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Snap to switch – Halifax teams up with Jumio



Halifax teams up with Jumio to enable 'snap to switch'

Account switching rates in the UK remain stubbornly low despite the successful implementation in September 2013 of the seven day switching initiative.

But the story is not all one of doom and gloom. There are a few winners, principally Halifax, Santander and Nationwide, in that order.

In the first four quarters for which detailed stats are to hand, Halifax ranked top of all UK current account providers for net switchers; since late 2013, its total current account numbers have grown by more than a net 250,000 customers.

And Halifax looks set to consolidate its position as the prime beneficiary of seven day switching by teaming up with the clever guys at Jumio, to give itself a key advantage in improving the customer experience.

Customers looking to switch their accounts to Halifax can now speed up the process by uploading a photo of their debit card from their smartphone or tablet.

The Halifax 'snap to switch' tool means that consumers submit their existing bank details without having to go through the rigmarole of populating the information on a form.

Using the bank's optimised tool populates the switch from bank account fields automatically. The innovation is timely and will prove to be popular with more and more customers looking to switch accounts from their tablet or smartphone.

As David Pope, European marketing director at Jumio told me, 'snap to switch' will enable the customer to save about 40 key strokes.

"The quicker that customers gets across the finishing line means more and more customers will complete the switching process."

Two immediate thoughts spring to mind. Once the Halifax/Jumio innovation is seen to be a winner, expect to see this extended to sister brands Lloyds and Bank of Scotland.

Secondly, it is refreshing to see technology, hitherto previously used successfully by online retailers, become adopted by financial institutions.

Aside from the Halifax deal, Jumio's technology is increasingly being used by a growing number of financial institutions to authenticate customer documents.

Meantime, Jumio has released results from its latest Mobile Consumer Insights study, a look at user behaviour and transactions on mobile, and a follow-up to its 2013 study of the same name.

If you have not had sight of the report, I commend it warmly.

Conducted online by Harris Interactive, the latest survey found that more than one-half of US smartphone owners (56%) have abandoned a mobile transaction.

Pretty dire - but a slight improvement from last year's 66% finding.

Bluntly, as mobile transactions soar, so do abandoned purchases. That means revenue is being lost due to a lousy customer experience.

One positive for financial institutions is that they are from the worst placed compared with other verticals.

Less than one in four of those surveyed (23%) said that they had abandoned the transaction while applying for a financial services account (e.g. opening an account, money transfer).

By contrast, the corresponding figures for retail/apparel were 60% while food and travel both scored a pretty dismal 41%.

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Al Rayan goes digital after Qatari boost

Britain's first fully Sharia-compliant retail bank Al Rayan is gaining momentum. It has undergone a major revamp following the acquisition by Qatar's Masraf Al Rayan (MAR) QSC in 2014. **Franchesca Hashemi** asks Tim Sinclair, senior head of sales and marketing at Al Rayan, about the bank's transformation and products

Al Rayan, founded in 2004 under the name Islamic Bank of Britain, has reinvented itself as a digitally-apt financial institution. It boasts nine bases in England, a robust parent company and posted its first annual profit since inception for the twelve months preceding December 2014 of £1.2m (\$1.9). It is a modest yet impressive figure, up from a £5.5m loss in the previous year. Yet the financial institution owes a large part of its success to a £75m investment from MAR in early 2014.

Tim Sinclair is senior head of sales and marketing at Al Rayan. He believes the acquisition has been emblematic of MAR's desire to expand its global reach: "They are looking to help individuals from the Gulf Corporation Council, Qatar in particular, invest in London but farther afield as well."

The bank anticipates a 35/65 split in commercial/retail assets in the short term, with both areas expected to see further growth going forward, according to Sinclair.

Al Rayan's flagship Knightsbridge branch will cater to this commercial property goal and, specifically, Private GCC clients.

He says: "Knightsbridge is tailored around the individual's personal and financial needs."

"Staff at this branch can help with property searches, as well as helping customers understand how to identify property and the UK process."

Sinclair explains Al Rayan has three client-based propositions: standard, Premier



and Private.

While the exact eligibility categories are still a work in progress, Premier will require high net worth individuals have £75,000 or more worth of Al Rayan deposited savings or investments, a joint or sole income over £100,000 or home finance in excess of £500,000. Interestingly, Private clients will deal almost exclusively with GCC citizens however Sinclair reasons "crossovers" may occur.

Interest versus Profit-Sharing Agreements

The crux of Islamic banking lists transparent and ethical standards while interest, in any shape or form, is forbidden. Funds are instead generated on the Islamic finance principle of Mudaraba, meaning the bank and customer share an agreed percentage on the deposit. This calculation, according to Sinclair, is set by the profit allocation committee every month.

Presently the customer's expected profit rate (Gross P.A) stands at 0.15% for a Direct Savings account, 0.05% for On Demand Savings and 0.10% for Young Person's Instant Access Saving (YPSA). While the accounts shown are subject to T&C, Al Rayan's expected profit share is 40% for Direct Savings Account, 50% for On Demand Savings, and 50% for YPSA.

Customer deposits are invested in line with UK regulatory requirements, as Sinclair explains: "The bank does not offer a product which enables the customer to choose only to invest in the London property market. Instead, it invests savers' deposits in Sharia compliant assets, such as property via Al Rayan's own Home Purchase Plan, Buy to Let Purchase and products and metals."

Where to find Al Rayan

There are 9 locations in total: a flagship branch in Knightsbridge, then Whitechapel Road and Edgware Road in London, Birmingham, Leicester, and Manchester. The bank also has three agencies in Luton, Tooting and Blackburn. The latter are more so elements of spaces within someone else facility, according to Sinclair, and focus on the growth of Home Purchase Plans (HPP).

Al Rayan looks to open another three branches in 2015, with Ilford and Slough key contenders. Yet other territories such

as Leeds and Bradford are under consideration.

Sinclair explains areas with 'relatively high Muslim population density' and 'satellite hubs' are strategically important. He says: "We are also looking into a model where we have a HPP advisor that can do transactional banking services on a smaller scale than a regular branch."

Potential 'satellite hubs' include Birmingham, Midlands and different parts of the North with Manchester as the focal point.

Sharia Compliant Debit and Credit Cards

Al Rayan's website states that transactions around gambling, tobacco, arms, pornography or any other speculative activity that is prohibited by Islamic teachings are not allowed. So what would happen if an Al Rayan customer used their debit card to pay for one of these products, because technically it should be declined?

Sinclair answers: "A condition of the account is that cards are not used to carry

out transactions prohibited by Sharia, but cards are not declined for this reason.

"Our principle focus is to be Sharia compliant from a financial perspective. What that in practice means, and this is a 100% requirement, is that we structure our organisation; we review our decisions, create products and look after our staff and customers in a way that is compliant with Sharia standards.

RESULTS - AL RAYAN BANK FY DECEMBER 2013- DECEMBER 2014 (£M)

	2014	2013
Net income from Islamic financing transactions	11.09	4.06
Net fee and commission	0.708	0.39
Operating income	11.79	4.44
Total operating expenses	11.29	-9.96
Profit/ (loss) before income	0.502	-5.513
Net profit/ (loss)	1.21	-5.513

Source: Al Rayan Bank

RESULTS - AL RAYAN BANK FY DECEMBER 2013- DECEMBER 2014 (£M)

	2014	2013
Total assets	647.9	368
Net Investments in home purchase plans	311.6	207.1
Net investments in commercial property finance	138.5	34.33
Investment securities- Sukuks	109.4	19
Total Liability	544.9	344

Source: Al Rayan Bank

Yet in terms of the difference between a Sharia compliant business account and that of any one of the UK Big Four business accounts, Al Rayan's senior head of marketing and sales explains that in principle both are very similar: "The arrangement we have is that your capital is always protected. In any case it is protected under the Financial Services Compensation Scheme. If we were ever - and to emphasis we never have - unable to pay the expected profit, a customer would still retain their capital and profit earned up to that point, or exit the deal entirely."

In both April and May of 2015, Al Rayan paid more than double its expected profit rate to its On Demand and YPSA customers, while Direct Savings account holders were paid 73% more than expected in May.

Digital and Products

The most striking aspect of Al Rayan is its super-smooth web design. This includes a presence on practically every social media platform. It even has a YouTube channel,

with a selection of slick animations as well as pieces-to-cameras with bank executives. It is all very Generation Y, but what about the substance of the matter?

Sinclair, as the individual brought in to oversee Al Rayan's transition, says: "[3 - 4 years ago] our online strategy was frankly appalling.

"We rebranded all our digital assets in 2014, and that has supported us a lot."

The online offering comes in three parts: part one is mobile enabled, where the corporate website informs the audience about products. At the same time, an online acquisition platform has been developed through a sales force- all of which is coupled with a broader investment in digital marketing.

Al Rayan has created a fluid one-stop shop for customer's internet-banking needs. But how far this will be taken remains to be seen.

Could there be fist-flashing payment tools on the horizon? Sinclair gives nothing away: "Last year we were the first people to launch a Sharia-compliant notice-cash ISA, this year we launched a fixed term ISA and an instant

Adaptation and Ethics

There are 2,706,066 Muslims living in the UK, according to the nation's 2011 Census. This makes up 4.5% of the total population. Yet Islamic banking is not exclusive. Al Rayan found 87% of applications for its Fixed Term Deposit accounts from December 2012 to 2013 were non-Muslims.

Moreover, Al Rayan's figures show 81% of its Muslim and non-Muslim customers will use Sharia finance in future.

Ethical standards and competitive products speak to an international audience and as support from all demographics increase, including its target, Al Rayan's future looks promising.

Sinclair says: "We have an external ethics committee [which is] the Sharia supervisory committee. It is made up from three external and independent eminent scholars in Sharia compliant finance. They regularly audit us, much like the external auditors KPMG."

"We also have the head of Sharia compliance. That individual is like an internal ethics officer so again they review the teams and decisions on a routine basis, and sit on various committees - just to make sure all the right things are done for the customer and society as a whole."

access ISA. Two of which are notice ISAs, while our fixed ISA is top of the tables."

Al Rayan's 120 Day Notice Cash ISA has a 2% return and requires a minimum £250 deposit. This product is making waves on online comparison sites, with BT Money writing in April 2015: "The top deal from Al Rayan Bank pays ... a third more than the top easy access account open to all."

When asked if saving accounts are a central focus in product innovation, Sinclair replies: "Absolutely. Prior to 2011, direct non-branch sales were about 10% of our total. Now they are 70% of our total, and by sales I refer to savings and investment.

"There is a stream of asset and liability product development - we've launched four already this year we could well launch up to four more by the end of 2015."

