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Ombudsman complaints – some progress, must try harder

Rarely a week goes by without the claim being made by emails, conference presentations, telephone or face-to-face interviews that whichever bank you happen to be speaking to, is now focused on 'customer centricity'.

Banks' claims that they have embraced customer centricity tend to follow a familiar pattern. One can now just about write the script. We are, parrot the banks, looking for new ways to engage our customers. We are passionate about optimising the customer experience.

This kicks off with getting inside the mindset of the customer and understanding their financial needs and aspirations; this is followed by jargon such as defining the customer experience vision.

Data generally and data analytics are regular buzzwords: that enables the banks to redefine and fine-tune their segmentation strategies. The structure of the bank and its culture, processes and technology needs will all be referenced as key parts of the bank in question's drive to be genuinely customer-centric.

Goals will be set and KPIs identified as the bank drills down on processes that have been causing customers inconvenience, costing time and money. With a degree of depressing predictability, there will then follow a lengthy dissertation on just how the bank is differentiating itself; there may well be mention of the bank setting out 'on a journey'.

Regular buzzwords will include: 'culture', 'levers', 'process mapping', endless 'KPIs', 'accountability' and 'evaluation'. 'Core values' is also a safe bet to get a mention.

Along the bank's 'journey' towards customer centricity, the chances are that they will have chucked a few million in the direction of the consultancy community; expect to be given a brief lecture on projects involving 'change management'.

And if one was a shareholder in whichever bank happens to be the latest to flag up its customer centricity, you might be encouraged to believe that the bank is indeed on a journey that might result in awards for attaining customer service excellence.

Until that is, the latest report hits the inbox from the banking ombudsman.

The UK Financial Ombudsman Service issued its latest six-monthly report on 22 February as *RBI* went to press. The report relates to complaints data from UK banks, insurers and other financial businesses, some 220 businesses in total.

Complaints are mercifully down but not by much – for the six months in question the number of complaints fell by only 6% to 164,000.

One set of stats stands out: the average uphold rate, where the ombudsman found in the customer's favour: a less than impressive 53%.

If one is to take the banking sector claims seriously to be on the journey towards customer centricity, the very least the banks can do is get their act together when it comes to determining customer complaints.

There are some notable exceptions: only 15% of complaints by customers of Yorkshire Building Society were upheld by the ombudsman; Leeds Building Society at 22% and the Skipton at 27% also scored well while Metro Bank performed credibly at 35%.

At the opposite end of the scale: Lloyds Bank scores an incredibly dismal 78%, not far off double the rate at sister brand Bank of Scotland (47%).

Within RBS Group brands: some notable contrasts: Ulster Bank scores relatively well with only 37%; ditto NatWest at 41% but the RBS main brand is a less than impressive 54%.

It is to be hoped that the 'journey' towards customer centricity might be reflected in an improvement in future ombudsman stats. If the smaller mutuals can get their complaints act together, there is no excuse for Lloyds, in particular, to be scoring so poorly.

Douglas Blakey
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Loyalty programmes: The next mainstream currency?

As we continue to take steps towards a cashless society, most of the focus is on contactless payments and card use. There is one area, however, that has seen rapid growth over the last ten years and is fast becoming a mainstream form of currency: loyalty programmes. **Alexander Atkins** writes

Between 2000 and 2010, reward programme involvement nearly doubled to over two billion memberships and the average American family is now signed up to 18 or more programmes.

Although the industry is not new and has been established for several decades now, the way it is being used has transformed, encouraging more people and more companies to participate.

One company that is helping the loyalty industry to grow is Points, a loyalty wallet platform that is integrated into over 70 programmes around the globe.

When a customer signs up with Points, the loyalty wallet gains online banking level access to their various accounts, and can then put points or miles in or take them out, whilst creating new transactional products and innovative ways for members to earn more points.

As with most industries, technology and social media have been two of the most important factors in the growth of the loyalty programme industry, according to Christopher Barnard, president at Points.

"Expansion in technology and new uses in social media mean it's much easier to join these programmes and become involved in them, and it allows new ways to gain more and more points to engage the customer," he explains.

However, although it's probably the most established and well known, it's not just in air travel that loyalty points (or miles in that case) have become hugely popular.

According to Barnard, the loyalty memberships for the financial services sector have grown rapidly over the last ten years: "In some areas, there are more financial services programmes, whether they are credit or bank related programmes, than in the longer standing, more traditional frequent flyer and hotel programmes."

Although the programmes have evolved, the attraction to joining them remains mainly the same.

"Customers are getting something for free and rarely is something actually free," says Barnard. "They are seeing great value in spending dollars at a particular brand and receiving incremental value back. They're saving up for that aspirational value of whatever the reward is at the end, whether it's a free airline ticket or a free hotel stay."

The growth in membership over the last ten years is probably the most telling sign of the continued success of loyalty programmes, and with it comes a growth in the amount of points or miles that are issued, meaning a large rise in the amount of products or services that are being bought with points.

The increase in the spending of points means that more and more often it is being treated as a mainstream form of currency, with people able to buy everything from basic shopping goods to holidays away, with their points.

Not only that, but one can trade, sell or buy points and miles off other people. The industry is generating anywhere between $70bn and $80bn dollars every year.

Alongside this growth is the innovation in the sector. Companies, with the help of Points, are finding more ways for customers to gain, spend and use their points or miles.

One such financial loyalty scheme is Citi Bank's Rewards Programme which has experienced rapid growth in the last few years. According to Parag Dhingra, head of cards for Europe, Middle East and Africa at Citi, the programme has continued to evolve.

"The result of recent change in the programme is a user interface that delivers rewards in an attractive and personalised manner that motivates customers to redeem their points," says Dhingra.

Citi's programme now focuses on four key categories: Travel, including travel booking using points or exchanging reward points for airline and hotel loyalty points; merchandise from around the world, giving their clients access to a global catalogue; cash rewards and vouchers for local and global merchants; and special access privileges across the globe.

Just as Barnard explained that one driver of loyalty programme change is customer demand, so Dhingra says that Citi's programme is constantly developing to keep up with this demand. Citi changes items and rewards based on customer feedback to continue ensuring that its rewards programme is effective and relevant.

"We track redemption rates and target a high percentage as that's the proof as to whether clients like our rewards programme or not," explains Dhingra.

However, the proliferation of programmes means that customers who are members of multiple schemes might find it hard to keep track of changes and points progress. "Many people are members of over 20 different programmes and so it's hard to have space in their wallet these days," says Barnard.

With so many programmes in circulation, he advocates that differentiation for companies is crucial. "We believe that the real value now is in offering choice. If you're part of a specific frequent flyer programme and you save enough miles to get to, for example, Barcelona, then the next step is working out where to stay in Barcelona. So if a programme can give a customer a choice of what to do or what to be able to earn with any one purchase, it makes it much more flexible and attractive for the customer," Barnard explains.

Dhingra is also adamant that differentiation is vital and says that Citi is constantly innovating ways to distinguish its programme. He says: "We have set up a Centre of Excellence, supporting markets across the globe to deliver a unified and remarkable rewards experience with unique offerings."

Yet despite the growth, the industry still faces significant challenges, other than customer demand. Regulation in the financial sector provides various hurdles by indirectly affecting the loyalty programmes of some financial institutions.

