coming to a branch to interact, or RBC mobile sales professionals can go to them at their work or home.

Innovation in rethinking the roles of branch staff, developing the right incentives to enable desired behaviours, and in redesigning the performance assessment to reward the best performing employees has resulted in a significant increase in performance and productivity of branch sales roles, including:

- 71.47% of routine client financial transactions (withdrawal, deposit, bill payment and payment processing) conducted in self-serve channels (ATMs, online banking, mobile and IVR) in 2014 versus 70.60% in 2013, providing more quality selling and service time in the branch channel, and
- Annualised savings of $116m million and year over year (YoY) savings of $10m in 2014 by continuing to migrate low-value but

high-cost transactions out of the branch into the self-serve channel (cost to service online $0.55 versus $5.00 in branch).

RBC's "right-sizing" retail store strategy

In order to meet the changing demands of retail consumers in a profitable manner for the bank, RBC has been "right-sizing" its branch network as part of its "omni-channel" distribution strategy. Part of this work has involved the creation of multiple retail tools and formats which we developed to help address needs and differences of Canadian communities. Our formats now include our Retail Stores, Small Retail Stores, as well as our newly launched Showcase store.

RBC's "right-sizing" retail store strategy

In order to meet the changing demands of retail consumers in a profitable manner for the bank, RBC has been "right-sizing" its branch network

Part of this work has involved the creation of multiple retail tools and formats developed to help address needs and differences of Canadian communities. The branch formats now include Retail Stores, Small Retail Stores, as well as newly launched Showcase store.

The RBC Retail Store designs are made up of a hybrid of best-in-class retail shopping and financial services designed to offer a more open, informative and friendly experience. Some of the key features in the stores include:

• Creating an open retail-friendly "store" look that is appealing to consumers;

• Instead of long hallways leading to closed doors, open spaces were introduced where customers are encouraged to interact with new technologies and branch staff who are out on the floor ready to answer questions and provide advice

• Using best-in-class retailing principles so that staff can help customers discover what products and services are available and shop for them, just like they do with traditional retailers.

•Establishing interactive merchandising zones that allow visitors and clients to discover all the ways that RBC can help them achieve their goals;

• Introducing new technologies that allow clients to access the same content, tools, and online banking capabilities in RBC stores as they can online, which provides a consistent and seamless experience regardless of the banking channel clients choose., and

• Hosting events and seminars for clients and prospects to help educate them on financial topics that interest them and build the sales pipeline.

Small-footprint retail stores

Branch innovations include "small-footprint" stores. These smaller stores occupy an average of 1,500 sq-ft compared to a typical branch of 4,500 sq-ft, which represents a 65% reduction in space.

The smaller store requires five staff to operate as compared to an average of eight staff for traditional branches, yet they can provide all of the sales and service offerings available from much larger branches, excluding Safety Deposit Boxes.

This new format provides the bank with an alternative footprint within its network to improve efficiency and shareholder returns. The first cohort of small footprint stores have acquired new clients and business at >90% of the rate of typical branch despite its smaller footprint and fewer staff.

Hybrid roles and new store technology

RBC has also begun to change how staff in its stores work and interact with customers.

For example, the creation of "hybrid" sales/service roles, and the use of technology, such as high definition video conferencing, have enabled the bank's distributed work force to connect with clients and other employees in real time, wherever those employees may be. The video conferencing technology also allows stores to tap into the specialist capabilities at the call centre so that clients can get on-demand advice when in-branch specialists are not available.

This capability is particularly useful in smaller stores outside of major centres where there may not be a full range of product experts physically present in their trading area.

Stores have also been outfitted with technology that provides information and financial advice, enabling staff to have better 'discovery' conversations with clients. For example, tools on tablets and smart boards can show clients the benefits of investing $25 a week in a retirement savings plan or help clients choose the right credit card based on their spending patterns and rewards.

To date, the feedback and results have been very positive:

• Client Satisfaction: Retail stores have consistently outperformed traditional branches in 'Likelihood to recommend' branch scores,

• Client Acquisition: New client acquisition at newly opened retail stores is meeting or exceeding historical averages, driving top-line revenue growth, and

• Efficiency: the first cohort of newly opened stores showed strong financial performance, having either achieved or being well on its way to achieving business case objectives. ■

FULL LIST OF AWARD WINNERS

African Retail Bank of the Year
Ecobank Transnational Incorporated

North American Retail Bank of the Year
Wells Fargo

European Retail Bank of the Year
Alior Bank

Middle East Retail Bank of the Year
Mashreq

Latin American Retail Bank of the Year
HSBC Mexico

Asia Pacific Retail Bank of the Year
DBS

Best branch strategy
Metro Bank

Best Use of Online Banking
KBC Bank

Best mobile banking strategy
Bank of the West

Best payment innovation
CaixaBank

Best use of digital marketing and social media
ICICI

IT innovation of the year
Westpac

Product innovation of the year
PNC

Most disruptive innovation of the year
Fidor Bank AG

Best non-bank competitor
Zopa

Retail banking security innovation of the year
PRODAFT

Global Retail Bank of the Year
Royal Bank of Canada

Retail Banker of the Year:
Garvan Callan: Director of Digital and Innovation, Bank of Ireland

Rising Star:
James Greenwood, CIO, OpenBank

Scotiabank prioritises digital banking

Like its rival big five Canadian banks, Scotiabank is investing heavily in digital. Scotiabank's mobile banking platform came joint first with CIBC in Forrester Research's Canadian mobile banking survey, while its Tangerine subsidiary has won plaudits for high levels of customer satisfaction. Robin Arnfield writes

When announcing Scotiabank's Q2 2015 results, Brian Porter, Scotiabank's president and chief executive officer, said: "We're working to make it easier for our customers to do business with us, whether in a branch, online, or on their smartphone, with new investments in technology.

"We recognise that investing in technology is fundamental to our ability to better serve our existing customers, and to build relationships with new ones. One of the most important ways for us to become more customer-focused is to embrace a digital approach to banking."

Mobile banking

"ATM and telephone banking had initial slow adoption curves in Canada," says Jeff Marshall, Scotiabank's vice president of Self Service Customer Experience.

"We've only offered mobile banking for five years and have already seen a very rapid adoption curve. The breadth and depth of mobile transactions is remarkable."

"Tangerine has seen very rapid adoption of smartphone and tablet banking by our customers," adds Charaka Kithulegoda, Tangerine's chief operating officer.

Half of Scotiabank's active mobile banking customers no longer use its desktop online banking service, Marshall says. "What we've been doing is to narrow the gap in functionality between our mobile banking service and our online banking service, so that mobile-only customers don't have a fractured experience," he says. "We're getting quite close to achieving channel parity between online and mobile now."

Scotiabank is very interested in leveraging opportunities for personalisation and contextualization in its mobile banking service, Marshall says.