Sinclair concludes: "Sometimes there is a perception that we are investing in all sorts of unusual activities that may or may not make profit. The reality is that we only really invest in very secure commodities. Typically, property, and non-precious metals or standard metal. Between those investments and our longer term property investments, they will produce a return." ■

KPMG: Mobile banking set to keep rising and rising

The number of mobile banking users across the world is increasing at such a fast rate it is predicted to double to nearly two billion users over the next four years. That's over a quarter of the world's population. All this, according to the latest research from KPMG and UBS Evidence Lab. **Patrick Brusnahan** reports

In its news Global Mobile Banking Report, KPMG found that while mobile is currently the largest banking channel by volume of transactions, its adoption by new customers is still increasing at a fast rate. While the number of mobile banking users is currently 0.8 billion, KPMG expects this number to reach 1.8 billion by 2019.

As a result, the report claimed that banking without a clear mobile banking strategy will lose customers and cross-sell opportunities in the short-term, as well as hindering competitive advantages.

The report forecasts that the next 5-10 years will see exponential growth in this sector before the growth curve flattens.

Adoption rates are highest in developing countries, hitting 60-70% in China and India, while developed nations such as the US, Canada and the UK have lesser adoption rates.

Currently, almost all banks have some form of mobile banking offering, whether it is developed in house or through a third-party, such as Monitise.

Customer profiling

People in their mid- to late-thirties are the optimum target market for mobile banking, which reflects a level of 'technological comfort and relatively high economic activity'. This drives the relevance of competent mobile banking services and higher adoption rates.

While mobile capability is a factor in which bank a switcher would select, UBS' research showed a negative correlation with the likelihood of mobile banking users remaining with their current institutions. The report suggested that this could be due to the more technologically savvy being more demanding of their providers.

In a very general sense, mobile banking services are led by banks in the developing world and largely by telcos in the developing world.

Difficult security issues

Financial institutions with mobile solutions have a difficult balance to maintain. There

needs to be short- and long-term strategies, capability and security.

The report said: "As customers demand frictionless online experiences, especially on mobile devices where there is a particular demand for speed and responsiveness, organisations need to match the roll out of functionality to perform riskier transactions with their ability to authenticate the device, the application, and the user, in ways preferred by the customer and permitted by local laws and regulations."

Today, users with non-tampered devices with applications from official vendors have relatively little to worry about. Not much vulnerability has been utilised by malware. However, as mobile becomes more dominant for banking services, malware will increasingly target mobile devices. As a result, banks need to focus on the current threat landscape or a more pragmatic strategy that can evolve as other threats take shape.

Creating an end-to-end mobile channel architecture is not completely different from creating any other architecture in a technology driven domain. However, if institutions are already on a fairly monolithic or poorly structured solution, it may be at a dead-end and have to move backwards before moving forwards. Developing a capable response to the changes in technology may also take longer than usual. An evolving architecture is the way forward and the one most likely to survive.

The ability to be omnichannel and multi-provider is also crucial. The lines are blurring between Google, Apple, and Microsoft and banks or payment solution providers need to be available on all smartphones and digital devices to maintain relevance.

Europe

Across the whole of Europe, the average adoption of mobile banking services was at 38%. The UK exactly matched that average and the report stated that the country was a 'bellwether for both the rest of Europe, and also parallels other developed economies such as the US and Australia'.

The UK can be considered to be a mature

market in both online and mobile banking services with most banks having launched these services around 2010. The report showed a quick initial take-up of services by early adopters in the market.

An interesting aspect of this was that British consumers were already utilising banking services on their smartphones prior to the designed-for-purpose services. This is despite the user experience being particularly tricky and particularly unsuited to mobile phones. The banks had to actually catch up with their customers and provide dedicated mobile services.

Early mobile products were purely service propositions with no specific focus on selling. This was a bit of a nuisance for banks as cross-sales through online channels were growing at a steady pace.

A minority of banks made severe mis-steps in their mobile functionality, allowing their apps to do nothing except check account balances. This led to extremely critical reviews on the Apple App Store and provided a big lesson for banks; if you fall behind, it is very difficult to catch up.

The United States

Both regional and national banks in the US have launched apps with new functionalities that have made the mobile channel a preference for a large chunk of consumers. Basic features, such as alerts, have moved towards a more advanced login and account management features.

Utilising existing features in smartphones, such as GPS and biometric authentication, has added multiple functionalities to mobile apps. Even the camera is getting used to its full potential with 56% of North Americans reporting interest in video chat with a bank representative using a mobile or tablet.

The report concluded: "The banking industry is entering a hugely exciting phase of development but one that will also present major challenges to profitable growth. As data from numerous sources make clear, usage of mobile banking services will continue to grow, and at an accelerated rate, over the next five years until they become essential and ubiquitous." ■

TD moves ahead in North American digital banking

Digital transformation is a priority for TD Bank Group, which has built a customer-centric platform to capitalise on Canadian and US consumers' appetite for digital banking. **Robin Arnfield** examines the Group's successful mobile offering, Smart ATM roll out and branch strategy over the last year

Everything we do starts with the customer, which means we view every interaction as an opportunity to build engagement and provide a comfortable and convenient experience," says Rizwan Khalfan, TD's senior vice president and chief digital officer. "In the digital space, we achieve this by delivering purposeful designs putting customers' needs first with a focus on features to help them make better financial decisions and achieve their goals."

"Everything TD tries to do in digital banking takes advantage of its North American-wide economies of scale," says Mitchell Osak, president of Canadian banking advisory firm Quanta Consulting. "From a senior management perspective, TD has a North American mandate for digital investments. So, when you see a new TD initiative in the US, there is a good chance it will be introduced in Canada, and likewise with Canadian initiatives being implemented in the US. TD's core digital principles are to focus on customers, be true to its brand mission, and to be North American in view and mandate."

As of April 30, 2015, TD had 9.3 million active online users across North America, and 4.6 million active mobile users comprising 2.8 million in Canada and 1.8 million in the US. Enhancements to digital banking capabilities resulted in record U.S. online account openings and double-digit growth in the number of active users of digital banking services in the U.S. in 2014, TD said in its 2014 annual report.

"We continue to see positive, upward trends in digital banking transactions across our North American footprint," says Khalfan. "Mobile deposit is a good example of this. One year after launching in the US in 2014, we surpassed US\$1.3 billion in mobile cheque deposits. We were able to leverage this capability to be one of the first banks to offer mobile deposit in Canada six months ago, with similar success."

Khalfan says TD has experienced high transaction volumes with its envelope-free, image-enabled ATMs. "Our entire ATM fleet was converted in the US two years ago to image-enabled deposit, and we will have completed the rollout in Canada by this sum-

mer," he says. "As a result of adding these digital conveniences, we're seeing some of the more routine service transactions migrate to self-service channels. However, the branch is still an integral part of how we serve our customers."

Restructuring

In May 2015, TD announced an after-tax restructuring charge of \$228m to cover the cost of merging branches, call centres and corporate offices as well improving its business processes. "This phase focuses mainly on the US and some functions in Canada, and we expect to complete most of this work by the end of this year," Bharat Masrani, TD Group president and CEO, said in an earnings call.

"Some of the cost-savings will be reinvested in advancing our digital and mobile capabilities, including modernising our technology infrastructure and adding additional resources and expertise to improve our agility and speed to market. This will enhance the customer experience and help us compete with players who weren't encumbered with legacy systems."

"Canadian banks were earlier adopters of online banking than their counterparts elsewhere," says Lian Zerafa, a partner in KPMG Canada's Financial Services practice. "But this meant that they are having to play catch up, as they have unwieldy legacy technology platforms dating back 15-18 years that have been incrementally built on."

Mike Pedersen, TD's group head, US Banking, said in the earnings call that, as a result of customers banking on digital channels, TD is seeing transactions in its US branches drop by six to seven percent a year. "That gives us an opportunity both to change and enhance the customer experience and to become more efficient and more productive," Pedersen said. "So the things you're seeing us doing, whether it's the heavy investment in digital or the optimisation of our store network, or the introduction of new smaller stores that are focused on advice and sales as opposed to transactions, is all a function of that."

Pedersen added that TD has decided not to proceed with the opening of 16 planned new

US branches in the context of the restructuring charge. It will also close 24 US branches.

Tim Hockey, TD's group head, Canadian Banking and Wealth Management, said in the earnings call that TD is seeing a transaction decline in its Canadian branches. "But the transaction decline in our Canadian branches is about half the rate of the US, and that's generally true of Canada versus the US banking industry," Hockey said.

Canadian digital banking trends

A 2014 quantitative consumer study by Canadian consultancy NorthCard found that 83 percent of Canadians use their primary bank's online banking service bank at least a month, with 64 percent doing so weekly.

Mike Bradley, NorthCard's managing director, says the survey shows 28% of Canadians use their primary bank's mobile banking service at least once a month and 17 percent weekly. "For Canadians' secondary FI, the numbers are still high with 53% doing online banking at least monthly, and 18% mobile banking at least monthly," he says.

In April 2015, TD came top in U.S.-based digital analytics comScore's Mobile Metrix ranking of Canadian mobile banking properties including both browsers and apps. comScore estimates that TD had 2.8 million unique visitors in April 2015, followed by RBC Royal Bank of Canada with 2.07 million, Scotiabank with 2 million, CIBC with 1.9 million and BMO Bank of Montreal with 1.4 million.

TD Canada Trust

In March 2015, TD's Canadian subsidiary TD Canada Trust launched its redesigned mobile app for Android-based smartphones and iPhones with an emphasis on ease-of-use.

"Our redesigned Canadian smartphone app incorporates extensive feedback from our employees, customers and non-customers, gathered through focus groups, pilot programs and online discussions," says Khalfan.

"This allowed us to create a more engaging experience that allows users quicker access to popular features such as the ability to view account balances discretely and without having to login and to make one-touch

payments. We also added capabilities such as submitting US bill payments – a first for a Canadian banking app. TD Direct Investing clients can make trades and view real-time quotes using the app. The way the app was redesigned allowed us to leverage our mobile platform to launch our TD app for the Apple Watch in April 2015.”

TD’s Canadian mobile banking customers who have downloaded TD’s iPhone app, can view banking and credit card information, as well as track stock market and investment portfolio activity, on the Apple Watch.

“For just under a decade, TD Canada Trust was behind the other big five Canadian banks in digital banking in almost every way,” Peter Wannemacher, a senior analyst at Forrester Research, says. “Yet, despite being behind the others in mobile banking, TD Canada Trust never suffered from a major decline in overall customer satisfaction and brand perception. Customers were frustrated with TD’s digital offering but, if asked whether they liked TD, they always said yes.”

TD came top in U.S.-based consultancy J.D. Powers 2014 Canadian Retail Banking Customer Satisfaction Study in the Big Five Canadian Banks category for the ninth consecutive year.

“In the last two years, TD Canada Trust really started to up its game and did a lot of work on its mobile banking app,” says Wannemacher. “This culminated in the March 2015 launch of TD Canada Trust’s totally rebuilt mobile banking app which is now much stronger.”

In Forrester Research’s May 2015 ranking of the top five Canadian banks’ mobile offerings, TD came third after the joint number ones, CIBC and Scotiabank, and number two BMO. RBC came fourth.