"A lower interchange, such as the one which has been instituted in the EU where it is now capped at 30 basis points for credit cards, is one such challenge as it will result in the dilution of some rewards programmes as some will become unviable," says Dhingra.

However, as memberships continue to grow and companies adopt new ways to differentiate their schemes, it seems likely that loyalty programme spending will play a much more mainstream role in society in the coming years. ■

Tangerine claims a Canadian first with Secure Chat

Tangerine has become the first Canadian lender to launch Secure Chat, enabling customers to interact securely with the bank over a real-time chat session, to discuss not only general enquiries but also confidential banking matters that previously could only be discussed on the phone. **Douglas Blakey** reports

Available already via its website and soon to be available via its mobile banking app, Tangerine, the digital banking subsidiary of Scotiabank, is claiming another Canadian banking first with Secure Chat.

The service provides a means for customers to have typed conversations with Tangerine customer service staff about confidential banking matters.

According to the bank, this will include obtaining specific account details or completing transactions, all within a chat session from the convenience of their mobile device or computer.

"It's an exciting time for our nearly two million clients at Tangerine. We use new, safe and secure technologies to transform the client experience and to help Canadians live better lives," says Peter Aceto, President and CEO of Tangerine.

"Whether you want to become a new client or access your hard earned money, it's never been a better time to be a Tangerine client. We are very proud to be the first bank in Canada to have the technology in place to offer this Secure Chat feature."

Available on its website in both English and French, Tangerine's Secure Chat feature uses Genesys technology and operates on a customised platform that was built in partnership with IBM.

Clients can initiate a chat session, found under the "Contact Us" section on Tangerine.ca, when they are already securely logged into online banking, without going through any additional security screening steps. Secure Chat on Tangerine's Mobile Banking App will operate the same way and is expected to be available in the coming months.

"As we work on new technologies to improve and personalise customer's digital interactive experiences, we know that chat features are the future when it comes to convenience and preference," says Charbel Safadi, Global Business Services Partner and Chief Technology Officer for IBM in Canada.

"We're excited to be working with Tangerine who continue to drive financial service innovation by offering a secure chat technology and exposing it to multiple channels including mobile devices and online banking to further enhance digital engagement and convenience for Tangerine clients."

A bank spokesperson tells *RBI* that: "So far we've seen a great response to this new feature and we expect the volumes to increase as more clients become aware of this added convenience."

Tangerine has sought to position itself as the country's most innovative digital lender.

Aceto tells *RBI*: "Continuous innovation is part of our DNA and we're focused on delivering cutting-edge technologies (like biometrics) to continually improve our client experience."

He adds: "Over the past year we've done this by making it easier for our clients to interact with us using their mobile devices including through new features like Voice Banking and Touch ID. We've also made it easier for new clients to sign up for the bank through new innovations like our mobile pop up locations. These locations, in addition to our cafes, feature cutting-edge technology including our new Sign Me Up app that allows Canadians to sign up for an account within minutes simply by scanning their driver's licence or other accepted ID.

"We have many exciting projects in the works this year as we redefine what Canadians believe is possible from their bank."

The Tangerine app was one of the first apps available on Apple Watch when it launched in April 2015, providing users with quick and easy access to their personal banking information from their wrist.

This includes checking account balances, recent transactions and transaction details – in addition to the ability to set alerts for account and transaction thresholds.

Dutch-headquartered lender ING rolled out ING Direct Canada in 1997, aggressively targeting the country's big five lenders with no-fee internet based current accounts and an aggressive deposit interest rate strategy.

By the time of its sale to Scotiabank in 2012 in a C$3bn ($2.3bn) deal, ING Direct Canada (rebranded as Tangerine in 2013) had grown its customer numbers to more than 1.8 million, now almost two million. ■

Tangerine leads Canadian m-banking: Surviscor

Tangerine is the industry leader in Canadian mobile banking services according to Surviscor's 2015 Mobile Banking scorCard Review. Tangerine received the top ranking for the first time ahead of its parent brand Scotiabank and past winner, National Bank of Canada.

The scorCard Review, now in its 3rd year, aims to provide an impartial assessment of Canadian banks' mobile banking services and features and measures over 12,500 objective mobile usage-related criteria questions for each banking institution. The criteria were evenly distributed amongst five smartphone and tablet devices, including Apple, Android and Blackberry devices and assessed in five main categories, each weighted according to industry-defined importance. Tangerine earned three overall category awards, with Royal Bank of Canada and Scotiabank each earning individual category awards.

■ CANADA MOBILE BANKING TOP 10

2015 - Surviscor Mobile Banking Rankings

Tangerine	95.5
Scotiabank	81.6
National Bank of Canada	72.4
Royal Bank of Canada	63.1
CIBC	62.5
Conexus Credit Union	62.4
Vancity	62.2
Coast Capital Savings	62
TD Canada Trust	51.4
BMO Bank of Montreal	47.1

Source: Surviscor

HalCash offers new revenue streams for ATM operators

HalCash is hoping to attract US ATM deployers to its Pin4 technology, which has already been rolled out in Poland, Spain, India and Morocco. The Pin4 service went live in four US cities in March 2016 and enables consumers to instantly cash-out rewards, prizes or P2P remittances received via SMS. **Robin Arnfield** writes

ATM operators in the US are searching for ways to generate extra revenues from value-added services at their ATMs to supplement surcharge fees for cash withdrawals. This is because they face declining revenues from interchange fees as well as heavy operational costs due to factors such as the card schemes requirement that they migrate their ATMs to EMV or face a liability shift.

New revenue stream

Richard Witkowski, CEO of HalCash North America, says Pin4-enabling their ATMs provides a new revenue stream for ATM owners that doesn't cannibalise any of their existing services.

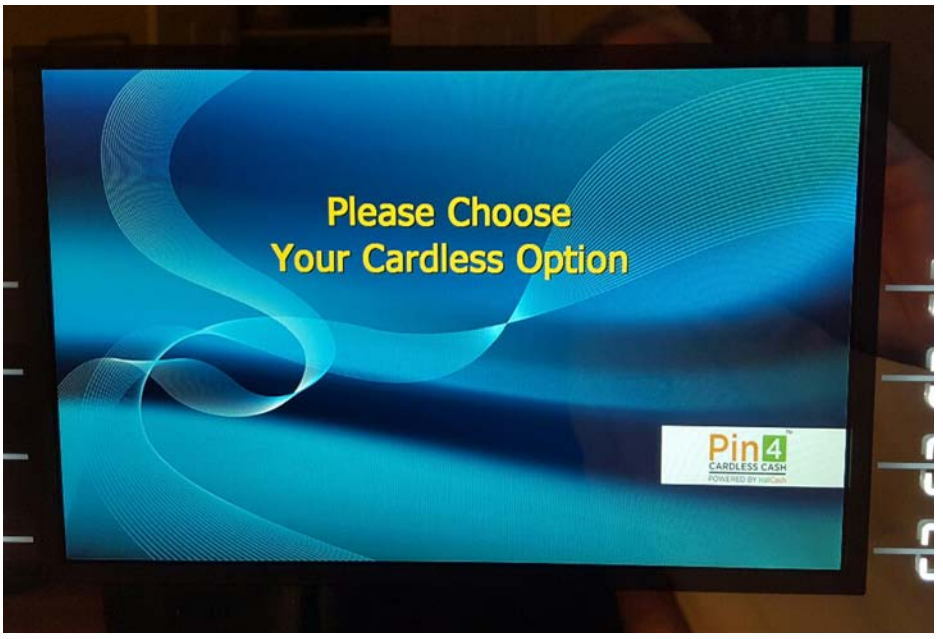
Pin4 offers real-time cardless cash-outs at ATMs from digital wallets, bank accounts, P2P money transfers, and reward, rebate and loyalty offers. "Customers can use any type of cellphone, not just smartphones, to receive SMS messages containing Pin4 security codes," says Witkowski. "Our system works with any make and type of ATM, and ATMs don't need any additional hardware, just a software download."