"We already offer the capability for mobile and online customers to notify us when they travel abroad, so we don't block their cards, and to receive alerts about credit card and banking transactions," he says.

"But we're looking at offering a functionality which would use our customers' smartphone GPS technology to proactively notify us when they are outside Canada.

"This would be subject to customer opt-in, but it would mean we could send a message to a customer to say, for example, 'we see you're in Peru, would you like us to notify our credit card unit?'"

Scotiabank is also looking at how it can leverage its knowledge of a customer's transactions to provide helpful financial management suggestions that anticipate what the customer will want to do.

"We could send a message to a customer's smartphone saying, 'we see you're close to the limit of the overdraft on your chequeing account. Do you want us to transfer money from your savings account to your chequeing account?'" says Marshall. "We think this is more valuable to customers than just offering them budgeting tools."

Wearables

In October 2014, Scotiabank launched the Quick Balance App on the Samsung Gear 2 and Gear S smart watches, enabling mobile banking customers to check their real-time balance and five most recent transactions from their preferred Scotiabank account by swiping the screen on the watch. In April 2015, Scotiabank launched the Quick Balance App on the Apple Watch.

Tangerine also offers its Tangerine Mobile banking app on the Apple Watch, providing account balances and recent transaction details.

"We're in the early adopter phase for wearables, but, despite this, it seems demand is high," says Marshall. "For Scotiabank, digi-

THE **TOP TEN MOBILE CANADA (APRIL 2015)**

Business	Total unique visitors (000)
TD Bank Group	2,817
RBC	2,073
Scotiabank	2,004
CIBA	1,934
Bank of Montreal	1,445
Desjardins	861
Capital One	599
American Express	562
President's Choice Financial	480
National Bank of Canada	302
Total	9,529

Source: comScore

tal banking encompasses wearables as well as online, mobile and tablets."

Forrester Research

Scotiabank and CIBC came joint first in Forrester Research's 2015 Canadian Mobile Banking Functionality Benchmark study of the top five Canadian banks, each earning 75 out of a possible 100.

The May 2015 report cited Scotiabank for its best-in-class help service for mobile banking customers, and gave Scotiabank the highest score in the account and money management and in the service features categories. "Scotiabank leads in the account and money management category in part because it offers the best transaction-history search tools," Forrester Research said.

"Scotiabank's help feature is always on throughout the bank's smartphone app and provides task-specific content as well as the option to search for other information or move to another touchpoint if needed."

"Scotiabank uses virtual assistant technology from IntelliResponse which it has embedded in its mobile app to make it really easy to find and use," says Peter Wannemacher, a senior analyst at Forrester Research.

"It has created an IntelliResponse question mark icon on virtually every one of its mobile banking screen. As people click the IntelliResponse icon for a particular task, they are drawn to the most common questions related to that task."

Wannemacher also praises Scotiabank's use of mobile messaging to push targeted product offers at its customers, instead of random banner ads on mobile banking screens.

"Scotiabank has created pre-approved and pre-filled offers which it sends to mobile customers who have opted in to accept all communications from the bank," he says. "Mobile banking customers just need to make one click to accept these offers."

In a Forrester Research blog titled "Scotiabank Uses Mobile Messaging To Increase Digital Sales" Wannemacher wrote that Scotiabank launched its targeted mobile marketing program two years ago.

"Digital executives at Scotiabank have seen mobile cross-selling rates — as measured by year-over-year growth in unit sales via mobile banking — more than double, up 165 percent since the firm launched this effort," he wrote.

Mobile Metrix

In April 2015, Scotiabank came third in U.S.-based digital analytics comScore's Mobile Metrix ranking of Canadian mobile banking properties including both browsers and apps. comScore estimates that Scotiabank had 2 million unique mobile banking visitors in April 2015.

Social media

"Scotiabank represents an example of how banks are trying to make social media more than just a tool to generate sales," says Celent banking analyst Stephen Greer. "The trap most banks fall into is that social media becomes another way to try to sell products. At that point, the message gets lost to the consumer, because they just shut off the valve."

"Scotiabank is doing a lot around advice- and value-driven social media," says Greer. "The tack it is taking is along the lines of providing 'life hacks' and other tips aimed at millennials."

Tangerine

Scotiabank acquired ING Direct Canada in November 2012 from ING, and changed the direct bank's name to Tangerine.

Tangerine, which has nearly 2 million customers, came top for customer satisfaction for the third consecutive year in the mid-sized bank category in U.S.-based consultancy J.D. Powers' 2014 Canadian Retail Banking Customer Satisfaction Study.

Tangerine's Kithulegoda says Tangerine has been a leader in the Canadian mobile banking market through smartphone app-based innovations such as voice-enabled banking, fingerprint identification using Apple Touch ID and paperless customer onboarding.

"One of our key competitive advantages is our Tangerine business," Scotiabank's Porter said in an earnings call.

"Working closely with our colleagues at Tangerine, we are looking to deploy more innovative features for the benefit of all Scotiabank customers. We are developing our capabilities to be much more responsive and nimble, particularly in mobile product development."

One example of an innovation which Scotiabank has on its roadmap is remote mobile deposit capture of cheques, which Tangerine already offers.

"Tangerine is able to move ahead first on new capabilities, and we can learn from them," says Marshall.

"In addition to talking to Tangerine, we also spend a lot of time talking to European banks about what they are doing in digital banking. For instance, European banks are ahead of their North American counterparts in the personalization capabilities they offer at ATMs."

On-going evolution

"Tangerine introduces new evolutions of our mobile app every six to 10 weeks in terms of functionality," says Kithulegoda.

"We do this because consumers' expectations about the mobile channel are increasing faster than for any other channel.

"The great thing about mobile apps is that you can make small iterations very easily to improve the service. We find that our best ideas come from feedback from customers telling us what they like and don't like about our app."

Having launched Touch ID authentication on the iPhone last year, Tangerine is now piloting voice biometrics and facial recognition biometrics.

"We want to roll out biometrics across all mobile device platforms, not just Apple," says Kithulegoda.

Tangerine's voice banking app uses technology from Nuance Communications that lets customers request information or set up payment transactions.

"One problem we identified was that, when our voice app asked customers for confirmation that they wanted to carry out a transaction, there was quite a high failure rate," says Kithulegoda.

"We looked at the voice logs and found that the reason for failure was that Canadians, being very polite, were answering 'thank you,' instead of 'yes' or 'no.'"

Digital signature capture

Another innovation Tangerine has introduced is digital signature capture for paperless transfers of pension plans and savings accounts from other financial institutions to Tangerine, using Canadian firm Silanis' e-SignLive technology.

This transforms any web-enabled touchscreen mobile device into a signature pad for capturing digitized handwritten signatures in account-opening documents and enforceable contracts.

Tangerine operates cafés in major Canadian cities such as Toronto and Vancouver, where customers can open Tangerine accounts and instantly receive a Tangerine debit card.