“TD wanted to ensure its digital offering reflects its high level of customer brand loyalty and that its mobile experience has the same feel as its branch banking experience,” says Wannemacher. “Every bank pays lip service to that concept, and TD has tried harder than most banks to implement it. Also, TD started to enhance its digital sales platform one and a half years ago and it’s now pretty strong. For example, it lets digital shoppers save and retrieve their application.”

TD is using IntelliResponse (www.intellireponse.com) virtual agent software to answer customers’ questions on its Canadian digital banking platform. “The only drawback with TD’s IntelliResponse implementation is that customers really have to go and look for the information they want,” says Wannemacher.

“I think TD’s new Canadian mobile app is very good,” says Osak. “As a TD Canada customer, I used to visit my branch to do all my banking transactions, and then one day

TD Canada’s enhanced mobile features include:

- Quick links: customers can access TD’s most popular banking functions from the top of their home screen.
- Quick access: customers can choose to view their account balances without having to log in.
- Quick TD credit card bill payments: this features the option to pay via three pre-populated payment amounts, as well as the customer’s ability to type in a specific payment amount.
- Transferring money: sending an Interac e-Transfer inter-bank person-to-person payment via the TD app is now simpler and faster, with the ability to add recipients straight from the customer’s smartphone contact list.
- US and Canadian bill payments: TD customers can submit US bill payments from their eligible TD Canadian or US dollar personal chequing or savings accounts. Customers can also add and manage Canadian bills directly on their smartphone.
- Direct investing features: TD Direct Investing clients can make trades and view real-time quotes, analyse portfolio information with the new Heat Maps tool, and monitor investments and stocks with advanced, full-screen charting.

someone in the branch said ‘you can do all this on a smartphone,’ and helped me install the TD mobile app. So I leapfrogged TD’s telephone and web banking and went straight to its mobile app. I get a similar customer experience using the app to going into the branch.

Also, I use TD’s social media channel to get quick answers, and have bought more banking products from TD since going mobile by using the app. TD’s Canadian social media channel is very closely aligned to the bank’s brand and its other channels, and is very customer-centric and responsive.”

Social media

“TD is an example of a bank trying to make social media more than just a tool to generate sales,” says Stephen Greer, an analyst in US consultancy Celent’s banking group. “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 consumers, because they just shut off the valve.”

TD is adept at making the bank relatable to the community, says Greer. “The best example of this was TD’s social media campaign in 2014 to honour long-time customers, handing out money when people used in-branch ATMs, direct depositing into user accounts, and posting selfies,” he says. “The video TD made of people getting gifts at its ATMs went viral and received north of 11 million views. It was just a feel-good story that made a huge impact for a relatively little investment.”

Another example of TD’s innovative use of social media marketing is the #MakeTodayMatter online advertising campaign it launched in October 2014, featuring a video that went viral (maketodaymatter.td.com). For the campaign, TD gave \$30,000 each to 24 people in the US and Canada who were

leaders in their community and asked them to give the money to valuable causes within 24 hours. It then filmed surprised individuals receiving unexpected donations, displaying the videos on the maketodaymatter website as well as a four-minute YouTube video, which has had over 5 million views.

“With #MakeTodayMatter, TD was trying to do a good thing, but it created a social media campaign that, as a by-product, generated views,” says Greer.

TD’s US subsidiary TD Bank operates TD Helps (www.tdbank.com/tdhelps), a managed social community providing financial information and guidance to US consumers.

On TD Helps, people can ask questions about a wide range of personal finance topics and receive answers from TD Bank specialists and other consumers. “TD Helps specialists take a unique and personalised approach when answering consumers’ questions, understanding that people want real, tangible answers to their questions,” TD says.

“We continue to see growth within the TD Helps forum, and are currently answering thousands of questions a month,” says Khalfan.

Agreement with Moven

In December 2014, TD signed an agreement with New York-based Moven for the exclusive Canadian rights to Moven’s real-time, mobile-based money management app. TD said that the Moven app will operate alongside the TD mobile banking app and provide customers with the ability to manage their spending habits at every transaction by linking their TD banking activities in real-time to their savings goals.

Moven works with both conventional card-based and mobile wallet transactions, giving consumers instant feedback via mobile

alerts on their spending activity, telling them how much they are spending on different categories and how recent transactions compare to past activity.

“Offering a personal financial management (PFM) app like TD is doing with Moven helps create stickiness for a bank,” says Ed O’Brien, director of Mercator Advisory Group’s Banking Channels service.

“Following the deal with Moven, we’re in the process of adding real-time money management capabilities to the TD Canada Trust mobile app,” says Khalfan. “This new capability will help customers be better informed on how they use their money and empower them to improve their financial wellness with each spending decision they make.”

Smart ATMs

In January 2015, TD announced that it is testing “smart ATMs” at selected locations in the Greater Toronto Area, with the ATMs initially being installed in four branches.

The ATMs incorporate enhanced self-service technology including the ability to withdraw bills in various denominations and deposit cheques using image-enabled technology. They feature a more intuitive user interface, with larger font and touch screens for ease of use, and the option to get on-site help from branch staff.

Feedback from users will be used to determine the desire for access to additional capabilities and ensure the new technology is meeting customers’ needs, TD says.

Four branches were chosen as initial test sites based on their high volumes of over-the-

counter and traditional ATM transactions, defined peak service periods, and as having an ideal floor plan to accommodate smart ATMs, which are located at the end of traditional teller counters as well as in common spaces.

“Customers visiting the branch for routine transactions will be able to enjoy a faster level of self-service, while those who need assistance with more complex matters will be served more efficiently, as our customer service representatives will have increased capacity to attend to more specific customer needs,” said Jim Grimmer, TD’s vice president, North American ATM channel.

“Initial overall feedback has been quite positive to the Smart ATMs,” says Khalfan. “Customers repeatedly tell us that they really like the ability to choose withdrawals in multiple denominations and the easy to use touch screen. We’re still completing our analysis and evaluating customer and employee feedback, so it’s too early to comment on rolling out the Smart ATMs.”

As of January 2015, TD had over 2,800 ATMs in Canada.

The U.S.

TD entered the U.S. market in 2004 with the purchase of Portland, Maine-based Bank-North. It then acquired several other banks including Commerce Bancorp and became one of the largest regional banks on the East Coast and the fourth-largest in Massachusetts.

TD Bank had 1,302 branches in the US in April 2015 across the Northeast, Mid-Atlantic, Metro D.C., the Carolinas and Florida, compared to 1,165 branches in Canada in April 2015. TD uses Twitter to promote new branch openings in the US, says US-based marketing advisory firm Media Logic.

All of TD Bank’s ATMs in the US are image-enabled, which means that when customers deposit a cheque, the receipt includes a picture of the cheque.

“The Canadian banks that have acquired US banks have also acquired their technology infrastructure, which may be at a different starting point from their Canadian infrastructure,” says KPMG’s Zerafa. “This means they can introduce new technologies in the US which they can’t easily roll out in Canada.”

In May 2015, TD Bank extended its US footprint through a deal with retail ATM operator Cardtronics to place the TD brand on ATMs in 143 Walgreens pharmacies. The deal marks the first time that TD Bank has

“The customer was so impressed that he could choose cash denominations that he immediately opened an account with us”

deployed ATMs within a retailer’s store network, reflecting a focus on providing convenient banking options to its customers, TD said. TD also signed a deal with Cardtronics to place the TD brand on Cardtronics ATMs deployed at Corner Store locations in Atlantic Canada, Eastern Ontario and Quebec.

Branch pilot

In October 2014, TD Bank launched a pilot of a small, teller-less branch in Canton Crossing, Baltimore featuring three advanced ATMs performing some of the functions usually conducted by tellers. The ATMs are able to dispense bills in \$1, \$5, \$20, \$50 and \$100 denominations and can be programmed to handle multiple-check deposits or commercial deposits.

According to the Philadelphia Business Journal, the pilot branch is 2,275 square feet compared to an average size of 3,000 square feet for other TD Bank branches. Depending on customer response, TD Bank may roll out similar teller-less branches throughout its

CANADA MOBILE - APRIL 2015 TOTAL UNIQUE VISITORS		
	Total mobile audience (browser and app)	17,460
	Business/finance – banking	9,529
1	TD Canada Trust	2,817
2	RBC Royal Bank of Canada	2,073
3	Scotiabank	2,004
4	CIBC	1,934
5	BMO Bank of Montreal sites	1,445
6	Desjardins	861
7	Capital One	599
8	American Express	562
9	President’s Choice Financial	480
10	National Bank of Canada	302

Source: comScore

network.

Instead of tellers, the pilot branch has staff members known as financial service associates, trained to take customers through a variety of banking services, from obtaining new debit cards to learning mobile banking features to enquiring about mortgages. In addition, the associates can handle typical teller transactional functions.

“The Canton Crossing store has been very well received by customers,” says Khalfan. “In fact, a non-customer came in on the first day and was the first person to use the new ATMs. The customer was so impressed that

he could choose cash denominations that he immediately opened an account with us. The store’s ATMs are generating significantly more over-the-counter transactions involving tellers, and deposits represent the highest percentage of total ATM transactions compared to any other store.”

generating significantly more over-the-counter transactions involving tellers, and deposits represent the highest percentage of total ATM transactions compared to any other store.”

Mobile account-opening

TD Bank launched a mobile account-opening functionality in August 2014 enabling US customers to open personal banking accounts using their smart phone at TDbank.com.

Designed and customised for mobile devices, the functionality can be used to open chequeing, savings, money market, or CD accounts by simply accessing TDbank.com using an Android-based smartphone or iPhone. “TD Bank’s mobile account-opening application has been well received by customers,” says Khalfan. “In general, we’re seeing an increase in overall smartphone usage both in new account applications as well as for overall US banking activities, as more customers conduct their finances on the go.” ■

NBC to expand nationwide via digital

National Bank of Canada, the sixth largest Canadian bank, plans to use digital channels and sales technology to expand its customer footprint across the country from its Quebec base. It expects to generate incremental revenues of C\$500m (\$393 million) by 2018 as a result. **Robin Arnfield** writes

The theme of National Bank's personal and commercial banking investor day on 1 May 2015 was that the Montreal-based bank is focusing on expanding its retail presence not just in its home province of Quebec but in key regions across Canada. "We expect total revenues coming from outside of Quebec to represent over 40% of our revenues this year in 2015," Louis Vachon, National Bank's president and CEO, told investors. "This is a new historic high for revenues generated from outside Quebec."

"We can meet the diverse needs of all our clients across Canada through multiple channels, branches, business centres, our mobile sales force, call centre and digital channels," said Diane Giard, National Bank's executive vice president, Personal and Commercial Banking.

Growth in digital channels

Karen Leggett, National Bank's executive vice president, Marketing and Corporate Strategy, said that, as a result of deploying a new mobile platform, National Bank has seen a 57% year-on-year increase in mobile banking transactions and a 32% increase in mobile active users in the last 12 months.