Pin4 order recipients don't need to have bank accounts to use Pin4. What happens is that a Pin4 order supplier sends the recipient an SMS containing a PIN, and, in addition, HalCash sends a four-digit secret code to the recipient.

To withdraw their cash, the recipient has to enter both PINs and their cellphone number at a Pin4-enabled ATM. "The SMS they receive from HalCash has a link to a global GPS app that shows them the nearest Pin4-enabled ATM to their location," says Witkowski.

Pin4 transactions are surcharge-free for recipients withdrawing cash from Pin4-enabled ATMs. "The ATM owner receives a share of the fee that we charge the issuer of the Pin4 order, be this a retailer, rewards scheme or money services business (MSB)," Witkowski says.

One benefit to ATM owners such as supermarkets and convenience stores from offering Pin4 transactions at their ATMs is extra customer traffic from people wanting to redeem their Pin4 orders. "Increased foot traffic from new customers create potential for additional retail spending during those visits," says Witkowski.



Origins

The Pin4 technology was developed and launched in Spain seven years ago by five Spanish banks as a way to provide a quick, easy way for their customers to send cash to their friends and relatives. The banks - Abanca, Bankinter, Banco Popular, Cajamar and Caja Laboral - formed a Madrid-based company called HalCash International (HCI) to roll out their platform in Spain and internationally.

"Having started with P2P transfers, the Spanish banks realised there was a market in Spain for rewards redemption at ATMs," says Witkowski. "So they formed partnerships with companies that wanted to fulfill consumer promotions via HalCash. Today, a large number of promotions are processed on the Spanish HalCash network. If you buy a Coca Cola bottle in Spain and win a prize displayed on the bottle cap, you text Coca Cola which replies with a €20 ($22) reward which is instantly redeemable at ATMs connected to the HalCash network. HalCash is ideal for this kind of promotion, as it offers instant gratification."

HALCASH KEY FACTS
19 banks connected to HalCash worldwide
4,300 ATMs connected to HalCash in Poland
6,300 ATMs connected to HalCash in Spain
17,400 ATMs connected to HalCash in India
700 ATMs connected to HalCash in Morocco.

Source: HalCash (http://halcashusa.com/)

HCI's current business model is to operate the business in Spain and, outside Spain to license its intellectual property and processing platform to local operators for a specified geography. Country-specific licenses are called 'nodes' in the HalCash network.

In 2011, the HalCash platform was launched in Poland, and the service is also available in India and Morocco. In addition to domestic P2P transfers and rewards redemption, the HalCash network offers intra-country transfers between the nodes in

its international network.

"Poland is seeing a lot of P2P transfers using the HalCash network, but the majority of Polish HalCash transactions involve promotions," Witkowski says. "For example, Nikon Poland offers rebates at its Nikon.pl website to people who buy one of its cameras. These rebates are processed through HalCash, and the benefit to Nikon is that, in order to receive a rebate text message, customers have to fill out a registration form providing their contact details for future marketing."

Witkowski adds that HalCash Spain and Poland are seeing millions of Pin4 transactions on an annualised basis, which are mostly rewards-related.

North America

New Jersey-based HalCash North America, which is a separate entity from HCI, has licensed the Spanish company's technology for North America and the Caribbean.

"HCI wants our US operation to come on stream so it can act as a remittance hub offering international transfers from the US to Latin America and Europe," Witkowski says. "So far, there has been only a small volume of remittances between HalCash Spain and Poland, but the size of the US market means there will be a lot of traffic from the US to other countries. We're working closely with HCI to find new countries where we can transfer remittances. Spain will be our first remittance destination followed by Poland and Latin America."

Witkowski says HalCash North America is forming partnerships with licensed MSBs which do business in international markets such as Latin America and India. Its first partner is Bethesda, Maryland-based Viamericas which offers transfers to Latin America, the Caribbean and Africa.

HalCash North America expects to have signed up two Canadian ATM acquirers to enable their networks for Pin4 in Q1 2016. "In addition to the US and Canada, we will be rolling out the platform in Mexico," says Witkowski. "But, due to the unique nature of the Mexican ATM and POS terminal markets, we will be working with an additional HalCash licensee in Mexico."

Witkwoski says his company is interested in offering Pin4 in Australia, the UK, Africa and Asia.

Consumer promotions

In the US and Canada, HalCash intends to focus heavily on the rewards market. Replacing rewards, prize and rebate cheques and prepaid cards with cardless ATM withdrawals means improved customer experience, greater flexibility and rich data for marketing, Witkowski argues.

"There are a lot of costs associated with mailing rewards cheques or prepaid cards, and often the rewards aren't redeemed, which wastes money for the issuer," he notes. "Also, there is a delay before the customer gets the gift card or cheque. With our system, there is instant gratification. If an order isn't redeemed, it is cancelled and the issuer isn't charged for the value of the reward, which is a saving for the issuer. We can also notify the company that the recipient has redeemed the reward so they can send them a 'thank you' text message and information on further rewards."

One of HalCash North America's partners, Social Wealth, works with three out of the top five US health insurers. "These insurers reward their customers for healthy behaviour like joining a gym, by sending them prepaid rewards cards, and they're interested in using Pin4 instead of mailing prepaid cards," says Witkowski. "One of the biggest US health insurers mails 20 million prepaid cards a year worth to its customers to incentivise them into a healthier lifestyle. The problem is that 40% of these cards are never redeemed."

Launch

HalCash North America is currently talking to ATM network operators and major ATM manufacturers about enabling their ATMs for its service. Its first ATM network partner is Louisville, Kentucky-based Payment Alliance International (PAI) which manages over 70,000 ATMs.

PAI and HalCash have launched a trial in four US cities, New York City, Miami, Chicago and Los Angeles, with nationwide rollout planned for 2016. "Initially, we will be issuing Pin4 orders on behalf of Social Wealth and Viamericas, and will be expanding across New York State, Florida, Illinois and California before going nationwide," says Witkowski.

"We went to the PAI sales conference and we had a lot of PAI clients come up to say they couldn't wait for us to offer Pin4 at their ATMs," says Witkowski. "They realise Pin4 will provide a new revenue stream for retailers who operate ATMs in their stores, as it will bring new customers into their stores to redeem their Pin4 orders."

HalCash is also seeing a lot of interest from smaller US banks and credit unions who want to offer Pin4 as a cardless cash access method to their customers. "A very big US FI is interested in using us for emergency cash when its customers lose their wallet," says Witkowski.

AML

HalCash only works with licensed MSBs, as they have an obligation to comply with AML laws, says Witkowski. "We make sure they have all the information they need to comply with AML laws," he says.