"Customers scan their driver's licence using an app on a Tangerine-supplied tablet, and then supply some additional personal information," says Kithulegoda.

"The process only takes five to 10 minutes, and then they can walk out of the café with a Tangerine account and card without generating any paper."

Tangerine is piloting Skype-style videoconferencing at its cafés with mortgage and mutual funds advisors based at its call centre.

"Ultimately, we want to be able to offer video conferencing for customers to use on their own devices," says Kithulegoda. ■

The importance of being earnest about technology

To stay relevant and profitable, it is essential for banks to embrace changes ranging from technology renewals to cultural shifts, according to Temenos'research. Author of the whitepaper Ben Robinson, chief of strategy and marketing, explains what 'experience-driven banking' is all about to **Meghna Mukerjee**

In order to gain a competitive edge, banks must become more involved in customers' commercial and financial lives, using technology and data as its key differentiators, according to a new Temenos whitepaper, *Experience-Driven Banking – A Race Banks Must Win*.

The whitepaper – launched at the Temenos Community Forum (TCF) 2015 that took place in Istanbul, Turkey, between 19 and 21 May – highlights banks' need to invest in technology, break down silos, and allow a more holistic approach to customer service and retention, to gain customer loyalty.

Keeping with the theme of the conference this year – 'experience-driven banking'– the Temenos whitepaper emphasises that institutions effectively combining the analysis of customers' location and contextual information and delivering the right products, personalised to individuals, at the right time and over the right channels, will succeed in delivering experience-driven banking.

Speaking to *RBI*, Ben Robinson, chief of strategy and marketing at Temenos and author of the whitepaper, says that though banks have access to customers' transactional data, big technology companies such as Google and Apple have a deeper reach into customers' lives, which makes them significant threats.

"It is a race against time and the emergency comes from the fact that banks' main asset or weapon is transactional data. Initiatives such as like Apple Pay and Google Wallet come in, and – whatever they are dressed up to be – they are really endeavours to gain transactional data," he says.

Third party insight

Gaining this level of insight can put the likes of Apple and Google in a position to recommend third-party products and services to allow customers to make better, more informed spending decisions. Robinson points out that these technology giants 'don't have to do the heavy lifting of regulatory banking' either, and banks that do not improve their handling and usage of data risk surrendering the advantages they have spent decades accumulating.

Currently, a lot of banks' data is not real time, split across multiple systems, and organised around products instead of customers, which further negates its value, according to the whitepaper.

The need of the hour for banks is to 'act fast', stresses Robinson, and to enable this, adopting the cloud is 'imperative'.

"Real-time is everything but the mainframe is a high performing piece of software. The customer wants the best service at the best price. Common yet flexible software architecture, underpinned by the right software components, can accommodate these pressures across all lines of business."

Cloud adoption

Robinson agrees that there is still scepticism around cloud adoption. "Firstly, there is the perception of risk. Secondly, it is almost impossible to overstate how complex some of the banking systems are. How do you replace it all? How do you move it all into the cloud? That's a big issue for some banks," he says.

However, as a 'generational change in banking' takes place, Robinson says the perception issue from the banks' side will change as well.

Robinson also points out that recently, the regulators are leapfrogging banks by becoming increasingly open to cloud technology – particularly private and community clouds.

He says: "The crunch is coming. If Barclays with its Pingit service has experienced customer interactions growing from two a month to 35 a month, that is a big change and leads to pretty heavy pressures on the systems and the technology infrastructure. Banks will need to address this."

Though the splintering between groups that are focused on the front, middle, and back offices will continue in the banking industry, the middle and back offices will increasingly require low costs and high levels of straight-through processing (STP).

Despite the growing demands of technological enhancements and advancements, the Temenos whitepaper mentions that banks continue to overlook the importance of modernising legacy. Old legacy systems hinder the simplification of processes and increase in automation – both of which are needed to fulfil customer demands.

With the launch of the latest R15 version of Temenos' T24 core banking software platform imminent, Robinson says the upgrade will feature improvements around loyalty and the user interface.

"Our motto is evolution of revolution. We put enough into a new release that it has huge business value for our clients, but we don't make the changes so big that it becomes user disruptive. The upgrade is aimed at enabling banks to gain critical competitive advantage."

According to Robinson, there is opportunity for banks to work 'more closely and beneficially' with the merchant ecosystem.

"Banks should get to a stage where merchants come to them for customer data when they want to target people in a certain metropolitan area, with particular characteristics. Banks additionally have time to create data models to inform consumers and merchants about transactions at the point of sale," he says.

In general, the emerging markets have high levels innovative technology adoption, says Robinson, as a majority of them have lesser regulatory barriers – with the exception of China.

"Some banks are starting from scratch and are in fast moving economies. In some countries, we see consumers putting pressure on banks to adopt new technology to stay relevant," he explains.

Alongside adapting a flexible channel strategy that addresses scalability, security and privacy, banks should aim to be a 'one-stop marketplace for financial services, and leverage their brands and customer relationships to offer a broad array of products through their platforms', states the paper.

Robinson informs that the next step for Temenos is to launch a digital engagement platform that is a unified package for banks' front office needs, encompassing capabilities such as "customer relationship management (CRM), personal financial management (PFM), channels, content, campaign management, and more". ■

Temenos poised for growth in LatAm

Having entered the Latin American market a decade ago, Temenos has increased its presence strongly; Brazil being the latest addition. Head of Latin America, Enrique O'Reilly, tells **Meghna Mukerjee** about the region's strengths and challenges, and how 'local presence and attitude' is the vendor's growth mantra

In 2014, Swiss software vendor Temenos grew its business by 600% in Latin America. Growth plans for 2015 seem even more robust with Temenos tapping into a new country and opening an office in Brazil in April 2015 – a market that has been traditionally insular.

The new office and inception into Brazil adds to the vendor's existing footprint in the region, with offices in Mexico, Costa Rica, Ecuador, and Miami.

Temenos already has two clients in Brazil – Banco Itaú and Banco Votorantim.

Speaking to *RBI* at the Temenos Community Forum (TCF) 2015 in Istanbul, Turkey, that took place between 19 and 21 May, Enrique O'Reilly, regional head of Latin America at Temenos, says he is pleased about this expansion.

"It is a strategic decision to grow. There are great opportunities in the Brazilian market and it has only recently become more outward looking and begun integrating itself with the rest of the world.

"We know that Brazil has challenges so we won't pretend like we will attack all the banks there at once. But we believe we can quickly make an impact and offer our solutions to a market that needs it," he says.

In parallel, Temenos is investing and preparing its core banking system to be 'more Brazilian'.

"It is going to take time, but instead of going to a bank and saying 'let me replace your core', we are also capable of saying 'let me replace your guarantees capability or take care of your trade finance'. Through some of these components, we should begin to have a presence with Brazilian banks. The flexibility of products and the resources that we have allows us to offer good solutions to the Brazilian market," he explains.