"Our new mobile infrastructure enables (software) reuse across all platforms, which will reduce our time to market," said David Furlong, National Bank's senior vice president, Marketing, Experience Delivery and Transformation.

Using its new mobile infrastructure, National Bank launched two iPad apps in January 2015: NBC mobile banking and MyIdea, which is intended to help customer plan short-, mid- and long-term projects such as home renovations, travel or retirement. Once a customer has used MyIdea to create a plan, they can request help from a National Bank expert.

"Our iPad (mobile banking) app is ranked the number one financial services app in Canada by Apple users, with 4.5 out of 5 stars," Furlong said.

On National Bank's English-language site nbc.ca, traffic was up 55% year-on-year at the end of March 2015, while online credit card and personal loan applications were

National Bank of Canada key data

2.3 million retail customers

135,000 business customers

8,500+ (including 1,300 outside Quebec) employees

450+ branches

2,515 ATMs (including 931 owned by National Bank of Canada)

Source: National Bank of Canada

respectively up by 40% and 30%. "This implies that we not only continue to increase our reach, but are doing so geographically," Leggett said.

Technology investments

National Bank has made substantial investments in technology to enable its expansion plans. Its technology spending rose by a compound annual growth rate (CAGR) of 10.6% from C\$145m (\$114m) in 2005 to C\$269m (\$211m) in 2014, with a large share being devoted to personal and commercial banking.

In September 2008, National Bank announced its One Client, One Bank strategic vision, which focused on transforming the bank's technology, processes and human resources to ensure a more customer-centric approach. According to Giard, One Client One Bank resulted in efficiency gains of 2-4% and a 7-8% CAGR in net income before tax between 2008 and 2014.

National Bank is building on the foundation of One Client, One Bank to take the bank further, Leggett said.

Integration

"Bank-wide, we grouped together all of our client experience, brands, marketing activities, campaigns and offers, all of our direct channels, including mobile, ATMs, online and the full suite of capabilities within digital and data," said Leggett. "This is a major next step in the evolution of our One Client, One Bank strategy to bring customers more directly into the boardroom, so to speak."

According to Leggett, other Canadian banks have a siloed approach to their deliv-

ery channels and marketing, whereas National Bank has a holistic, integrated approach. "When we designed our marketing and operating model, we spent quite some time analysing the friction points in our competitors' models," she said. "(Other banks' model is that) each product line independently decides on its own individual client strategy as well as on marketing strategy.

This creates an excessively siloed approach to the client and results in a tendency toward singular product push, rather than a holistic client-centric needs-based approach. In designing our new model, we eliminated those friction points through deliberate structuring of the marketing team.

The innovation in our client-centric model is in the actual structure itself at two levels. First, it's an end-to-end integrated model that leads with a client strategy team at the forefront that is secondly underpinned by powerful data-driven analytical tools as well as talent to anticipate, intercept and respond to client needs."

"We're on our way to put in place an integrated omnichannel model for marketing and channel delivery," Jean-François Cadieux, National Bank's chief advisor, public affairs, told RBI.

National Bank is making substantial investments in its data capabilities and analytics so it can become more proactive in meeting its clients' needs. "We are one of only two Canadian banks that have recently deployed a (big) data discovery platform," Leggett said. "This platform will allow us to find new patterns in our client information and rapidly create models based on the combination of

structured and unstructured data such as client demographic data, transactional data, their entire digital footprint data through all our platforms, all the call center data such as why clients call and when they call, all our fraud (data), all our collections data, all our behavioral data, client complaints data and purchased third-party data.”

According to Furlong, the bank’s big data platform, which was implemented during its second quarter ending 30 April 2015, is able to model 50 million transactions against 2.2 million customers in two minutes to determine the next best offer for an individual customer.

Digital sales

National Bank has recently implemented intercept functionality to increase digital sales. This means that, when a client logs on to National Bank’s apps or its website, or carries out product research online, the bank presents them with relevant offers. Leggett said an example of how National Bank uses intercepts is enrolling customers for e-statements.

“We rolled out new e-statement functionality in January 2015,” Leggett said. “With our traditional marketing activities, we were initially averaging about 1,000 new (e-statement) enrollments per day.

“Twice per week, we ran our intercept functionality and went from 1,000 new (e-statement) enrollments on each of those days to between 4,500 and 5,000 on each day when we ran the intercept functionality. So our savings have improved dramatically by just deploying that functionality during a two-day period each week. We plan to apply this functionality in a multichannel effort by capitalising on National Bank’s inbound and outbound customer interactions, which are growing quickly and are projected to respectively reach 300 million and 10 million by 2018.”

In 2014, National Bank had 4 million outbound customer interactions.

Leggett said National Bank is investing heavily in its call centre capability to capitalise on its new intercept functionality. “Market-leading banks drive approximately 30% of new sale units out of their call centre,” she said. “National Bank is currently at 7%, but it’s growing rapidly month-over-month with the multiple deployments of (call centre) capability. We’ve also historically had a lower annual contact rate out to our clients than our competitors’ industry average, which is between 4 and 7% per year. We’ve been proactively growing this indicator over the last year through the rigorous application of our new marketing model.”

Leggett said early campaigns have demonstrated exceedingly high conversion rates,

with National Bank’s pre-approved line of credit campaign generating a 68% conversion rate and a credit card limit increase campaign generating 50% in retail and 40% in commercial.

Real-time optimisation

National Bank is moving to real-time optimisation in its digital campaigns. “We’re deploying a productivity-enhancing campaign automation platform that will dramatically increase our contact rate and efficiency,” said Furlong. “Through process redesign, we’ve gone from about 12 campaigns a year to about 160, and this (campaign automation) platform will bring us to 300. Also, based on detailed analytics of client behaviour on our digital properties, the platform will allow us to dynamically optimise clients’ interactions live. The result is that we can better target our offers to clients and give them the offer they want when they need it.”

In the near future, National Bank will begin integrating third-party digital data to improve its sales prospecting capabilities and to have a better knowledge of its customers. “By 2018, we will have created a single integrated data ecosystem with a complete view of our clients and potential clients,” Furlong said. “So we’re going to get real-time segmentation and personalisation, in effect one-to-one marketing.”

Furlong cited the example of one of National Bank’s customers who uses its mobile application, and who gave the bank permission to see where they are at any given time so it can improve its service levels. “We’ve just given that client a new mortgage,” he said. “We can tell by using geolocation technology that they have walked into a furniture store. We also know they are nearing their credit card limit. So we can push a credit card limit increase through the mobile app. The client clicks ‘yes’ and walks out of the furniture store with a washer and dryer that they need.”

Cross-channel

By 2017, National Bank aims to have deployed a cross-channel suspend and resume functionality. “What that will allow clients to do is start transactions in one channel and finish in another,” Furlong said. “For example, a new homebuyer has filled out a mortgage application online, but she needs to be advised on what’s the best rate for her: is it the five-year fixed or five-year variable? So, rather than lose all of the information she’s already put into the system, she saves it, calls our contact centre and get the mortgage specialist online and they simultaneously see the same application information to get the right advice for her and submit the application.”

National Bank plans to deploy a single lead

orchestration tool across all products and channels. “This means that our mobile sales force, our contact centre and our branches will have exactly the same profile information about a customer,” Furlong said. “They will see all the offers the customer has historically been given and see the next best action for that customer.”

“We’re going to integrate the leads orchestration tool’s videoconferencing and document-sharing capabilities and other collaboration tools,” said Furlong. “As an example, if National Bank has an Ontario-based agricultural lending specialist and a client in Saskatchewan with a very specific need, the Saskatchewan-based commercial account manager will start a videoconference, share all the client documentation, and integrate the client and the specialist into a single conversation.”

Furlong said National Bank plans to improve (sales) close rates by leveraging its cross-channel architecture to deliver personalised experiences in a multichannel environment. “At ATMs, we need to be able turn all our incoming transactions into a sales opportunity,” he said. “We’re going to expand our ATM network and expand our sales reach. In 2016, we will rebuild our entire ATM fleet, moving to touchscreens, imaging, and new interfaces.”

Straight-through processing

Jacques Chamberland, National Bank’s vice president, Business Strategy and Efficiency, Personal and Commercial Banking, said that, like its peers, the bank is digitising its forms and processes. “We’re also driving a superior customer experience by using straight-through processing in our top 20 processes such as account payments and retail lending services,” he said.

“Today, if you were to open a (National Bank) account, you would have to walk into a branch, fill in some forms and photocopy your driver’s licence as a proof of identity,” Chamberland said. “This package would then be sent to our processing centre, and processed manually with our IT systems.

With straight-through processing, the client using a mobile app within the comfort of his own home will be able to complete an application form online, take a picture of himself and his driver’s licence, and with simple OCR (optical character recognition) technology, our system will process the information within seconds, and the account will be open without further human interaction.”

By using straight-through processing and automating processes, National Bank will add C\$30m (\$24m) to its bottom line by 2018 and improve the “wow factor” for its customers, Chamberland said. ■

Mobile-only Mondo hoping to make its mark

You wait years for one new bank to launch and then a whole bunch tries to at once. However, Mondo Bank feels it will be the only one to stand out from the crowd. **Patrick Brusnahan** speaks to its CEO, Tom Blomfield, about the mobile-only bank, the path to launch and why exactly it's different to the rest

Atom. Fidor. Starling. These are just a few of the new challenger banks attempting to enter the British market. A common differentiator is the focus on being a 'mobile-only' bank with no branch presence. Why are so many new entrants taking this approach?

Tom Blomfield, chief executive and co-founder of Mondo, believes it to be a combination of several different factors.

Talking to RBI, he says: "The thought process behind Mondo was really a combination of three or four trends. Massive smartphone penetration has led to customer expectations of digital services transforming. This is an age where you can click a button on your phone and a black cab turns up in two minutes or you can go onto Amazon, order any product in the world and it'll arrive the next day. This real-time access to information and total control has transformed the way people think about everything. Banks have not reacted to that in any sense whatsoever and, to be frank, they suck."

As an example, Blomfield describes how his bank statement has changed over the years. He describes it as a 'static list of transactions' which was first delivered via post, then the bank's website then smartphones. He considered that to be 'not transformation', but merely the same product on another channel.

Another crucial factor has been the shifts in the regulatory practices in the United Kingdom, shifts that Blomfield sees as 'positive'. Becoming a bank is 'not a simple process, but achievable now'.

However, the key factor according to Blomfield is the 'personal frustration' that banks can cause.

He says: "The only time I heard from my bank was an e-mail a month ago saying 'Here is your pre-notification of charges. The e-mail says to go to the website to view it and it said two weeks ago, I exceeded my overdraft. It waited two weeks to tell me and now it's charged me."

"In a world where we have these smartphones where we can send information in milliseconds 24 hours a day, why are they

waiting two weeks to tell me they've charged me? Why aren't they telling me three days before? I can speculate why they do that, but I think we deliver something that really pulls banking into the 21st century."

So how is Mondo different?