HalCash has a toolkit on its back-end system that tracks Pin4 transactions by cellphone number on behalf of Pin4 order senders. It reports on how many orders go to a cellphone number and, where there is a lot of high-value activity linked to a specific number, can restrict or block these transactions until they have been verified. "We also bar numbers that are on a cellphone blacklist," says Witkowski. ■

Analysts' comments

"The pairing of mobile P2P payment services and ATMs can generate new revenue streams such as money transfers and bill payments for financial institutions, as regulators around the world limit the ability to generate revenue from interchange on POS and ATM transactions," says Tristan Hugo-Webb, associate director of US-based Mercator Advisory Group's International Advisory Service. "Also, the paring of mobile P2P payment solutions and the ATM channel supports local payments ecosystems in emerging markets in which cash is likely the predominant payment form and few merchants are capable of supporting mobile payments or electronic payments in general. Banked and unbanked consumers could use mobile P2P payment services to transfer money to friends and relatives who can then withdraw the cash at ATMs to make necessary payments."

"I believe HalCash demonstrates how mobile and ATMs can work together to significantly improve customer service levels," says Ron Delnevo, the ATM Industry Association's (ATMIA) Executive Director Europe. "The ability to remit funds using a mobile phone, with the recipient able to withdraw them as cash at an ATM without using a card is the ultimate in convenience. The unique code gives excellent security, and not having to use a card further simplifies the transaction."

"In Africa, systems similar to Pin4 such as iZi Cash in Rwanda, which operates through Rwanda's nationwide ATM network, have worked very well," says Dan Armstrong, Chief Digital Officer of BankMobile, a subsidiary of US-based Customers Bank, and a former consultant on mobile money in emerging markets.

"In North America, I believe such systems could be really impactful as well, catering for seasonal, casual or migrant labor scenarios, as well as international remittance corridors such as Canada/the US to Mexico, etc." ■

Peruvian banks launch shared mobile money scheme

Peru's banks and telcos have collaborated to launch a mobile money scheme which is being viewed as a model for other emerging markets to follow. **Robin Arnfield** writes on the development and how it is affecting the Peruvian payments market, as well as its origination

Peru-based Bim (Billetera Móvil/mobile wallet) mobile money program will provide unbanked and underbanked Peruvians nationwide with access to digital financial services such as prepaid accounts, P2P transfers, bill payments, and point-of-sale purchases, irrespective of who their bank or telco is.

The goal is to reach five million out of Peru's 10 million unbanked by 2020, with two million active users by that same point.

"The messaging is clear: 'If you have a phone, you have Bim,'" says Jeffrey Bower, a digital finance innovation specialist with the United Nations Capital Development Fund's (UNCDF) Better Than Cash Alliance. Bower was closely involved in the development process for Bim.

According to a Better than Cash Alliance blog by Bower, with over 40,000 banking agents and branches and 10.6 million debit cards, Peru has a relatively well-developed formal financial sector.

"However, over 70% of Peruvians still don't use formal financial services due to a combination of high transaction costs, financial illiteracy, and lack of accessibility in remote areas," Bower wrote. "High levels of mobile phone use nationwide (over 87% of households) means that Peru shows potential for significant financial inclusion through financial services innovation, particularly with mobile money."

Soft launch

Bim had a soft launch in mid-December 2016, offering P2P transfers and mobile top-ups, after being in preparation for three years.

Bim is the first service to be introduced by Modelo Perú, a partnership of nearly 40 Peruvian financial institutions including private-sector and state-owned banks, cajas (credit unions), microfinance institutions, and three licensed non-bank electronic money issuers along with the country's largest telcos.

"Most of Peru's FIs have joined, and represent the vast majority of deposits on record," says Bower. "Some smaller FIs who can't afford the technical development work haven't joined yet."

Bim is being implemented by Pagos Digitales Peruanos (PDP/Peruvian Digital Payments), a company founded by Modelo Perú in July 2015.

Peruvian banking association ASBANC's (Asociación de Bancos del Perú) financial education institute has an equity stake in PDP, and the project is being supported by additional funds from the Multilateral Investment Fund (FOMIN), the Better than Cash Alliance and Development Bank of Latin America (CAF).

"The December launch involved nine financial entities with a total of 10,000 branches and agents and Spanish telco Telefónica's Peruvian subsidiary Movistar," says Miguel Arce Tellez, assistant commercial director for the Bim programme at PDP.

"In January 2016, we will add another telco, Claro, to Bim, and will also commercially launch the service with media advertising. In February, we will add a third telco, Entel, followed by Bitel in March 2016. Movistar, Claro and Entel together account for 90% of the cellphones in Peru."

In the second phase of the project, a further 18 financial entities will be connected to Bim in March 2016, says Tellez. "We will also be providing purchases, links to bank accounts and a B2B payments functionality within Bim during 2016.

"Eventually, all the financial entities involved in Bim will be connected to the service, representing over 40,000 branches and agents. It will be a challenge to reach our target of two million active Bim users by 2020, but we think we can achieve it."

ASBANC

ASBANC played a key role in establishing the Modelo Perú initiative. The country's banking association invited technology companies to submit tenders to develop a national mobile payments switch that would work with all Peru's state-owned and private-sector FIs, microfinance providers, and telcos.

Sweden's Ericsson won the contract in August 2014 to supply its mobile wallet platform, after a selection process which included bids from major mobile financial technology players such as MasterCard, Visa, and Comviva/Tech Mahindra.

"The selection criteria didn't just involve technology," says Lars Arvidsson, Senior Advisor at Ericsson. "ASBANC was looking for a [technology]-agnostic partner and platform that would support the establishment

and growth of a local and regional ecosystem. Also, the solution had to offer multi-tenancy and interoperability allowing multiple legal [financial] entities to perform services from the same platform."

"What's interesting is that Peru is the first country where the FIs are co-operating on infrastructure in order to compete on products," says Bower.

"The FIs are putting together their agent networks, branches and existing customer base in Bim and then trying to attract new users to the banking system. Bim won't be competitive with the banks' existing businesses, but it will be additive."

Competition

The FIs will compete with each other for acquisition of new customers through Bim. "Bim is similar to MasterCard and Visa in that it is based on an interoperable network/switch with one national brand, Bim, and participating entities provide their own competing services based on the Bim scheme, just like MasterCard and Visa card issuers," Bower says.

"However, no matter which bank the Bim client goes with, they can transact with anyone with a cellphone and with any Bim account-holder across Peru. Also, they can access their Bim account at any branch or agent of a Peruvian bank."

"By pooling existing financial infrastructure across Peru, members of Modelo Perú will use the Bim platform to issue affordable products for those formerly financially excluded," Bower wrote in his Better than Cash Alliance blog.

"What small profits are made from the low fees will be directly invested back into the platform, further ensuring low costs for users.

"The ultimate goal is for mobile financial transactions to flow without friction - between banks and other approved entities, across telecoms networks, while making use of existing financial infrastructure (banks, branches, agents, ATMs, online channels), so that a payment can be accepted by anyone, everywhere, at any time; in person, at distance, and online."

Legislation

Under Peru's Electronic Money law, which was passed in 2012 and is the cornerstone of Modelo Perú, non-FIs are eligible to participate in financial services and offer banking products.

"Three non-FIs have been approved under the regulations to participate in Bim and issue e-money," says Bower.

"These companies, which are participating from Bim's launch, include Gmóvil, which worked with Latin American mobile payments firm YellowPepper to set up the GMoney mobile P2P remittance programme in Peru.