O'Reilly came into his current role in 2012 and is based out of Temenos' Miami office. He describes the Latin American region as 'two hemispheres'.

"On one hand you have Brazil, which is half the size of the market. Then you have all the other countries led by Mexico in terms of size. They are the Spanish speaking countries in the region."

Temenos started operations in the region 10 years ago, beginning with Mexico. "Now we have over 35 clients in Mexico. We also have a cloud offering in Mexico where we are running Software as a Service (SaaS). We are hosting that in the Microsoft cloud and two institutions are connected to it already."

Success as a launchpad

After the success of its Mexico launch, Temenos targeted the large banks in some other countries.

"Over the last five to six years we have been quite successful. We now have clients in several countries in the region including Argentina, Chile, Ecuador, Peru, Colombia, Nicaragua, Honduras, Panama, with the exception of Paraguay and Uruguay.

"In fact Panama has been a stable and progressive economy for years. Many people have moved to Panama from Venezuela, due to the disruption there, so it has been a business friendly environment," he informs.

Admittedly, Temenos faced a "critical time" having gotten involved in several complex systems implementations in the region, but the vendor is in a "good position" again to evaluate its growth strategy and prospects.

"While implementing an international core, you have to adapt to the local needs and we've done that. Banks in the region are realising that they need to upgrade their technology and use a world-class solution to remain competitive in the global markets.

"We have a good reputation in the region and we have partners across countries that are helping us deliver the technology implementations. Most of our partners speak the local languages and know the peculiarities of the markets," he adds.

In terms of adopting cloud technology in the region, O'Reilly says there are differences between the reality and the perception of cloud. "The perception is that the regulators are strict and banks want data storage to be done within the country. There are, indeed, some fears about accessing data. Also, regulators need to be assured that they can access the data whenever they want."

Smaller banks in the region are more relaxed about the adoption of cloud, and simply want "low cost of operations, efficiency, and safety of their data", according to O'Reilly.

"We have to go through the fears but as the market becomes more educated on the whole, most banks will understand that there is no issue with data centres and clouds," he adds.

Latin competitors

Temenos does face competition in Latin America from some global technology vendors. "We come across SAP and Oracle's FLEXCUBE. Inofsys has also made inroads in this region."

Competition also comes from local suppliers. "A few have come up with okay systems, but they mainly compete on price as they have managed to cover low cost structures.

"We, on the other hand, would rather not have a deal if it comes to compromising heavily on costs. We have been able to maintain our value and that's been key to our success," he adds.

To succeed as a technology vendor in Latin America, both a local presence and the right attitude are needed. O'Reilly says Temenos sets itself apart by being a big company that is "still small enough to care for each client".

According to O'Reilly, success in the region for Temenos will also come from deals with multinational banks.

"These banks like our technology because after implementing it in one country, they can deploy it in other countries at the fraction of the cost. It becomes a huge economy of scale for them.

"We signed a deal with Banesco in Venezuela and now we are implementing systems for them in four countries. We signed a deal with Grupo Financiero Ficohsa (GFF) in Honduras. Ficohsa is growing and in 2014 it agreed to acquire Citi's business in Nicaragua. That will help us grow," he explains.

Looking ahead, O'Reilly says the market looks fertile and it is a matter of 'selling right and targeting the right prospects'.

He concludes: "We've shown flexibility, local presence, size, and the track record. It is all pointing towards a good few growth years in the region for Temenos." ■

Timetric announces the winners for #CXFSAsia Awards 2015

Timetric has announced the winners for its Customer Experience in Financial Services Asia (#CXFSAsia) Awards 2015. The awards are the premier regional awards that commend outstanding financial institutions for their innovative and superior customer experience and service standards, reports **Douglas Blakey**

United Overseas Bank Malaysia (UOB) collected the award for the Best Customer Experience Business Model at Timetric's Customer Experience in Financial Services Asia (#CXFSAsia) Awards 2015 while DBS enjoyed a phenomenal evening collecting five awards.

UOB's "Raising CX Through People" initiative introduced its people-centric business model, a differentiator for the bank.

Ruben Kempeneer, Regional Director of Timetric said the judges recognised "UPB's CX was incorporated in the bank's Mission Statement and created a Service Excellence Council kick-started with customer centricity council member self-assessment, and a survey to create benchmarks to customer loyalty and elasticity of pricing."

DBS enjoyed a high profile win in the category for CXFSAsia Leadership Award (Institution).

Kempeneer said that the judges noted DBS' drive to put the customer at the heart of all its initiatives, from its R.E.D. principles for ensuring ultimate customer experience; being Respectful, Easy to deal with, and Dependable, to its Human-Centered Design methodology guiding all of its systems and process enhancements.

DBS win in the Best Service Innovation category was in recognition of its "Charge Dispute Customer Journey Event" programme.

Previously chargebacks could take several months to resolve. To improve the customer experience, DBS embarked on a meticulous programme to identify process, customer pain points, market research, customer journey mapping, patterns and priorities to automate the process for disputes and chargebacks. This brought about significant reductions in customer hours per month, handling time for disputes and turnaround time for dispute resolution.

DBS Bank also scooped the Best Customer Experience (Mobile) award for its EC Loan Mobile App, launched this January; the feature drastically reduces in-loan approval turnaround for SME clients from 4-5 days to one hour.

DBS had two further successes: Best Customer Experience (Cards) and in the individual category CXFSAsia Leadership Award, the award was presented to David Lynch, Managing Director and Head of Technology & Operations – Hong Kong and Mainland China, DBS.

Maybank was a deserved winner of the Best Use of Social Media award. Maybank maintains its online presence across five social media channels which include Facebook, Twitter, YouTube, Google+, and LinkedIn.

Maybank's YouTube channel is the single largest for any financial institution in Malaysia, and one of the largest in Asia with over 7.76m views on the channel to date. To mark its 54th anniversary in 2014, Maybank launched specific video content which has since been viewed more than 1.5m times.

Other highlights included PT Bank ANZ Indonesia receiving the award for Best Customer Experience (Banking).

The growing importance for the regions' banks of optimising customer experience was highlighted by Andrew Tinney, CEO Management Consulting for KPMG in ASEAN.

Tinney, who also heads up the Financial Services Advisory Practice for KPMG in Singapore added: "Creating the ultimate customer experience can be an important differentiator in a crowded marketplace and it is fitting that Timetric has created a platform to recognise financial institutions that have successfully incorporated this."

Kempeneer said that the #CXFSAsia awards are the only one of its kind that focus on initiatives in customer experience.