Mondo is fully incorporated within a mobile app and a debit card. After any transaction, a notification comes up on the consumer's smartphone and your bank balance is updated.

Blomfield says: "There's no 'Balance' and 'Available Balance'. Imagine if Gmail made you wait overnight to see the e-mails you received that day."

Transactions are displayed on a graph within the app to show your expenditure and income over each month. Based on spending patterns, it can predict if you will overspend in the month.

Every transaction, whether it is a purchase or a payment, is tagged with various forms of information, such as where you spent the money and into categories, such as groceries or transport. Utilising this, the app can tell you how much the consumer has spent over time on certain things and in certain places with the touch of a button.

According to Blomfield, this can lead to crucial insight into your spending. He says: "Insight is using smart analysis of the data to tell you something. Say a transaction with an energy company, it can tell you that the bill is 30% higher than normal. Maybe I've been overcharged. Maybe it's a water bill that's leapt 100%, maybe there's been a leak. It's that kind of insight that can vary from that to things like you're spending more on coffee and bagels this month."

"If it's ten days before payday and you're running out of money, we can turn your account or card off for free or we can give you an extended overdraft."

Data is a key area of concern for many consumers. While it can be used to the consumer's benefit, it can also be sold off to their annoyance.

Blomfield says: "Fundamentally, it's the customer's data. A lot of people have got very sensitive about what data people are

collecting and for what purpose. We're very cognisant of that. If they don't want to have that collected, it's absolutely their choice. Secondly, once it's collected, their own data is their own property. We might do stuff on an aggregate level, but we will not sell personal data to third parties.

"The future of personal data is not flogging it. If banks become a conduit for selling adverts, we will lose customer trust."

Mondo Bank's system is built from scratch to 'be fit for purpose', something that large retail banks cannot do.

Blomfield says: "Banks cannot do this stuff. Their systems date from the 1970s. A smartphone is more powerful than the mainframes from the 1970s. It's not surprising they can't deliver this stuff. They are creaking under the burden of that legacy. Many banks spend over £1bn (\$1.57) a year to keep their legacy software alive."

Ready to launch?

There are a few hurdles left before Mondo fully enters the market. If all goes well with the regulators, the bank could be in the palm of consumers' hands within six months. This is if the funding is there, Blomfield stating that around £15-20m more is needed.

However, who will join Mondo Bank? Switching bank is easier than ever in the UK, yet the switching rate was a dismal 2.4% in 2014.

Blomfield says: "The reason I think people don't switch is twofold. There is no differentiation between banks. Even with the new challenger banks, I don't think they're truly differentiated. You're going to get screwed by NatWest or Lloyds, choose your poison."

"Also, getting a bank account is an incredibly painful process when you compare it to installing Whatsapp or signing into Facebook. If you can make a product that is truly differentiated and loveable and you can make signup 30 seconds, you'll see a very different changing rate. Our biggest focus is making something people want."

Blomfield concludes: "We're really focused on making something that a few people love rather than something mediocre that people will be ambivalent about." ■

The missing link: How technology can help banks navigate the evolving regulatory landscape

The retail banking industry is evolving at an exponential rate. From growing customer expectations and shifting demographics to increasing regulatory requirements and disruptive technology, the forces reshaping the industry are coming from all sides, argues **Donald Ross**, SAP's director of strategic accounts

Within a decade, retail banking will look very different. Banks which are able to successfully navigate the complex industry landscape will be those that are able to simplify the decision-making process, enabling better choices to be made in response to almost continuous change. That said, less than 20% of executives feel prepared for the future.

Technology has a central role to play here. A case in point can be found in the compliance and regulatory challenge the industry faces, and which has become a fundamental operational focus for banking institutions since the global financial crisis of 2008.

As concerted efforts continue to be made to restore public faith in banks and ensure greater resilience in the banking system to reduce the risk of repeat crashes in the future, technology can ensure that compliance projects both satisfy regulators and enable banks to run better.

Strengthening accountability

One important area set to have far reaching implications for the sector is the new Senior Managers and Certification Regime (SM&CR). The regulation, introduced by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), will attempt to combat breaches in the future and tackle the culture that is widely viewed to have contributed to the 2008 crisis.

Set to come into force on 7 March 2016, the new SM&CR regulation places greater accountability on senior managers by holding them responsible not only for their own actions, but also for the shortcomings of all employees involved in regulated activity or whom the regulators view as performing a "significant harm function".

Consequently, banks must take on the responsibility for regulating their own workforce and face a dramatically enlarged pool of employees to monitor and certify 'fit and proper' on an annual basis.

With strict documentation also required to record the allocation of responsibility to individual senior managers, banks will have to be much more stringent in the way they track and report to ensure that accurate data

is available on demand to satisfy the FCA.

The regulations will also reverse the 'burden of proof' – meaning individual senior managers will be presumed responsible until banks can demonstrate all reasonable steps to avoid a breach were taken.

In this way, the new SM&CR will impact the fundamental operations of banks and is an area in which technology can play a significant role in driving compliance. Crucially, with less than 12 months to put measures into place and the threat of a potential 7-year jail sentence, plus unlimited fines for banks, the stakes have never been higher.

Legacy issues

Banks cannot simply 'bolt on' new offerings to legacy processes and systems, as these are no longer reliable or agile enough to support new and constantly evolving requirements.

Simplifying existing systems and introducing new technologies is crucial to reduce the risks associated with the new SM&CR and the ever-changing regulatory landscape as a whole. One of the ways in which forward-thinking banks are starting to achieve this is through cloud computing.

Banking in the cloud

With the technology burden being carried by the service provider, enabling banks to work around the limitations of their own systems, a cloud delivery model offers simplicity, speed, and cost savings to processes that were previously on premise.

A flexible and agile banking environment can quickly respond to new business needs, enable more interactive collaboration, and provide senior managers with a holistic view of their business.

Cloud HR applications, for instance, can enable firms to take a single view of employees throughout their lifecycle with the bank, critical given they are to be vetted annually under the SM&CR, and any disciplinary action reported to the regulator.

These applications can also include performance and goal management solutions that can enable banks to record decisions and communicate goals to the employees responsible for their delivery. Learning and

assessment management tools, which allow managers to provide certification, record proof, and demonstrate the validity and reliability of high-stakes tests. Lastly, social technology platforms, enable employees to solve problems collaboratively, build consensus and improve decision making.

Cloud computing is also a key enabler of Big Data analytics, allowing information to be adequately stored in the cloud and retrieved in near real-time. Combined with a single platform across all silos, this would allow banks to base regulatory reporting and real-time business decisions on reliable information from a single source of truth.

The missing link

It's no secret that the banking industry has traditionally been slow to adopt technology. Despite broad uptake in other industries, only 16% of banks had rolled out cloud computing in 2014.

The current regulatory drive is more than just an initial storm in response to the 2008 crisis. The demands, such as shifting customer expectations, that have brought us to this point will remain, and continue to evolve.

Today's banks are awash with data, and technology is enabling them to access this information more quickly and in a way that provides real time insights. This paves the way for better decisions, based on more accurate, precise and instructive information, and can help banks remain competitive.

Banks that prove successful over the next decade are likely to look very different to those that flourished pre-2008.

From e-banking to micro-credit success stories, this is an industry in which technology is truly enabling a re-imagining of traditional practices and agile, simplified delivery. At the same time, the age-old requirement of banking organisations – trust – is once again a focus.

Banks, large and small, need to reestablish that trust and the need to do so creates an opportunity for new market entrants.

But with the right systems and analytics in place, banks, new and old, have never been in a better position to make the right decisions today and in the future. ■

Watch Yourself: the banks moving onto your wrist

First you had banking move from a branch to your computer. Then it moved from your computer to your pocket. Well, there's no need even to reach down there anymore as it has now landed on your wrist. **Patrick Brusnahan** talks to CaixaBank and Scotiabank about their respective usage of the Apple Watch

In the same manner of Apple aficionados rushing to purchase the Apple Watch, financial institutions have been rushing to launch their applications on said device.

CaixaBank is one of the banks to be at the forefront of this new digital drive. The bank has more than four million mobile service customers, 3.4 million of whom regularly use its Linea Abierta application. CaixaBank processes 120 million mobile transactions per month, 33% of which are fund transfers. Currently, the Spanish lender has 70 applications available, which have been downloaded more than 10 million times.

It also created the maiden banking application in Spain for the smart wearable device. Focused on a branch and ATM search tool, it allowed consumers to find exact locations of the nearest branches and cash machines.

This includes map display and shows information on each branch, including available services, opening hours, contact numbers and accessibility information.

Talking to RBI, a spokesperson from CaixaBank said: "Harnessing innovation that provides added value to clients is part of the CaixaBank spirit. This mindset is what has driven us to become the very first bank to create an application for the Apple smartwatch. The service will allow us to provide all information required by clients directly on their wrists, with no need to remove their smartphones from their pockets.

"Wearable devices are currently on an upward trend. As we saw with smartphones

when the first iPhone was launched, we expect Apple's first venture into the segment to spur the market enormously."

Scotiabank brought its mobile banking app to wearable technology as soon as possible. Its Quick Balance app was the first of its kind to be released on smartwatches in Canada. The app allows its consumers to check their bank balance and up to five of their most recent transactions from their preferred Scotiabank account. All of this is without needing to log in or use a password.

When speaking to RBI, Jeff Marshall, Scotiabank's Vice President of Self-Service Customer Experience, said: "We wanted to focus on the most active things that people do. The most common thing people do on our mobile app is check their balance and their recent transactions.

"We also wanted to protect the consumers from a security perspective and the type of transactions they would be willing to do in a non-authenticated environment. The watch presents their balance and their last

five transactions. It's a quick balance feature so there's no extra authentication required at all."

Tesco Bank also adapted its mobile banking app for smartwatches early on in the trend by adapting their 'Balance Peek' feature onto the wearable device. This app allows Tesco Bank customers to check their balance without having to log-in. So far, it has been a relative success with over 110,000 customers activating the app and close to three million usages.

A spokesperson for the bank told RBI: "We launched the Balance Peek feature on our mobile banking app earlier this year as we found more and more customers looking to check their account balances quickly and easily without having to go through a full login process.

"The update last month to deliver Balance Peek on Apple Watch was a logical progression to support this new wearable technology to provide customers with another way of easily keeping track of their finances wherever they are. We'll continue to look at ways we can enhance the service we provide to customers in this space."

As with every new development in technology, changes must be made. Everyone remembers the days of tedious websites unfriendly to mobile phones. Transferring apps from device to device can take a lot of work.

However, Scotiabank's experience was different. Marshall said: "It was actually quite seamless and painless for us. Our first foray into this space was last fall. We were the first bank in Canada to launch an app on the Samsung Gear 2 so we had some experience with what we wanted the customer and user experience to be so when it came to the Apple Watch, we were in a good position to mirror that and migrate our thinking onto the Apple device."

Success rates

It is still early days for the Apple Watch and nobody quite knows how successful smartphone-based apps will be for the banking industry.