"Now that YellowPepper has pulled out of the unbanked mobile money market, Gmóvil wants to connect its existing Gmoney customers with Bim."

Bower says that Bim resulted from the challenge the Peruvian banks faced with two pan-regional mobile money services.

These were Wanda (now rebranded as Tu Dinero Móvil/your mobile money), Telefónica and MasterCard's Latin American service, which was launched in Peru in January 2015; and Transfer, Citigroup and its Mexican subsidiary Banamex's offering with America Móvil.

"As it happens, MasterCard and Citi's pan-regional mobile money services haven't been successful," says Bower.

"But the fact that telcos cooperated with MasterCard and with Citi meant that smaller banks in Peru would never been able to achieve scale with their own mobile money efforts.

"So the decision was made for ASBANC to get all the banks and telcos to work together. The idea was also for Wanda's Tu Dinero Móvil customers to be able to transact with Bim customers."

National switch

"Bim is the first example anywhere of a national digital financial services switch," says Bower. "The Bill and Melinda Gates Foundation has developed a definition of what an optimal national mobile money switch connecting traditional and non-traditional FIs would look like, and wants to promote this concept worldwide.

"It sees Peru's switch as a model to be replicated, as it allows traditional and non-traditional players to cooperate in developing a program that brings new people into the banking system. Hopefully, Bim is a model that will be copied around the world, as it is getting a lot of interest internationally."

Bim is a model that will be particularly attractive in regions where there is already substantial financial services infrastructure such as Asia and Latin America, Bower says. "In Africa, the telcos had to take up the work of building financial services infrastructure for the unbanked, as the banks didn't see the value in investing in building large-scale financial infrastructure," he says.

Open-loop

Bower stresses that, while technology and products are important, they are not as vital as having good partnerships if the banking industry wants to build systems that reach everyone. Many mobile money services are closed-loop in that they are restricted to a single bank partnered with a single telco, he notes.

"If partnerships aren't enabled to allow a digital money service to reach scale, and if this service is restricted to a few FIs and telcos, then people won't use it," Bower says. "I won't adopt digital money if I can only use it with 60% of the population, since cash works with everybody. The lesson from Peru is to use existing payments and telecoms infrastructure, bring in partners and then incentivise people to join your service." ■

Compliance: Opportunity or hurdle?

In the current climate of escalating costs within the banking industry, financial institutions often view compliance as a bureaucratic burden. But can it be more than just a box-ticking exercise? **Xiou Ann Lim** speaks to Richard Chapman, head of strategy for the reconciliation business at FIS, on its potential

Regulations have been tightened in the aftermath of the financial crisis and banks have been subjected to greater scrutiny from watchdogs. Apart from having to deal with a host of other challenges, banks have been scrambling to keep up with complex regulations.

While there is no doubt that these regulations have been put in place to protect all relevant stakeholders, the question is whether the resulting cost of complying with these regulations are putting Asian banks at a disadvantage in a time of growth.

Apart from having to contend with disruptive start-ups and rising client expectations, banks are also facing enormous pressure to keep compliance costs low. Not only is compliance expensive, it also takes up considerable resources.

The required data for reporting must usually be collected, aggregated and analysed before it is deemed ready for publication – and because this is done on the regulator's behalf, the undertaking does little to move the business forward. But most importantly, banks are of the opinion that this costly and tedious exercise does not translate into revenue. As a result, they approach regulations reactively and often fail to realise the strategic advantages that can be gained from it.

Changing attitudes towards compliance

Head of strategy for the reconciliation business at FIS, Richard Chapman, suggests that banks stop thinking about compliance as a cost centre.

Pointing out that there are indeed a lot of regulations that banks are expected to adhere to, he says banks tend to approach meeting regulations in a couple of ways – either tackling the bare minimum requirements to simply come up with an approach that will tick the boxes or seek a strategic solution that will convert regulatory compliance into a competitive advantage and value for the bank.

Using BCBS 248 as an example, Chapman says: "Regulation dictates that banks need to report on their intraday cash position once a month. A simple approach to meet this requirement would be to take a dump of data, pull out relevant statistics and report them to the regulator."

But this suggests that it will be all cost with little value – merely achieving what is required from a compliance standpoint.

However, he says that if banks have an automated solution in place, they can collect cashflows and balances, validate their accuracy, calculate and report intraday positions and provide access to stakeholders such as treasurers and cash managers. This creates a window to track and respond to unexpected activity or identify funding opportunities.

"If there is a surplus in funds, they can utilise this to generate returns. If there is an unexpected shortage, they can plug that or interact with the payment queues to protect the bank," he explains.

This streamlines cash management, while creating operational efficiency and reducing operational cost.

"Such an approach also enables banks to respond to the underlying ethos behind the regulation, which is to encourage banks to understand their intraday positions to prevent the introduction of liquidity risk," Chapman adds.

He goes on to say that monthly reporting does not necessarily translate into full understanding of what regulators are trying to prevent – systemic failure. One could therefore deduce that these guidelines will in time evolve to support a more tangible demonstration of visibility into intraday liquidity.

Essentially, Chapman is of the opinion that if banks take a more strategic view of what regulators require of them, they obtain value from carrying out compliance undertakings and protect themselves when more regulations are introduced.

Asia's advantage

Chapman also believes that Asia's position as a greenfield site plays to its advantage – as compared to many of the more established global banks that are burdened with a legacy of technology, processes and infrastructure.

As a result, Asian banks are not burdened with the dilemma of whether to rip out existing systems and replace them.

"Most of the time, particularly in reconciliation, systems in Asia are manual in nature. So, it is not a question of rebuilding – but introducing automation," he says.

This comes at a critical juncture in which Chapman believes that 'the volume of transactions is going through the roof'. He believes that a centre of excellence for reconciliation – instead of doing it within business lines and branches – will help further reduce operational costs risk.

"Banks all want to do the same thing. They want to validate information in real-time instead of at the end of the month, so why not do it collectively instead of building the infrastructure internally? Allowing third parties to provide non-core services to banks will assure them of data quality and help them achieve an economy of scale that is unattainable on their own," Chapman suggests.

What do banks think?

Chapman reveals that when banks were asked in a survey about their appetite for putting their reconciliation process into a managed service three years ago, 5% said they would consider it.

"We asked banks the same question six months ago and 75% of those surveyed said that they would consider it," he discloses. This indicates a move and change in attitude towards managed service. "It has taken a long time for financial institutions to get comfortable with it, but now they are," he observes.

Investments in such solutions may also help banks better understand their business, customers and risks – all of which can be used to drive changes in how and where the institution operates in the coming years.

The benefits that they stand to gain from these investments may also be above and beyond the original intent.

Despite being driven for the most part as a response to regulatory stress, investments in technology and services could results in more rigorous collection of data and analytics capabilities.

Much more than compliance to existing regulations, banks are actually gaining vital new business acumen in order to chart the course for the near future. ■

mBank: If you don't do it in real life, don't do it online

Poland's mBank has rolled out the country's first educational campaign concerning online security. The multimedia initiative aims to draw customers' attention towards risky online behaviour and its consequences. **Douglas Blakey** reports on this education strategy and the benefits of wiser consumers

The number of individuals using online banking in Europe has soared: from 19% in 2005 up to 46% in 2015 and Poland is no exception.

But the growth in the use of the internet brings with it the need to highlight the issue of cybersecurity.