He concluded: "The submissions received for the inaugural CXFS Asia Awards are a testament to the increasing importance and emphasis Asia's financial institutions are putting on CX to ensure and raise customer satisfaction." ■

Best Customer Experience Business Model
UNITED OVERSEAS BANK MALAYSIA

Best Service Innovation
DBS BANK

Best Brand Engagement
KRUNGSRIAYUDHYA CARD COMPANY

Best Customer Experience (Branch)
BANK SIMPANAN NASIONAL

Best Customer Experience (Mobile)
DBS BANK

Best Customer Experience (Website)
CITIBANK

Best Customer Experience (Contact Centre)
OCBC BANK

Best Use of Social Media
MAYBANK

Best Omni-Channel Customer Experience
WESTPAC

Best Customer Experience (Banking)
PT BANK ANZ INDONESIA

Best Customer Experience (Insurance)
SUN LIFE OF CANADA (PHILIPPINES) INC

Best Customer Experience (Wealth Management)
TAISHIN BANK

Best Customer Experience (Cards)
DBS BANK

Best Technology Implementation (Front End)
BANGKOK BANK

Best Technology Implementation (Back Office)
TAISHIN BANK

Best Use of Personalisation
TAISHIN BANK

#CXFSAsia Leadership Award (Individual)
David Lynch, DBS BANK

CXFSAsia Leadership Award (Institution)
DBS BANK

The propinquity of Apple Pay set to cause a stir in the UK payments market

After months of speculation, it was finally announced that Apple Pay would be launched in the United Kingdom in July of this year. With multiple organisations having already given their support to the payment system, is Apple about to change one of the world's biggest banking hubs? **Patrick Brusnahan** investigates

Since its launch in the United States in October 2014, many have tried to deduce where the tech giant's payments solution will launch next.

As it turns out, it is set to hit the shores of the United Kingdom this summer.

Apple Pay relies on UK credit and debit cards from American Express, MasterCard and Visa Europe, issued by some of the UK's most popular banks.

These include first direct, HSBC, NatWest, Nationwide, Royal Bank of Scotland (RBS), Santander and Ulster Bank. Bank of Scotland, Halifax, Lloyds and TSB are set to follow later in the year.

Not only that, but Apple Pay can be utilised wherever contactless payments are accepted, such as Marks & Spencer and the Post Office. In addition, Transport for London (TfL) has also announced its acceptance of Apple Pay on UK devices.

The beginning of something new

Nanda Kumar, CEO and founder of SunTec, believes that the introduction of Apple Pay to the UK market will make great changes, mainly for the better.

When talking to *RBI*, he says: "The whole of the financial ecosystem has to be redefined."

Simon Black, the CEO of PPRO Group, agrees.

He tells *RBI*: "The recent announcement that Apple Pay is finally coming to the ULK will no doubt spur the mobile industry to adapt towards mobile and contactless payments at a faster rate.

"The UK already has the highest penetration in Europe for point of sale devices that are ready to accept contactless payments.

"Although mobile payments is still in its infancy, the explosive growth of contactless payments in the past 18 months means that in just a few short years from now, payments via smart devices are likely to be just as commonplace as paying by cash, debit or credit card today."

Consumer benefits

Kumar believes that the main segment to benefit from this development will be the consumer.

He says: "Fundamentally, I would say the number one beneficiary is the customer because this increases ease and security when making payments. It also offers convenience. Splitting bills, multiple wallets on the same account, this is just the tip of the iceberg.

"Once the ecosystem is captured, Apple can be implemented with anybody, so the main beneficiary is definitely the customer. NFC is making the whole experience seamless. The fact that they've already been attached to companies like Transport for London, even that experience is becoming seamless."

Effect on banks

One question yet to be answered is the effect Apple Pay in the UK will have on banks. While it may not necessarily be a competitor, it seems set to make a large splash in the financial sector.

Kumar says: "For the time being, it's definitely a benefit for banks because Apple is not challenging the banks' position. Authorisation still needs to happen on the bank's end following the same payment ecosystem as their cards. It is only going to increase transactions.

"The couple of banks that consumers use as their primary banks are the banks that will definitely benefit.

"There are a few who will benefit immensely. I'm not going to say that all banks will benefit, but it depends on which bank's card the customer puts as their primary card. If I have five cards, will I divide all of my Apple Pay transactions between cards? Probably not."

Black says: "With digital technology rapidly changing how customers now bank and pay whilst on the move, banks are working to be at the forefront of that change.

"We are currently living in a fast paced society, so providing customers access to their bank accounts via their smartphones is a much more convenient way of banking in comparison to the traditional banking experience.

"The way we bank will continue changing – and for the better, and new technologies including Apple Pay will allow customers to have a closer relationship with their bank than ever before.

"Banks therefore must strive to adopt these new innovations, not for change's sake, but to deliver simple, secure and convenient personal banking for those who matter most – the consumers."

However, banks should be wary. Kumar says: "Maybe, at some point in time, if Apple can easily offer transactions that won't go through the banks, or offering lowers transaction fees, this could be a long term cost to the banks. It depends on how Apple wants to play their cards.

"I'm not saying it will happen. It depends on regulatory restraints and how Apple wants to enter the ecosystem."

Kumar also believes this will show the strength of the UK market. He continues: "If you look at it from the UK's perspective, this is a definite sign of the vibrancy within the financial system here.

"There are a lot of legacy banks in the UK and not everyone is on board.

"At least for UK consumers, mobile payment systems are not new, but another level is added when you consider Apple Pay and the Apple Watch."

Black concludes: "As personal banking moves increasingly into the virtual world with mobile payments and banking apps a major force behind this evolution, the need for cash and physical banks will be even less than it is now.

"Perhaps by 2025, there will be no branches left and the way we bank will be entirely virtual." ■

> **"Once the ecosystem is captured, Apple can be implemented with anybody, so the main beneficiary is definitely the consumer. NFC is making the whole experience seamless"**
> Nanda Kumar, CEO and founder of SunTec

DATA

Accenture launches new analytics tools for financial services firms

Accenture has launched seven advanced analytics applications for the financial services industry, including banking and insurance companies.

The new advanced analytics applications, configured through the Accenture Analytics Applications Platform, will help financial services companies improve customer retention, increase sales, simplify the credit scoring process, and reduce costs associated with claims fraud.

According to the firm, the applications will allow customisation for specific users, ranging from business executives to data scientists with options to be tailored with a company's specific workflow process to solve specific business problems.

For retail and consumer banks, the applications will help to detect early signs of customer defection by analysing customer information, such as transaction developments or product expiration dates besides facilitating banks to retain high-value customers by analysing the actual and potential value of their customer base and recommending data-driven marketing and sales actions.

Accenture Analytics senior managing director Narendra Mulani said: "Through the use of tailored advanced analytics applications, companies can enable a variety of users to confidently make insight-driven decisions to solve their business issues.

"When an information-powered culture spreads throughout a company, the business can benefit as value in the form of increased revenues, improved capital efficiencies, and minimised risk can be realised."

STRATEGY

Citizens Bank signs IT services deal with IBM

Citizens Bank, a wholly-owned banking subsidiary of Citizens Financial Group, has signed a five-year IT services agreement with technology giant IBM to move its back-end technology infrastructure to a managed services environment.