Marshall said: "It's still new, but the Apple Watch sold more on the first day than what Samsung had sold in the year prior. (An estimated 957,000 American shoppers ordered the watch on launch day while the Android Wear watch sales were stuck at 720,000 by the end of 2014.) We're dealing with a small group of early adapters, which is exciting, but the numbers themselves are not yet significant. We're more enthused about where the numbers are going to go.

"I can't even project the number because it's really going to depend. The more peo-



ple give back to the ecosystem, the higher adoption will be in terms of people wanting the watch. Only time will tell how the early adopters will trickle down into more mass adoption. I would say it's too early to tell. The good thing about Apple is that they certainly put a lot of muscle behind things when they want."

CaixaBank said: "Some forecasts indicate that between 5% and 10% of iPhone users will buy a smartwatch. Extrapolating these numbers to the Spanish market, we estimate that 10% of our mobile customers will own a smartwatch by the end of 2015, whether they are Apple or Google devices, and will use our applications for wearables."

"By the end of five years, and assuming that these devices improve over successive versions to better suit user requirements, with longer battery life and greater independence from other devices, it would not be far-fetched to expect this figure to rise to 20% of our mobile users. However, it is difficult to forecast an accurate figure."

While it remains hard to tell if banking applications will succeed on smartwatches, this is not a particular concern for Scotiabank, merely another channel for its consumers.

Marshall said: "Here's the thing: we have a large number of mobile banking users. For us, a smartwatch app is not necessary, but we want people to be able to access their banking on whatever device they want. We're somewhat agnostic on whether they use the wearable or not because it's just an enhancement to this existing [mobile] app. It's for the customer's convenience. It's not a metric we're going to actively drive."

"We wanted to make sure that if people have the watch, we have a strong functioning app for it. We're not saying we'll only be successful if we hit a number; it's not something that we've lost a lot of time thinking. We want our customers to know we have it. The reality is if somebody has the Apple Watch, they'll be checking if their bank has an app and we can say, 'Yes, we do'."

Limitations and struggles

With financial applications on phones, tablets, or even smartwatches, are becoming easier and more frictionless, the risk increases. With some apps not even needing to be logged into anymore, for the sake of the user experience, how can a bank make sure that this ease of use is not taken advantage of?

Marshall is well aware of this puzzle. He said: "We wanted to be cautious about the transactions we were willing to do outside of the authenticated environment. We were comfortable with showing balances and recent transactions. In time, our customers



will tell us what they are comfortable with. They have a choice. They do not have to have the data in their watch. I would say that we err on the side of privacy when we make these decisions. We're very careful."

CaixaBank said: "One limitation for any financial app on mobile devices is the need to ensure airtight security. It is vital that the same security levels are upheld regardless of whether the app is used via a smartwatch, mobile device or computer. This extends beyond providing the actual technical security; we must also ensure that clients perceive transactions via smartwatches to be fully secure."

"Meanwhile, the services offered by such devices must adhere to prevailing legislation, which is true of all channels, and will have to evolve in step with technology to offer new and improved services."

CaixaBank believes that the smartwatch itself might even be too limited to have an effect on the financial sector. The spokesperson continued: "Nonetheless, wearable devices have two obstacles to overcome before they can become firmly established on the market: longer battery lives and independence from other devices in order to work on a standalone basis."

The Apple Watch and its banking apps are, according to Marshall, unlikely to be a differentiator. He said: "I would not say it's one of those things that people are going to change banks for. I think that would be overly optimistic. Most of our efforts have been taking some credit for demonstrating our innovation in the marketplace. It's been communicating to our existing customers. We haven't made any significant efforts in pushing it as a mass marketing message. We haven't gone down that road because we don't [see it] driving

new customer adoption."

Watching for the future

While the services on smartwatches are limited at the moment, Scotiabank sees much more potential for the future.

Marshall said: "We're looking at the other transactions that customers would be willing to do outside of keying in a PIN number. We're looking at things like an ATM locator and maybe being able to move funds between accounts."

"The other exciting part that I'm really enthused with is that back in first launching ATMs or online banking, we were giving customers a service they didn't know they needed. Now, early adopters are telling us what they want and they're feeding us the ideas, which is an exciting time to be in. We'll listen to our customers in that regard."

As technology companies grow and gain more attention, from the massive conglomerates such as Apple to the small fintech start-ups, banks may be pushed towards sidelines. It is not inconceivable that banks could end up as mere pipelines in the financial industry, rather than the face of it.

On that point, Marshall concludes: "Yeah, but I think that's okay. For me, it's really about the customer and the user experience. Too often, banks were guilty of it being about the bank. We tried to make our customers better bankers and those days are gone."

"Now, we want to drive the best customer experience and give them choice; they demand it. It's definitely a win for the consumers and it's good for us, because if customers are happy and have more choice, they are more loyal and, ultimately, more profitable for us." ■

How much does it cost to Xend money abroad? Why, however much you want it to

Remittances prop up the world's most fragile economies and the high fees associated with these payments have created an opportunity within the FX market, which digital disruptors are seizing. **Franchesca Hashemi** quizzes Xendpay's CEO, Rajesh Agrawal, about his new 'pay what you want' money transfer model

The emergence of digital-first companies is reshaping the FX model. Nowadays remittances represent twice the global aid budget, according to the World Bank, which recorded that \$583bn was transferred in 2014. Of this figure, 75% (\$436bn) flowed to developing countries, proving the magnitude of the remittance industry.

Rajesh Agrawal, founder and CEO of Xendpay, a challenger money transfer service launched in 2011 that allows customers to pay what they want – if anything – in fees, believes offering interbank exchange rates, which are effectively a zero spread on the FX, will force the industry's main players to change tactics.

Talking to RBI, he says: "We set up Xendpay with a single objective: to lower the cost of remittances around the world.

"I remember the day we launched and everybody thought I had gone mad. I was interviewed on CNBC and I was told that no-one would pay because technically they don't have to. But I disagreed. I have huge faith in mankind, and it has proven me right."

Competition and Controversy

According to Agrawal, 90% of Xendpay users pay something while 70% choose the "recommended" remittance charge. This is usually between 0.3% - 0.4% and can be amended so that a customer pays less or more.

Transfer incentives are cementing microfinanciers' place in the market, creating more competition and providing consumers with greater choice. This is vital for the FX, which has typically been dominated by banks and money transfer operators (MTOs) like Western Union and MoneyGram. Yet both company's revenues, according to the Wall Street Journal, for Q2 2015 (up 1% to \$1.41bn for Western Union while MoneyGram fell 3.7% to \$358.8m) reflect the remittance market's stunted growth, thought to pick up in 2016, due to weak European and Russian economies.

Bricks and mortar networks have been known to operate complex and costly infrastructures. This, according to Agrawal, restricts financial inclusion: "The majority of remittances are sent to countries with a lack of social and economic infrastructure.

"This creates a huge cause to lower high fees, because the market helps with the maintenance of families, setting up enterprise, generating profits and improving social mobility."

The World Bank is one of few financial institutions that regularly collate up-to-date remittance statistics. Its second quarterly report for 2015 found the average global remittance cost was 7.68%. This is a stable result in comparison to the first quarter of the year (7.72%) but still a long way off from the 5% global average goal championed by leaders of the G8 and G20, commonly referred to as '5x5 Objective'.

It has been widely reported that migrants spent \$1.8bn in remittance fees in 2014. This is enough to pay for the education of 14 million primary pupils in the region, according to the Overseas Development Institute (ODI), an independent think-tank based in London. In 2014, the same body accused Western Union of imposing a 12% per \$200 'super tax' on African remittances.

Western Union strongly denied the claim, and argued that its fees averaged 5%-6% over the last four years while specific transfer corridors are not targeted.

Speaking to RBI, a Western Union spokesperson stressed that a comparison between itself and challengers should be considered on a product-for-product basis: "Western Union's pricing varies among the 16,000 corridors in which we operate and the cost factors the complexity of the marketplace."

Key determiners of Western Union's pricing include market dynamics, customer product value and customer distribution value. The spokesperson continued: "It is well-documented by development institutions and researchers that remittance costs generally have been decreasing for more than a decade as part of the natural evolution of a developing market."

Costly Corridors and Cheaper Alternatives

Today, three quarters of the World Bank's 227 recognised country corridors have an average remittance cost of less than 10%. It is a marked difference compared to six years ago, when only half the corridors operated below the 10% rate.

Yet Sub-Saharan Africa remains the world's most costly area to send money to, with an average fee of 9.74%, according to the World Bank. This particular region epitomises the high degree of market concentration, amplified by exclusivity agreements that allow MTOs and local agents a significant foothold. Yet parts of the continent are showing political resistance, with governments in Ghana, Nigeria, and Senegal leading the way.

Contrastingly, South Asia is the least costly region (5.74%), according to the World Bank's figures for Q2 2015.

Agrawal says: "The market is developing and there are two key points to remember: one is the reach has got wider, so people who never had banking facilities before now have access. The second point is technology lowers costs."

Unbanked Nations

The potential for mobile-centred companies to rejig FX services is palpable.

Agrawal reasons that in African and Asian countries, where mobile phone penetration is very high but banking penetration is low, digital-first removes the need for banks.

He said: "It is a smaller part of our business but a growing one. Countries like India and Kenya are really embracing the technology.

"The day we launched Xendpay's website it was available in seven languages. Now there are vast amounts of transfers taking place from France to other "Francofiled" countries in Africa. It is a huge market.

Yet Xendpay's CEO warns that regulations are getting tighter, and while social media and technology enable a level of compliance, these modern tools are also part of the problem:

"Unfortunately, due to terrorism, there are strict controls around sending money to particular countries. As a result, many people are suffering. For example, there are restrictions for people sending money to Somalia, yet 50% of the country's GDP is through inbound remittances.

"This isn't a new corridor, it is an obvious one. Whenever there is a time of crisis, remittances see a surge.

"It creates a challenge, but for me this isn't just about my business. It is a mission." ■

Q & A

Franchesca Hashemi speaks to **Maria Quattri**, economist and co-author of *Remittances: the huge cost to Africa in money transfer fees*

The money transfer industry is worth \$538bn. Yet 'unethically expensive' fees, as UN diplomat Kofi Annan put it, charged by traditional MTOs are causing a socio-economic uproar.

In 2009, leaders of the G8 summit in L'Aquila made a pledge to lower the global average cost of remittance from 10% to 5% in 5 years. The goal has not been achieved – current figures show a global average remittance fee of 7.68%.

However, as a result of political intervention, the World Bank monitors the cost of remittances, publishing quarterly reports while providing a comprehensive analysis of the money transfer market. One of many solutions, championed by NGOs and touched on by the main MTO players, is increased competition.

FH: The global community pledged to cut remittance fees to 5% by 2014. This didn't happen, why not?