The issue is particularly pertinent in the area of online banking and is one that Poland's mBank is taking the lead with the launch of Poland's first educational campaign to promote digital security, the aim being to raise public awareness of how to protect their personal data.

mBank's campaign, entitled 'If you don't do it in real life, don't do it online!' is aimed at those who use online banking services via their computers, tablets and mobile phones with the main goal of the initiative to make the public aware of the possible threats lurking online.

Idea behind the campaign

"We show what we tend to do online, and what we wouldn't normally do in real life. This way we draw attention to the fact that if some safety-related behaviours outside the Internet seem suspicious, then there is no reason to treat them differently online," says Iwona Ryniewicz, the director of the communication and marketing Strategy Department of mBank.

The campaign – based on TV spots and a special website – took off on 16 December 2015.

The decision to flag-up the distinction between 'virtual' and 'real' in a campaign on online security is explained by Jarosław Mastalerz, vice-president of the management board of mBank and head of operations and information technology.

He tells *RBI*: "Although these two worlds are easily distinguishable, both may be dangerous.

"So if we watch out for swindlers in a brick and mortar store or in a bus, we should do the same when receiving e-mails or using online services."

"It is worth remembering that the security features designed by security experts will be effective as long as the internet users are aware of the dangers and remain vigilant," he adds.

Well informed means aware...

mBank has been focused on educating clients and its dedicated website offers guidance for mass market retail banking customers, SMEs and corporate clients.

mBank divided the content of the website according to the device used by customers to bank online: by computer, telephone or tablet.

To make it easy to understand, the bank issues a number of what it terms 'golden security rules'.

On an on-going basis, the service displays warnings through which the bank's experts explain what cybercrime is about.

"We clearly say what should be kept in mind and what not to do. I am convinced that these rules are as important as seatbelts in a car," concludes Mastalerz.

The educational ads are running on Polish TV and on the internet. The films have been divided into two categories – computer device security (including smartphones) and protection of sensitive personal data.

They are all based on the concept of reflecting risky situations online in real life.

Additionally mBank is using a number of popular Polish bloggers as ambassadors of the campaign, explaining to their followers what some internet users do online that they wouldn't do in real life.

Just before launching the campaign, an anonymous profile @nierobisztego ("you don't do it") was created on Twitter.

mBank scores a hit with Light Branches concept

mBank is best known outside Poland for its digital channel innovation but its most recent branch investment project is also proving to be a winner.

In 2014, the bank started to roll out a number of light, ultra-modern units in Polish shopping centres.

Initial results are highly impressive. According to the bank, the new branches are selling three times as many basic branching products compared to traditional high street outlets with the first Light Branch taking over 60% of all orders performed by the customers of mBank in the region.

An mBank spokesperson tells *RBI* that Light Branches are being visited by more than 200 customers every day with over 90% of visitors reporting a positive impression of the outlet.

mBank currently operates nine Light Branches and aims to increase the network to 40 units by 2018.

The units combine the traditional notion of physical bank branches with ultra-modern multi-touch screens, motion-sensing and face recognition technologies.

Locating the Light Branches in shopping malls offers extended opening hours including weekends compared to traditional 'high street' outlets, typically only open for eight hours a day, Monday to Friday.

mBank plans to invest more than €17m ($18.6m) in the Light Branches project over the next two years and as part of a wider branch network reorganisation programme, the bank expects to achieve annual branch savings of around €12m. ■

BankMobile targets digital natives with mobile-only full-service offering

BankMobile, the US mobile-only subsidiary of Customers Bank, describes itself as a technology company with a bank charter. It targets digital natives with the claim of 'leveraging technology to put a bank in your pocket so you can enjoy the freedom of banking wherever and whenever you want'. **Robin Arnfield** reports

Customers Bancorp, the holding company for Phoenixville, Pennsylvania-based Customers Bank and BankMobile, was founded in 2010 by Jay Sidhu, who had previously set up Sovereign Bancorp. Sidhu formed Customers Bank, which has $7.6bn in assets and operates in New England, New York State and Pennsylvania, by acquiring and amalgamating several banks.

"In 2014, Jay Sidhu decided to embrace Fintech and mobile-first banking, and came up with the idea of BankMobile," says Dan Armstrong, BankMobile's Chief Digital Officer.

Launch

BankMobile's tablet and smartphone mobile banking app was commercially launched in January 2015. "BankMobile operates under its parent's banking charter and offers a full range of services such as single and joint demand deposit accounts with cheque-books, savings accounts, and lines of credit," says Armstrong. "You can sign up on your phone for an account with a line of credit in just five minutes."

BankMobile has no fees, including no overdraft fees, and pays interest at 25 basis points above the top four US banks, says Armstrong. "We offer fee-free access to the 55,000 ATMs in the Star Network, and, if customers have regular direct deposits into their BankMobile account, they don't pay fees to use any US ATM," he says.

Because Customers Bank has under $10bn in assets, it is free from the debit card interchange restrictions imposed by the Durbin Amendment. This enables BankMobile to generate a high proportion of its revenues from debit interchange, in addition to interest from overdrafts.

Students

BankMobile has a particular focus on the student market, offerings programs such as its BankMobilist College Brand Ambassador Program and Financial Literacy Scholarships.

In December 2015, Customers Bank announced that it had acquired New Haven, Connecticut-based Higher One's student chequeing account and refund management disbursement businesses. Higher One serves around 900 campuses across the US, providing them with a technology platform for disbursing financial aid to students through deposit accounts opened by Higher One's partner banks.

Customers Bank will merge Higher One's student chequeing account and refund management disbursement businesses with BankMobile, in order to provide the mobile-only bank with a customer acquisition strategy for the Millennial and Generation X markets.

"For several years, Customers Bank has acted as bank of record for FDIC purposes for around 50% of Higher One's student accounts," says Armstrong. "Our plan is to offer Higher One student customers a BankMobile account as they graduate."

BankMobile Technologies

In August 2015, BankMobile launched a new division, BankMobile Technologies, headed by Armstrong, and with IT industry veteran Kirk Barrett as Chief Technology Officer. Prior to joining BankMobile, Armstrong worked as a consultant setting up mobile banking and payment systems in emerging markets.

"Our banking app provider is Malauzai Software , which provides us with access to its technology partners such as Mitek for mobile cheque remote deposit capture and account on-boarding by photographing ID documents, and Allied Payment Network for photo bill pay."

The reason BankMobile set up its in-house technology division is because the bank wants to develop its own banking apps, instead of using a standard third-party platform that is available to its rivals.

"Malauzai is a great partner, and we recommend them to credit unions and banks wanting to get into mobile banking," says Armstrong.

"But we want to differentiate ourselves from everybody else, and the way to do that is to become our own Malauzai and develop our own proprietary platform. We will also use best-of-breed technologies from third-party vendors that plug into our middleware."

Armstrong says it is possible that BankMobile will license its proprietary banking API to affinity or co-brand partners. "We

deliberately built our API so that it can be licensed and also so that it can be used by Customers Bank independently of BankMobile," he says.

Differentiation

Because, apart its lack of branches, BankMobile is a full-service bank, Armstrong says its customer offering has distinct advantages over 'neo-banks' such as Moven, which partners with CBW Bank, and GoBank, which was launched by WalMart and GreenDot in 2014. "We want to be the full-service primary bank for our customers, and compete with big players like Wells Fargo, whereas these neo-banks just offer prepaid debit cards with limited checking account functionality," he says.