The agreement will help Citizens Bank to modernise its technology environment to present an enhanced banking experience to customers across multiple channels, while also lowering the cost base.

IBM will use a hybrid IT approach to optimise the bank's existing IT infrastructure by integrating automation and predictive analytics technologies to standardise and streamline many of its internal IT systems and processes, including core banking applications, branch operations and online and mobile banking.

Under the contract, IBM will operate the bank's existing and future IT systems located in Citizens' data centres in Rhode Island and North Carolina besides supporting Citizens' voice and data networks and providing IT support for all Citizens employees.

Citizens Bank chief technology officer of infrastructure services Ken Starkey said: "This agreement with IBM will provide immediate access to new technologies and capabilities, enabling us to create greater efficiencies in support of Citizens' growth objectives."

REGULATION

British government to start offloading stake in RBS

The UK government has signalled that it will start selling its stake in the Royal Bank of Scotland (RBS) to institutional investors in the coming months.

The Treasury will sell part of its 80% stake in the bank, which may incur initial loss as the shares are trading for less than the government paid for them during the global financial crisis.

However, the entire rehabilitation drive for the rescued lenders, of which the sale is a part, will produce an overall profit of £14bn for the taxpayers.

Chancellor George Osborne said in his Mansion House speech: "It's the right thing to do for British businesses and taxpayers.

"Yes, we may get a lower price than Labour paid for it. But the longer we wait, the higher the price the whole economy will pay. And when you take the banks in total, we're making sure taxpayers get back billions more than they were forced to put in."

By starting to sell, the government will increase the free float of RBS shares which will improve the marketability of the remainder of its shareholding, paving the way for privatisation of the bank.

Osborne added: "From bailing out the banks to bringing them back from the brink, now is the time for RBS to rebuild itself as a commercial bank no longer reliant on the state, but serving the working people of Britain."

RBS CEO Ross McEwan responded: "I welcome this evening's announcement from the Chancellor and we are pushing ahead with our strategy to build a simpler, stronger, fairer bank that is totally focused on the needs of its customers and centred here in the UK.

"When the Government starts selling its shareholding, it will be selling a bank determined to be the best in the country."

M&A

Citigroup agrees to sell its Egyptian retail banking business to CIB

American banking giant Citigroup has signed an agreement to sell its retail banking and cards businesses business in Egypt to Commercial International Bank (CIB).

The sale, which is subject to regulatory approvals, will transfer 900 full time consumer banking and contract employees, eight Citi branches along with its Egyptian ATM network to CIB.

The deal, which is a part of Citi's previously announced strategy to accelerate the transformation of the global consumer bank by refining its footprint and streamlining operations to 24 markets, will close later in 2015.

According to CIB chairman and managing director Hisham Ezz Al-Arab, the deal will increase CIB's share of the market by 33% by adding 80,000 credit card holders to CIB's existing portfolio of 240,000.

Citi country officer for Egypt Nadir Shaikh said: "We believe this transaction is a positive outcome for our Egyptian consumer banking customers and employees. We recognise their contribution to the rich Citi Egypt heritage and thank them for their longstanding support and partnership.

"This decision is in line with Citi's global strategy of focussing our resources on those sectors where we have a competitive advantage, including our institutional franchise in Egypt."

M&A

BBVA eyeing HSBC's Brazil and Turkey units

Spanish banking group BBVA is planning to bid for HSBC's retail banking businesses in Brazil and Turkey according to reports.

"We've looked at HSBC's operations in Turkey and Brazil. They wouldn't be easy deals. We are going to see, and if we get the opportunity we'll go for it," news portal CNNExpansion quoted Vincente Rodero, head of BBVA global franchises, as saying.

Recently, HSBC revealed its intentions to sell its operations in Brazil and Turkey, shrink its investment bank and cut up to 25,000 jobs globally in a bid to slash costs and bolster returns to shareholders.

Bidding for the HSBC businesses will enable BBVA to have a chance to venture into Brazil, however it already has a non-controlling stake in Turkish lender Garanti Bank.

STRATEGY

Slovenia's Sava to offload 44% stake in Gorenjska Banka

Slovenian tourism and financial firm Sava has said that it planning to sell its 44.07% stake in local lender Gorenjska Banka.

The sale, which is a part of the firm's restructuring process based on strategy of consolidating tourism companies, will be assisted by German consultancy Equity Gate.

The proceeds of the sale will be used to deleverage Sava and to repay debts to creditors including banks and DUTB.

Sava is the largest shareholder of Gorenjska Banka with the government, other private companies and banks holding most of the remaining shares.

STRATEGY

HSBC to rebrand UK retail business

HSBC has unveiled plans to rebrand its British retail banking unit as part of the move to separate the business from the group's other operations to comply with the UK's ring-fencing regulations.

HSBC CEO Stuart Gulliver said: "We will operate with a different brand name. We haven't decided what that brand name will be and we're going to consult customers and our own staff over the next few months to decide what we might call this bank."

However, the global entity, which operates in dozens of countries and provides banking services, will retain the HSBC brand.

As a part of major restructuring, HSBC will close roughly 12% of its branches, spread across the bank's top seven markets and cut as many as 8,000 jobs in the UK.

The bank may even consider selling the ring-fenced retail bank depending on the implementation of regulations, Gulliver revealed while presenting a strategy update for the bank.

Gulliver added: "The question for us will be around our ability to control the dividend coming from the ring-fenced bank and to make sure that the strategy of the ring-fenced bank is complimentary to the strategy of the group."

DISTRIBUTION

Lebanon's Bank Audi taps NCR to launch interactive video teller services

Lebanese lender Bank Audi has collaborated with NCR Corporation to launch interactive video teller services in its home market.

Bank Audi will leverage interactive video technology from NCR to allow customers to interact and get live assistance through video conferencing with personal tellers while conducting banking transactions over an ATM, often outside of normal banking hours.

NCR Interactive Teller will enable a centrally located teller to take full remote control of all modules on the device while engaging the customer over two-way real-time video conversation.

Bank Audi Lebanon general manager Marc Audi said: "With NCR Interactive Teller, we are actually increasing access to banking services using technology, while maintaining the comfort of human interaction.

"This will give our employees more time to better serve customers with more complex banking needs, and allow us to offer our clients the convenience they need every day of the year."

DISTRIBUTION

Banco de Chile taps Wincor Nixdorf to replace 500 ATMs

Banco de Chile has ordered 500 automated teller machines (ATMs) from Wincor Nixdorf to replace its current ATMs with secure systems.

The bank will install 500 CINEO ATMs to comply with a government decree, issued in 2013, that gave ATM operators five years to replace their machines, which were popular targets for criminal attacks, with secure systems.

Wincor Nixdorf's CINEO ATMs will provide HD video surveillance of the surroundings, with more cameras in the ATMs to monitor the customer panel and safes that are particularly resistant to gas explosions and other physical attacks.