MQ: The Overseas Development Institute's (ODI) research on remittance charges by Kevin Watkins and myself looked at a range of restrictive business practices on the part of Western Union and MoneyGram. It really strikes us that this is an area in which regulatory reform in the EU and the US, coupled with parallel reforms in Africa, could make a huge difference. Several central banks and competition authorities in Africa have taken up the issue and the L'Aquila targets showed political commitment, but the 5X5 target has yet to be met. Our sense is that far more could be done.

The policy recommendations that

we propose in the report flow from our assessment of the underlying problem. Fundamentally, the problem comes down to three related issues: lack of competition, insufficient transparency and restrictive business practices.

FH: What are your key FX recommendations?

- Legislation requiring money transfer operators to declare in a transparent fashion the charges imposed through foreign currency conversion rates. This is an issue addressed in the Dodd-Frank legislation in the US. In this regard, we wonder whether the Commission could introduce an amendment to its proposals on Interchange Fees and Card Payments (MIF) to cap these excessive fees, including those associated with exchange rate spreads.
- Reviews by financial regulators to investigate whether or not money transfer operators (like WU and MG) are securing unreasonable margins on transfers to Africa by exploiting their market power.
- A call for African Governments to revoke exclusivity agreements that bind banks and agents to certain money transfer operators. These are sole-use agreements which stipulate that once a bank or agent works with, say, Western Union or MoneyGram, they cannot work for other providers. This in turn restricts entry into the market place. We support the initiatives of some African Governments

(Ghana, Nigeria, Tunisia and Senegal) to revoke these restrictive business arrangements.

We also propose that African governments should allow micro-finance institutions to enter the remittance market, not least because only 11% of the Sub-Saharan African population (aged 15+ and excluding South Africa) has an account at a formal financial institution.

We are still waiting for clear progress on the three points above. This helps explain why the 5% target by 2014 has yet to be met.

FH: Could Britain spend less on overseas aid if remittance fees were cut? In effect, allowing migrant workers to send more of their money back home?

MQ: Overseas Development Assistance and remittances are not mutually exclusive, they are reinforcing each other. ODA plays a vital role for development, even more so within the Sustainable Development Goals framework. Aid could guarantee that opportunities (to health and education for instance) are provided to every member of a community in a developing country, and not only those that are remittance-recipients.

FH: What do you think of challenger transfers services, such as Xendpay that offers a 'pay what you want model', in comparison to traditional MTOs?

MQ: WU and MG cover two thirds of all pay-out locations. This indicates a high degree of market concentration. The lack of market competition limits the ability of customers to influence and reduce remittance costs.

Xendpay, as well as M-Pesa, WorldRemit etc. are all attempts to provide customers with more choices, and open the remittance market to competition. They are all welcome if the information provided to customers is clear and transparent, if customers do not incur hidden costs and if customers can access the same service (eg. mobile money transfers) from a variety of providers offering that service.

The Cost of Sending Money Abroad as of 3 July 2015 (see tables, left)

The data shows the world's most expensive and inexpensive regions to send money to. It covers 227 corridors from 32 remittance-sending countries to 89 receiving countries. The average is based on a transfer of \$200, transaction fee and exchange rate margin.

5 Most Costly Country Corridors (\$)

South Africa to Zambia	19.35
South Africa to Malawi	17.95
Singapore to Pakistan	17.45
Switzerland to Serbia	17.16
South Africa to Botswana	17.12

5 Least Costly Country Corridors (\$)

Saudi Arabia to Pakistan	1.82
Singapore to Bangladesh	2.16
UAE to Pakistan	2.55
Saudi Arabia to Nepal	2.66
UAE to Nepal	2.73

Source: World Bank

Are banks delivering the full package?

A report from Assurant Solutions and YouGov, 'Packaged bank accounts and Young Adults 2015', asked over 500 UK consumers on PBAs about their relevance and usefulness in the market today. Despite more options than ever, 69% of respondents are not considering switching accounts. **Patrick Brusnahan** reports

The fourth such report conducted by YouGov represented 500 UK adults aged over 18. It included two boost surveys, one of 18-24-year-olds holding a packaged bank account, and one of 25-34 year-olds holding a packaged bank account. There were 263 packaged bank account owners aged 18-34 and 366 current account holders aged 18-34 who did not have a packaged bank account.

Packaged vs. Current

As to be expected, the majority of bank accounts were held by the bigger banks in the UK, with NatWest taking the largest share of current accounts at 19% and Santander holding the largest share of packaged accounts at 16%; not a surprise considering the success of its 123 Account.

There was a large level of satisfaction with bank accounts recorded.

- 84% of packaged account holders were satisfied
- 82% of current account holders were also satisfied.
- While these are very close levels, it changes when looking at the top two levels of satisfaction (Levels 6 and 7, out of 7) in the survey.
- In these tiers, 64% of packaged account holders were satisfied compared to 55% of current account holders.

This level of satisfaction might have led to 69% of respondents declaring that they had not considered switching accounts.

The report stated: "While ownership of a PBA does not appear to make a customer any more or less likely to switch, those who do own such an account are more likely to be highly satisfied with their provider."

Giving the young what they need

When it came to which products 18-34-year-olds had as part of their packaged accounts, there were three products which outweighed all others; travel insurance, mobile phone insurance and car breakdown cover. The same three products came top when current account holders were asked which products they have owned, but at a lesser scale. This

does suggest that there are selling opportunities if a packaged can offer these products at a lower price than purchasing them separately.

Overall, mobile phone insurance was con-

sidered most likely to be relevant, but packaged bank account holders are significantly more likely to say that a product is relevant than current account holders without packaged bank accounts.

"There were three products which outweighed all others; travel insurance, mobile phone insurance and car breakdown cover"

sidered most likely to be relevant, but packaged bank account holders are significantly more likely to say that a product is relevant than current account holders without packaged bank accounts.

Mobile phone insurance was also considered most valuable:

- 43% of all packaged bank account holders called it very valuable
- 65% of respondents believed it to be valuable to some degree.

The reaction was not as high for travel insurance or car breakdown cover:

- 64% and 60% of packaged account holders regarded them as valuable, respectively

In terms of engaging with banks, for all reasons for contact, online was the preferred option. This included opening an account, upgrading an account, making a query about account benefits, managing account benefits and utilising account benefits. The only channel where there was some competition was in account opening, where online was preferred by 46% of respondents, but face-to-face received 42% preference.

A fairly surprising result was the lack of preference for mobile apps as every reason received a less than 5% approval rating. Few consumers actually preferred to utilise apps for banking engagement, despite their surge in popularity everywhere else.

Potential threats

While banks received the most support for providing packaged bank accounts, there is a lot of uncertainty. 41% of packaged bank account holders and 48% of current account holders didn't know.

With regards to current account holders, this was nearly double the amount of respondents that felt a bank would be best

placed to offer those accounts. However, over four in ten packaged bank account owners don't feel they could get better value elsewhere.

On the other hand, there was more certainty regarding customer service and bank accounts.

The report stated:

"Over half of PBA owners select banks for best customer service, falling to 35% of current account owners. These percentages are reversed for those stating they don't know. The good news for banks here is that potential competitors are not ranked highly; the bad news is only one-third of current account customers (who, after all, also have a relationship with banks) choose them."

Banks are definitely considered more trustworthy than their competitors, despite the constant stream of negative publicity towards them since the global financial crisis. However, once again, a large chunk of respondents didn't know who was the more trustworthy between banks, mobile phone providers and insurance companies.

Claims handling

On who is best at dealing with claims regarding a packaged bank account, insurance companies actually tied with banks. The runaway winner though was 'Don't Know' with 39% and 49% of packaged bank account owners and current account owners respectively.

The report concluded:

"Banks appear to be in a strong position, with existing PBA owners in particular supportive of their providers. Perhaps most important are the results regarding claims – if claims handling ability is equally likely to be seen as good when comparing insurance companies and banks, but payouts are more likely to be thought of as coming from banks, then the latter are likely to be seen as having a more attractive PBA (or equivalent) proposition." ■

IT systems costing banks their business

Believe it or not it is still not too late for banks to take up the challenge of the legacy system overhaul. However, writes **David Arnott**, CEO of Temenos, if banks don't replace their old inefficient and expensive IT systems soon they will find themselves out competed, out performed and what's more, out of business

Banks are in the last sector to be still writing its own software and it's killing them.

On average banks spend 15% of their total costs on IT; other sectors spend an average of 7%. This is crazy and it's leaving them vulnerable to the more nimble, more modern, more profitable new entrants.

Companies like Lending Club, TransferWise and Apple are already successfully picking off high-margin business and leaving the dull, boring low margin stuff to the slow moving banks.

Unfit for purpose

But that's not all. The IT on which they are spending all this money is old, decrepit, and not fit for purpose. They are spending a fortune just to keep it together, ticking over – and sometimes not even managing that.

These systems certainly aren't able to help the banks grow. They fall over, don't talk to each other, keep data in silos, offer no real time visibility and just can't compete in the modern, fast banking market.

Banks are sitting on significant systemic risk. For years they have been held together with sticking tape and today the risk of failure is significant – just remember how one bank's customers couldn't take cash out at ATMs last Christmas, and similar outages are happening regularly across the sector. When this happens, the damage to the brand can be huge and given the changing nature of customers' relationships with their banks, it can also be very costly.

While today more people use banks than ever before, they increasingly have multiple relationships, picking those that offer them the best deal, the best service, or simply do what they want when they want.

The choice means customers are becoming more and more fickle – the Capgemini 2015 World Retail Banking report indicates less than 50% of Gen Y customers are likely to continue with their primary bank in the next six months.

To give an idea of how much this is costing banks you just need to look at private bank-



ing. Traditionally, the next generation would take on the family bank with their inheritance; today they do not.

Instead they look for alternatives that offer phone, internet and real-time banking so that they can actively manage their own portfolios. If just 10% of the billions inherited each year leaks away, you're in real trouble.

Banks can no longer assume they will keep this money. Instead they must compete with the new players, deliver new services from robust platforms that don't fall over, improve efficiency, leverage their customer data to develop cross-selling campaigns to capture more of the business, and deliver real time account management.

Cost vs. savings

This means new IT. But who can afford the bespoke systems they have always commissioned? Today, the solutions have got to be generic, off the shelf and customisable – which means much lower cost.

Banks that have installed new generic software can cut IT expenditure from 15% of their total costs to around 5%: one Asian bank recently cut its IT headcount from 87 people to just seven.

For Tier One banks this represents a huge

potential saving, where IT departments typically run between 3,500 and 4,000 staff to patch and maintain their systems.

New IT packages can be customised for regional and local markets, taking into account different regulations and the sophistication of the customers. They will allow the banks to launch new services, effectively cross-sell using customer data, and offer robust 24/7 services, enhancing their reputations.

Many of our clients come to us because their systems just can't cope anymore and are deeply concerned about outages and compliance.

Regulation is piling on the requirements and the systems have to produce more and more reports, sliced and diced in a myriad of ways.

But they are also aware that new systems will allow them to compete with the newer, fresher, players and develop new brands. Bank Leumi in Israel, for example, recently launched an internet bank to which it is moving existing customers.