"The biggest point of differentiation is that BankMobile acts more like challenger banks in the UK and Europe," says Celent analyst Stephen Greer. "Most of the mobile-only (banking) offerings in the US are essentially prepaid services and don't have bank charters. BankMobile is like Atom Bank or Tandem in the UK, acting as a start-up chartered institution."

"Adding in the technology aspect, BankMobile becomes very much like Fidor Bank in Germany, a licensed bank with its own in-house tech development. BankMobile will be able to plug in innovative third-party services to its API in the same way that Fidor does with its FidorOS open-platform API.

"For example, Fidor allows users to access (online forex service) Currency Fair through its platform, and to access their bitcoin wallets. I see potential for BankMobile to white-label its platform to generate licensing revenues just like Fidor does with FidorOS."

BankMobile could face competition from Portland, Oregon-based Simple, which was founded in 2012 and originally used Bancorp to handle its deposits. Simple was acquired by Spain's BBVA in February 2014 through the Spanish bank's BBVA Compass US subsidiary.

"We'll begin opening customer accounts backed by BBVA Compass' real-time banking core in 2016," a Simple spokesperson says.

"In and of themselves, BankMobile's mobile banking features aren't unique, but the combination of features is impressive," says Ron Shevlin, Director of Research at Cornerstone Advisors. "The fact is that the majority of US banks and credit unions who offer mobile banking services, don't provide all the features BankMobile provides. In particular, 'photo enroll' – the ability to take a picture of your driver's license and have your information automatically loaded into the account application - is a nice convenience for people looking to open an account with BankMobile.

"For me, the real point of differentiation is that BankMobile purports to offer customers access to a 'personal banking team' - available during business hours - to get help with things like building a budget or improving their credit score."

Growth

In December 2015, BankMobile announced that it had signed up over 100,000 customers since its January 2015 launch and that, as result of Customers Bank's acquisition of two of Higher One's student businesses, it will have two million customers by July 2016. In a statement, Customers Bank said that BankMobile expects to add around 500,000 new student chequeing accounts each year as a result of the acquisition.

"The 100,000-plus BankMobile customers is a mix of regular BankMobile clients acquired organically and Higher One student customers," says Armstrong. "We also plan to integrate Customers Bank's GetBack employee expenses prepaid card subsidiary, which offers 1% cashback on business spending, with BankMobile."

During either Q1 or Q2 2016, BankMobile will relaunch its banking platform and app with extra features and a new more responsive user experience, based on technology developed by its in-house technology division, Armstrong says.

"We will be offering a number of product enhancements," he says. "These will include a simplified line of credit and overdraft regime; a higher level of PFM (personal financial management) categorisation so customers can see what is going on with their accounts without having to enter a PFM program; management of family accounts so individual family members can be given a debit card and demand deposit account; and accounts for small business people and entrepreneurs."

Significant trend

Greer says he sees the emergence of mobile-only banks as a significant trend in the US for two reasons. "Firstly, from the outset, they've moved the conversation along about what's possible through mobile banking," he says. "Even though these offerings haven't hit a 'tipping point' with consumers, the examples of what's possible have forced the industry to evolve and think more intentionally about digital.

"Secondly, banks like BankMobile are built from the ground up to be customer-centric. This is an added advantage that gives them an edge in operating costs, data analytics, and user experience. Nevertheless, adoption so far hasn't lived up to expectations. Digital-first banks have generally found it more difficult to acquire new customers or even lend out new deposits."

US customer adoption of mobile-only banks will depend on how well these new institutions can create propositions that are significantly more enticing than traditional financial institutions, Greer says. "I think there is ample opportunity to grow, but the growth of these new banks won't mean the death of major industry players," he says.

"BankMobile specifically is targeting millennials with student bank accounts and other offers/features around student loans, and could be in a good position going forward." ■

Features offered by BankMobile's app

Picture account opening
Take a photo of your ID to open your account in a matter of minutes;

Photo bill pay
Photograph your bill, enter the amount you owe, and, with the click of a button, your bill is paid;

Customised settings
Ability to check your balances without logging in, turn your debit card on or off to protect yourself from fraud, and add a secure four-digit PIN

Mobile cheque deposit
Apple Pay: set up your debit card to work on your phone with Apple Pay or download our Apple Watch app

Smart FAQs
Find an answer to your banking question using our searchable system in our online banking app.

Bank Mobile's 25 basis point promise
When it comes to savings, BankMobile has guaranteed to pay at least 25 basis points higher than the top four banks in the country, which include Bank of America, Wells Fargo, JP Morgan Chase and Citi Bank, no matter how much money you have in your account. Compare our rate to theirs and see how much you could be saving.

NO FEES
According to Wallet Hub, there are about 30 fees associated with the average checking account. Other banks may offer 'free checking accounts', but if you check their fee schedule, you'll see that there are fees associated with the account. BankMobile is the first completely fee-free bank in the US Compare our fee schedule to your current bank's fee disclosures to see the difference and how much you can save by switching to BankMobile. ■

The digital revenue stream unfolds

Often thought as merely a way to reduce costs, the digital realm is now being considered as being able to create its own profit. As consumers turn to digital more frequently than ever, banks have had to rethink their strategies. **Patrick Brusnahan** reports on Timetric's research into this trend

Retail banks often viewed digitisation as a cost-saving manoeuvre, as well as a way to build brand image and engage customers. However, as customers often prefer digital channels, the paradigm has shifted. In addition to convenience and customer loyalty, banks are 'looking to find innovative ways of generating revenues from digital banking services', according to Timetric's report; *Monetising the Digital Channel in Retail Banking*.

The report states: "There are three fundamental pillars driving direct revenue generation through digital channels and technologies. The first pillar is focused on monetising mobile as a channel where banks are enabling traditional financial services through apps.

"Secondly, banks have started focusing on playing a larger role in the emerging digital wallet and e-commerce market, which is fuelling the next phase of product innovation to drive revenues. This is happening across markets and notably banks in emerging economies are investing in initiatives to drive innovation. The third pillar is focused on leveraging new digital channels and technologies as sales channels."

Mobile migration

There is an increased focus on launching full scale banking services through mobile apps. Mobile- and online-only banks have started emerging across developed and growth markets. While the movement's success remains to be seen, customers clearly prefer increased convenience and personalisation through mobile apps.

As more services and transactions shift to mobile, it will be a crucial driver for retail banks. Pace of innovation through mobile apps has been increasing and efforts are being made towards digitisation of traditional financial services.

Timetric expects the 'primary focus' to be on transactional services such as Remote Deposit Capture (RDC) and mortgage lending. While RDC has seen a greater level of adoption in the US market, it is still insignificant in other markets. After transactional services, personalised advisory services through mobile apps could be the next key area for retail banks.

In addition, mobile wallets have a part to play. Banks gaining a share of the mobile wallet market is critical as it opens up revenue streams not traditionally in banking models. Notably, banks in growth markets are aggressively driving innovation in this space. Some consolidation is also expected as big banks try to acquire key technologies and platforms from disruptive start-ups.

Due to the fast changing nature of digital banking services, banks have needed to react quickly to change. This has needed some structural change. An innovative nature has had to be implemented in banks. In addition, one of the most utilised strategies by retail banks across the world has been acquiring start-ups to gain direct access to the talent pool with the capability to drive innovation.