Banco de Chile director security and risk prevention Osvaldo René González García said: "It's not primarily about protecting the cash in the systems, but preventing potential collateral damage from explosions. The security of our customers and staff has top priority for us."

REGULATION

Lloyds penalised £117m for mis-handling PPI complaints

Lloyds Banking Group has been fined £117m ($180m) by the UK's Financial Conduct Authority (FCA) for mishandling payment protection insurance (PPI) complaints.

According to the watchdog, Lloyds evaluated customer complaints on over 2.3 million PPI policies between March 2012 and May 2013, and rejected 37% of the complaints.

FCA acting director of enforcement and market oversight Georgina Philippou said: "PPI complaint handling is a high priority issue for the FCA. If trust in financial services is going to be restored following the widespread mis-selling of PPI, then customers need to be confident that their complaints will be treated fairly.

"The size of the fine today reflects the fact that so many complaints were mishandled by Lloyds. Customers who had already been treated unfairly once by being mis-sold PPI were treated unfairly a second time and denied the redress they were owed. Lloyds' conduct was unacceptable."

The bank is set to cut down staff bonuses by £30m this year in response to the fine.

Lloyds got a 30% discount on the fine amount as it agreed to settle at an early stage of the probe.

DISTRIBUTION

Renault forays into UK retail market

RCI Banque, the financing brand of French multinational automobile manufacturer Renault Group, has entered the UK savings market with the launch of RCI Bank.

The UK launch, which follows a series of retail banking ventures in France, Germany and Austria over the past four years, will debut its services with a savings account, named Freedom Savings Account, available exclusively through MoneySuperMarket offering a Best Buy rate of 1.50% AER variable gross for the next two weeks.

The Freedom Savings Account will allow for investments ranging between £100 ($157) and £1m, with no penalties, notice periods or tiered rates.

The bank will target its retail deposits to represent 30% of its funding and will reinvest collected funds in its auto loan business for Renault and Nissan brands in the UK.

RCI Bank CEO Steve Gowler said: "We're really excited about entering into the UK savings market, and importantly entering the market with an innovative and competitive product. Saving money should not be difficult, which is why we have developed our simple Freedom Savings Account with a rate of 1.50%.

"We believe we have a product that people will love. Over the next 12 months we plan to follow this up with further product launches."

PEOPLE

Deutsche Bank names new CEO as Anshu Jain and Juergen Fitschen resign

Deutsche Bank has appointed John Cryan, a member of Deutsche Bank's Supervisory

Board, as its new co-CEO, through an emergency meeting after the bank's co-CEOs Anshu Jain and Juergen Fitschen offered to resign.

Jain, a longtime investment-banking executive, will depart from the bank on 30 June 2015 while Fitschen will step down after Deutsche Bank's annual shareholder meeting in May 2016.

The joint resignations come as the Frankfurt-headquartered bank seek to restore an image tarnished by a raft of regulatory and legal problems which include probes into alleged manipulation of benchmark interest rates, mis-selling of derivatives, tax evasion and money laundering.

Cryan, who served the Singaporean investment company Temasek as the president for Europe from 2012 to 2014, will adorn his new role on 1 July 2015 replacing Jain.

Previously, Cryan has been associated with UBS as its CFO from 2008 to 2011 and worked in corporate finance and various client advisory roles at UBS and SG Warburg since 1987.

Deutsche Bank Supervisory Board chairman Paul Achleitner said: "On behalf of the Supervisory Board, I would like to express our gratitude and respect for the contributions that Jürgen and Anshu have made to our bank.

"Their decision to step down early demonstrates impressively their attitude of putting the bank's interests ahead of their own."

STRATEGY

Ecobank to offload stake in Nigerian unit

African lender Ecobank has unveiled its plans to divest a stake in Ecobank Nigeria by the end of 2015 after ending its battle against its former CEO Thierry Tanoh, through an out-of-court settlement.

The sale of Ecobank Nigeria, Ecobank's biggest subsidiary with $9.4bn of assets, will boost the unit's capital, said the bank's current CEO Albert Essien.

Essien said in an interview at the World Economic Forum on Africa: "It will be up to Ecobank's shareholders if they want to buy equity in the Nigerian business."

The bank may also consider an agreement with Tanoh in 2015 over damages exceeding $35m awarded by West African courts against his former employer.

Essein added: "Although the court process will go on, we will ultimately settle amicably. I cannot stop the court process till we have a settlement. Both options will for now be pursued."

Tanoh left the bank more than a year ago following investigations by regulators regarding allegations of fraud and poor governance while he was CEO.

DISTRIBUTION

DBS Bank receives approval to operate in Australia

Singapore-based DBS Bank has received approval from the Australian Prudential Regulatory Authority to begin banking operations in Australia.

The license will allow DBS to conduct institutional banking activities and offer the retail presence in Australia, expanding its presence to 18 markets around the world.

The bank will open its maiden branch in Sydney later in June 2015, to be headed by DBS Australia country head Helen Yap.

The new branch will provide corporate finance, trade finance, cash management and treasury solutions to Asian and international companies looking to expand in Australia besides supporting Australian firms looking for opportunities in Asia.

DBS CEO Piyush Gupta said: "Australia has been growing in importance as a trading partner of the Asian nations, and an Australia presence will further extend our ability to support our clients as they expand."

Yap said: "With DBS' high credit ratings, strong capital position, comprehensive regional product platform, as well as Asian insights and experience, we believe the bank is well-positioned to serve Australian companies."

RESEARCH

Visa Europe: Smart devices set to be the top payment method in the UK

According to new research from Visa Europe, one in four Britons is expected to use their mobile devices for payments on a daily basis by 2020.

This is in comparison with the one in twelve Britons who already do so.

In addition, consumer adoption of mobile payments will grow faster than ever in the next five years with 60% of Britons using their mobile device for payments at least once a week.

The weekly value of mobile device spending is also set to increase, reaching £1.2bn ($1.8bn) per week in 2020. The average shopper is expected to spend £27 on mobile each week by 2020, £10 more than what is spent today.

Furthermore, nearly a quarter of respondents predicted that they would spend more than £50 a week using their mobile device by 2020.

43% of shoppers told Visa that they would be interested in using a mobile wallet service and 47% of shoppers were interested in using their smartphone to make everyday contactless payments in a shop.

Jeremy Nicholds, executive director for mobile at Visa Europe, said: "While we're excited to see consumers saying they expect to triple their weekly spend using mobile payments over the next five years, we at Visa think those numbers could be rather conservative and that the actual adoption rate will be much higher.

"It's no longer a question of 'if' consumers will embrace this new way to pay - it's when - and for us the next twelve months are when mobile payments become mainstream."

SECURITY

China unveils ATM with face recognition technology

China has unveiled the world's first automated teller machine (ATM) with inbuilt facial recognition technology to reduce the risk of theft.