Modular systems

Today's modular systems mean that banks don't have to rip it all out and start again. They can upgrade piecemeal, doing mortgages, then payments, then deposits. It's less risky and provides quick wins.

Now is the right time to change. Today's banks have gone through six years of restructuring and that process is largely complete. Investors are starting to look for growth and new management teams are working out how to deliver it.

We're about to reach tipping point where those that are left behind will struggle to survive. They just won't be able to compete.

It's a no brainer. These new systems are cutting costs, increasing revenues, building new brands and creating value.

With the sector priced for growth, banks that don't install them soon will not only see profits slump, but share prices too. ■

David Arnott, Temenos CEO

REGULATION

Banco Sabadell receives banking licence in Mexico

Spain's Banco Sabadell has secured a banking licence in Mexico, one year after starting to offer funding in Mexico through subsidiary Sabadell Capital.

The move forms part of the lender's broader expansion strategy, which is one of the pillars of its Triple strategic plan (Transformation, Profitability and Internationalisation) for 2014-2016.

Banco Sabadell managing director Jaime Guardiola commented: "We have been operating in Mexico for 24 years now and this represents further progress in our internationalisation process."

The commercial bank will initially concentrate on companies, and later on seek business with private individuals.

The bank is scheduled to start commercial banking operations by the fourth quarter of 2015 through three branches, which include Mexico City North, Mexico City South and Monterrey.

REGULATION

RBI grants greater operational freedom to Indian banks

The Reserve Bank of India (RBI) has allowed the banks to shift, merge or close branches in urban areas without seeking its prior permission.

The central bank in a notification on its website said that the banks can now 'shift, merge or close all branches except rural branches and sole semi-urban branches at their discretion', without seeking its prior permission.

However, the shifting, merger or closure of the office needs to be reported at Department of Banking Statistics of RBI.

Further, RBI has allowed the banks to shift some activities from a branch, due to space or rental restraint without seeking

RBI's consent.

Also, banks are now not required to report details of launching new mobile branches, automated teller machines (ATMs) or call centres.

Under the new rules, banks need to ensure that customers are informed well in advance of the shift, merge, closure or conversion to avoid any inconvenience.

Banks also need to continue to fulfil the role entrusted to the merged, shifted or closed branches under government-sponsored programmes and direct benefit transfer schemes.

"However, it may be noted that banking activity- that is, deposit or loan business, cannot be maintained at both places, and the new location for part-shifting would have to be within 1km of the existing location. They (banks) may also spin off certain activities such as government business into separate branches at their discretion," RBI added.

M&A

HSBC to offload Brazilian arm to Banco Bradesco for \$5.2bn

HSBC has agreed to sell its entire Brazilian business to Brazil's private sector lender Banco Bradesco in an all-cash deal worth \$5.2bn.

The sale of the Brazilian operations forms part of HSBC's strategy to optimise its global network and reduce complexity.

HSBC group chief executive Stuart Gulliver said: "We announced at our Investor Update on 9 June that we were targeting a series of actions to generate increased value for shareholders.

"I am pleased to be able to announce today a transaction which achieves both a solid financial outcome and swift delivery of one of our stated actions."

The deal is projected to contribute to the Investor Update action to reduce the company's risk-weighted assets (RWAs), amounting to \$37bn of the

overall \$290bn planned reduction.

The transaction, subject to regulatory approval, is expected to close by June 2016.

SECURITY

BMO Harris Bank adds fingerprint recognition option to mobile app

BMO Harris Bank, Chicago area's second-biggest bank by deposits, has added Touch ID and Passcode options to its mobile banking app.

Touch ID will allow iPhone users to sign onto the bank's mobile banking app using their fingerprint as a password.

Passcode is a numerical password which can be used by Android users to access the app quickly.

After signing in, customers will be allowed to view their balance and recent transactions, as well as use the bank's mobile cash technology.

BMO Financial Group North American channel strategy & solutions for digital channels vice president Cesar Rainusso said: "BMO Harris Bank is dedicated to investing in technology that makes the digital banking experience quicker, easier and more secure for our customers.

"Recognising that our customers already have many passwords to remember, the integration of Touch ID and Passcode simplifies the user experience and securely enhances our mobile banking app."

SECURITY

ING rolls out voice-activated payments feature on its mobile banking app

ING Netherlands has rolled out a new feature on its mobile banking app that allows customers to use their voice to access bank accounts and make payments.

With this app, customers can now log into their bank account, check balances and make transfers using their voice. It compares users' voices with

samples already stored within a database.

Available on iOS and Android phones, the app called Inge is already in use by over 100,000 ING Netherlands customers. The app measures unique features like shape of vocal cavities and mode of delivering speech.

Biometrics company Nuance will provide the speech-recognition technology for ING Netherlands.

The app also records and stores fraudulent voice activations to improve security and help reduce fraud. It serves as a simple alternative to entering a pin or password.

ING internet and mobile marketing manager Jeroen Losekoot said: "Thanks in part to the inclusion of biometric applications, we are able to make banking faster, smoother and easier for our customers and improve access."

PRODUCTS

Saudi Hollandi Bank rolls out new Shariah-compliant product

Saudi Hollandi Bank has launched a new Shariah-compliant product, known as Ready Cash, to offer its customers flexible repayment options and usage.

Touted as the first-of-its-kind product in Saudi Arabia, the new product has been designed to enable funding based on each customer's needs as well as empower customers to manage their finances with flexibility.

Saudi Hollandi Bank head of retail assets Bander Al-Samman said: "Ready Cash will appeal to a wide range of customers, including employees from both the government and semi-government sectors who need fast and flexible access to financing solutions.

"Ready Cash enables customers not only to obtain fast access to financing but also provides a full flexibility to select a repayment option that suits their financial circumstances and all with no early repayment charges.

"Applications can be made online through the SHB website, call centre or by visiting one of SHB nearby branches."

DIGITAL

Orange plans to provide mobile banking service in France

French telecoms group Orange is planning to offer mobile banking in France by early next year, in partnership with a French bank, said the group's CEO Stephane Richard.

Richard, in an interview to French daily Le Figaro, said: "Orange has the legitimacy to become a bank: it's got a strong brand, 1,000 selling points and 27 million clients."

Richard said that the project would be managed by Laurent Paillassot, former general manager of LCL bank, who joined Orange in September 2014. He however, did not disclose the name of the banking partner.

The French telecoms giant already operates a bank in Poland, which caters to 100,000 customers.

The Poland banking unit, trading as Orange Finance, was launched in October 2014 through a partnership between between Orange and Poland's mBank.

M&A

FNB agrees to buy Metro Bancorp for \$474m

FNB Corporation, a diversified financial services company in Pittsburgh, Pennsylvania, has agreed to acquire Harrisburg-based Metro Bancorp, the parent company of Metro Bank, in an all stock deal worth \$474m.

Under the terms of the deal, shareholders of Metro will receive 2.373 shares of FNB common stock for each common share of Metro.

Following the completion of the deal, FNB will have \$19.6bn in assets, including \$14.7bn in total deposits, \$13.7bn in total loans and over 300 banking

offices.

Post-merger, one current Metro director will join the board of directors at FNB.

The transaction, approved by the board of directors of both companies, is expected to wrap up in the first quarter of 2016 following the receipt of regulatory and shareholder approvals.

Commenting on the deal, FNB CEO and president Vincent Delie, Jr. said: "We are very excited about this transaction and the significant scale it adds to our franchise in Central Pennsylvania.

"The meaningful size of this transaction will allow FNB to leverage the significant infrastructure investments we have made in the expansion of our product offerings and risk management systems. Additionally, Metro is a well-established institution with an excellent customer service culture and an attractive deposit base with modern branches in prime locations."

REGULATION

UK offloads 5.4% stake in RBS for £2.08bn

The Britain government has kicked off a long-awaited privatisation of the Royal Bank of Scotland Group (RBS) by selling a 5.4% stake in the bank for £2.08bn (\$3.24bn).

UK Financial Investments (UKFI), which handles the government's stakes in banks, sold the stake at 330 pence per share, far below the 502 pence at which the government bailed it out.

RBS was bailed out by the UK government with £45.5bn of taxpayers' money in 2008.

The move will reduce the government's holding in the bank to 72.9% from the current 78.3%.

RBS CEO Ross McEwan said: "I'm pleased the government has started to sell down its stake. It's an important moment and reflects the progress we are making to become a stronger, simpler and fairer bank. There is more work to be done but

we're determined to build a bank the country can be proud of."

DISTRIBUTION

Nedbank Group deploys NCR's teller cash recycler

South African lender Nedbank Group has chosen 250 units of NCR's teller cash recycler to speed up transaction and enhance branch banking experience.

NCR Cash Recycler 11 has been designed to automate the acceptance, authentication and validation of bank notes as well as make the notes instantly available for dispensing to customers.

This gives tellers more time to interact with customers and also allow them to cross-sell additional products and services.

Besides, NCR's cash recyclers also bring down cash deposit transaction times by up to 50% and cash dispensing transaction times by up to 40%, claims the company.

NCR country manager for South Africa Dimitri Kanellopoulos said: "There is a growing trend for financial institutions to transform their branch banking experiences with new technologies. NCR is playing a critical role to assist banks during this transformational journey with our next-generation solutions to unlock amazing customer experiences.

"The NCR teller cash recycler's transforms branch experience by enabling tellers to interact with customers face-to-face without any boundaries."

REGULATION

Russian central bank revokes Probusinessbank's licence

The central bank of Russia has decided to withdraw the licence of Russian mid-sized lender Probusinessbank for failing to comply with minimum capital requirements, according to

Reuters.

According to the central bank, the capital gap was created as Probusinessbank "carried out a high-risk policy connected with placing its monetary means in low-quality assets."

The central bank deputy chairman Mikhail Surkov said that the Russian lender's liabilities exceeded its assets by at least RUB67bn (\$1.04bn).

"The hole was caused by the presence at the bank of various financial assets that had signs of being fictitious," Surkov was quoted as saying by the news agency.

As per the second-quarter accounts, Probusinessbank managed about RUB27bn (\$420m) in retail accounts and deposits.

The cancellation of Probusinessbank's license comes in the face of an economic contraction in Russia created due to low oil prices and Western sanctions over the Ukraine crisis, in turn resulting in deterioration in banks' assets.

DISTRIBUTION

CIMB Group receives licence to offer banking service in Vietnam

Malaysian lender CIMB Group has received in-principle approval from Vietnam's central bank to establish and operate a 100%-owned subsidiary in the country.

The bank intends to offer a wide range of wholesale, commercial and consumer banking products and services in Vietnam.

CIMB Group's first branch in Hanoi is expected to be fully operational by the third quarter of 2016, during which the lender is expecting to secure the full operating banking licence.

Commenting on the approval, CIMB Group CEO Tengku Dato' Zafrul Aziz said: "This approval allows us to expand our presence in Vietnam, a country that has shown resilient growth, backed by a large young population and growing middle class. ■

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