The new cash machine will use a camera to scan the faces of customers which will then be compared to images on file to identify the users, reported Chinese state media.

The new machines will operate based on big data technology, including the identification of biological characteristics, and will be able to identify the cardholders if their facial features have changed.

The new ATMs, which will be linked with banks and local police offices to track financial crimes, will also record the serial number of every note deposited by clients to identify fake bank notes.

Tzekwan Technology chairman Gu Zikun said: "This technology will ensure the greater security of card owners."

STRATEGY

HSBC to lay off thousands of employees globally

UK-based HSBC is reportedly preparing to cut thousands of jobs across its global workforce in a drive to reduce its costs after a series of reputational crises.

The bank will reduce the number of employees by laying off around 10,000 - 20,000 people.

According to the news por tal, HSBC CEO Stuart Gulliver will disclose a revised target for headcount reductions to shareholders on 9 June 2015, which will be implemented by the end of 2017.

The job cuts will not impact HSBC's scale of operations in Brazil and Turkey, and will not take account of a possible separation of HSBC's UK arm.

The lender hired about 258,000 employees at the end of 2014. ■

Beating back bank outages and glitches

Last week has been a stark reminder of the IT problems that that plague the financial services and banking sector. Millions of Nationwide customers were unable to access their accounts on Monday after a glitch during a planned IT upgrade caused current accounts to apparently disappear. On Wednesday, RBS suffered a major glitch that affected 600,000 payments, which in some cases left customers unable to receive their wages or pay their bills. From one glance on Twitter, it was clear that banking customers had had enough.

As most established banks have built their technology systems up for years through a number of mergers and acquisitions, they have been left with fragmented systems; a ticking time bomb for customers. Although banks have been reluctant to update these legacy systems, a failure to introduce the latest tools and systems will result in a loss of customers and revenue. This will of course take a vast amount of investment.

Nationwide recently invested $2bn to overhaul its systems, and clearly still has some way to go. However, with new, more flexible entrants to the market such as Atom Bank and Renault challenging for market share, the pressure to innovate for today's consumers is more important than ever.

To succeed, banks need to understand that account holders no longer distinguish between online and offline worlds and expect seamlessness. As mobile applications and online banking are often the primary channel that consumers use, banks need to prove that their online services are up to scratch. But how do CIOs deliver innovation with a high level of customer service?

Accenture surveyed 25 senior banking executives from across Europe and three quarters of respondents felt their banks have a 'fragmented or opportunistic' approach to dealing with digital innovation. Furthermore, the report details that 40% think the time it takes their organisation to deploy new technology is too slow. This is noted as negatively impacting organisations' ability to realise value. The majority are reported to believe that the banks lack the 'skills and culture needed to succeed in the digital age'. This state of play is contributing to the rise of challenger banks across Europe.

The rise of the software-defined bank puts a renewed focus on innovation; however, one of the main pressures on banks today is the increasingly high standards of performance and reliability that consumers demand from their mobile apps. Given growing competition, online banking services must meet the highest standards of performance regardless of time, location or device. A great mobile banking service must also provide a greater range of services than traditional banking.

To achieve this, banks must ensure customers have 24/7 access to key services, whether it be through proactively predicting when their applications will experience surges in traffic or spotting and fixing emerging glitches in real-time.

Although it could be argued that that technology problems will always occur, organisations must ensure they have end-to-end visibility of their digital transactions in order to identify and repair performance glitches as quickly as possible. Without this, banks are often looking for a needle in a haystack. RBS took over two days to solve their problem which is far too long for out of pocket customers. With the correct application performance monitoring and analytics solutions, banks can spot the root cause of problems much more rapidly, minimising the level of damage done.

Crucially, CIOs will also need to think more about the performance and experience of their applications if they are to remain relevant. Application Intelligence and performance monitoring solutions will be even more necessary if other organisations are to follow suit. IT departments need to look at where the most value can be added in innovating financial services IT. As customers expect the ability to manage their accounts online at all times, many banking applications are not providing the performance they need.

Providing perfectly-performing mobile services that can deal with millions of transactions a day relies on complex, distributed applications working seamlessly. It's made harder still by the added complexity that comes from managing the mix of the requisite software, hardware, cloud services, app developers, third party web services and so forth. All this, piled on top of the antiquated legacy IT systems that many traditional banks have accumulated, makes for a high risk situation that neither challenger nor traditional banks can afford.

Software defined banks with highly complex IT architectures need to employ sophisticated analytics and monitoring applications to help mitigate the risks mentioned above. APM (Application Performance Management) solutions give online financial services certainty about the operation of their business, IT infrastructure and applications in real-time, and enable them rapidly respond to, or even predict, issues that may arise. ■

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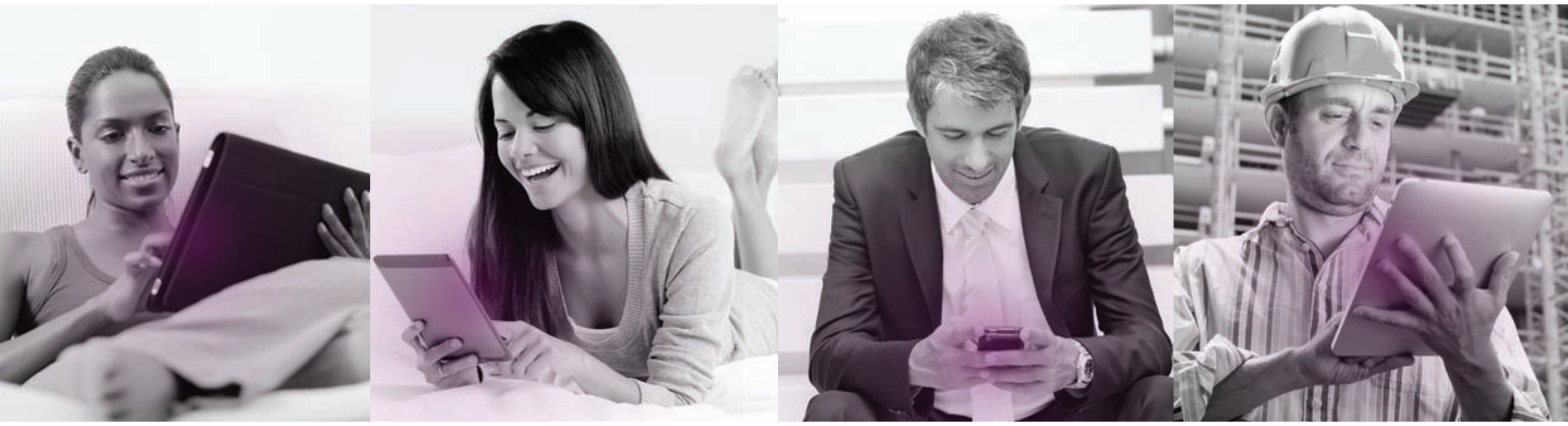

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