Revenue from basic services

Digital services are helping banks convert increased consumer convenience into direct sales. One of the key pillars of digital strategy of retail banks currently rests on successfully developing and implementing financial services through mobile apps and generating revenue through this path.

There are certain cases where banks charge retail customers for using mobile banking applications. This strategy is generally aimed at the mass market, where low value revenue can be generated through high volume. While this trend can be seen across many markets, it is primarily happening in developed countries where banking app adoption is high.

However, an emerging consensus is that customers are willing to pay for what they deem as value-added services. For instance, for time bound clearance, banks have implemented a tiered fee structure depending on the urgency of the service.

The report states: "Going forward, we expect multiple dimensions to get added to differential or tiered pricing. These would be based on type of product and importance of the consumer from a revenue and profitability point of view."

Another option is offering full scale financial services on mobile applications. By making the entire range of solutions available on apps, banks have built awareness about their various services which, in turn, has resulted in increased sales. As a result, the strong set of services has enabled banks to charge higher fees for premium services.

Two examples are highlighted by the report:

- Jibun Bank: Japan-based Jibun Bank has adopted the concept of mobile only banking. Jibun is a joint venture between mobile network operator KDDI and Bank of Tokyo-Mitsubishi UFJ. The Jibun Bank App, introduced in 2010, has consistently enhanced its features every year. These include fund transfers, locating ATMs, and even opening new accounts. Foreign exchange accounts, introduced in 2014, resulted in a hike for 'au WALLET' charged by 25% for customers performing transactions through the bank.

- CaixaBank: Caixa processes nearly 120 million mobile transactions each month. Almost one third of these are for funds transfers. Currently, Caixa operates about 70 mobile apps which have reportedly been downloaded over 10 million times. It became Spain's first bank to launch an application for the Apple Watch.

In addition, CaixaBank launched a first-of-its-kind biometrics-based financial services app, LineaAbierta BASIC. The app has been a huge success among its retail customers, as 3.4 million of its 4 million mobile customers have used the app. According to CaixaBank, it registered a 10% increase in digital sales

in 2014 and this was primarily attributed to LineaAbierta.

Remote Deposit Capture

Remote Deposit Capture (RDC) allows customers to deposit an image of a cheque, rather than the physical version, for processing in the bank. This has two benefits. Firstly, it decreases the costs associated with cheque processing. Secondly, it opens up another revenue generation stream for the banks in the form of service charges. Given the level of convenience in RDC, it's easier for banks to monetise these services in comparison to others.

While it has been successfully implemented in the US since 2004, it remains a fairly new concept in the rest of the world. Canada started allowing banks to accept RDC in 2014, the Canadian Payments Association (CPA) introduced the 'Image Rule Project' toward the end of 2013 that allows Canadian financial institutions to clear cheques electronically.

In developed economies, banks are taking an alternative route to boost revenues. For example, in case of mobile cheque deposits, a bank may charge a percentage of the deposit if it is to be enchased immediately. It might charge a relatively low fee if the money is to be paid within two days as the bank can verify the details during the intervening period.

RDC has been popular among retail banking customers in the US. Due to the increased usage of smartphone and digital banking channels, the service charges levied has boosted revenues for American banks. The US Bank charges 50 cents per RDC while Regions Bank charges 50 cents plus a percentage of the cheque value.

European and Asian countries are yet to roll out RDC services widely due to regulatory hurdles. In Singapore, Citibank introduced the cheque capture facility on a small scale through ATMs. UAE-based NBD Bank introduced the Multichannel Transformation programme in 2015 to offer digital banking services. Under the initiative, mobile cheque deposit facility through mobile apps was introduced.

Lending apps

Lending through digital mediums is one of the services important for boosting revenue. Unlike other services, loans require proper documentation and verification which remains the primary hurdle. However, there are some examples which showcase how monetising lending products can increase revenue.

- Standard Chartered partnered with Singaporean telco SingTel in 2014 and launched a mobile application that facilitated personal loans. The Dash mobile app provided the Dash Advance service which allowed a customer to apply for a personal loan, equivalent to four months of salary as on the bank statement, and get a notification within 60 seconds for the approval.

- In 2014, US-based online credit marketplace, Lending Club, and Union Bank entered into a tactical association among themselves under which Union Bank will have the power to procure personal loans on the Lending Club platform. This partnership is aimed at combining a balance sheet of Union Bank and the low operating cost of Lending Club.

- Hana Bank is the first bank in South Korean market to introduce a fully functional online mortgage application that performs the entire procedure of mortgage loan processing over a digital channel. Entitled 'One Click Mortgage', it triggered sales of over $2.4bn after ten months of its launch and contributed to 15.5% of total mortgage sales at Hana Bank.

The report states: "Retail banks are experimenting on lending services through digital channels in terms of short terms loans. While most of the banks still use digital as a channel to generate sales leads, focus is now shifting onto creating lending products, which can be monetised through digital.

"Going forward, strategy around lending products is expected to focus on creating transparent products with clear pricing along with customisation according to individuals' needs. Credit as a product segment is also being targeted by non-banking institutions and start-ups, which are coming up with innovative offerings to gain market share."

Transforming new digital channels

In recent years, retail banks have started focusing on leveraging digital channels to drive sales, according to the report.

Consumer engagement through digital channels along with increased focus on convenience is becoming a crucial segment of growth strategies. Reaching out to customers through video and teleconferencing technology has become common across all markets.

Innovative solutions, such as wearables and personal Internet of Things (IoT) are among the new digital sectors entering financial services. Following the success launch of embedded online services such as biometric authentication, there is a systematic push around developing apps for wearables.

Big Data and cloud technology have both contributed towards innovation in retail banking with a focus on sales and lead generation. Social media has caught the attention of the banking industry and has led to the launch of various fund transfer platforms, and other services, through the medium.

Facebook and Twitter are extensively used for fund transfers and bill payments across the globe, primarily through NOCI's Immediate Payment Service (IMPS). Some banks are even beginning to sell their products through social media.

Tapping into the vast amounts of data in social media has boosted direct sales and generated leads for other offerings. One example is WeChat in China. As it gained popularity, banks teamed up with it to provide customer services, financial assistance and launched loyalty programmes to attract new customers. In early 2015, Tencent became the first private bank in the country to introduce WeBank.

In addition, DenizBank in Turkey launched a social banking service within an application on Facebook that allows customers to apply for banking products, transfer funds, engage in social gifting, and communication with customer service personnel. Over 150,000 people now use the application.

Furthermore, the bank introduced a service on Twitter that awards loans to customers. The bank's Twitter account is integrated with its existing SMS loan infrastructure and can undergo a customer's loan approval process. During 2012 and 2013, DenizBank reportedly approved loans worth TRY2.7bn ($912m) utilising this method. ■

Apps with fees

- A mobile banking app was launched by Regions Financial which has a tiered fee structure. It has been designed to make digitally deposited funds available to customers. The bank has introduced a differential fee structure based on the time of access. If a customer needs to access the funds instantly, then a charge of $5 or a certain percentage of the amount, depending on whichever is higher, is charged. In case of fund access after two days, the charges are reduced to 50 cents.

- Wells Fargo has introduced a fee structure for mobile services such as fund transfers between banks and emergency bill payments. The bank feels that these services, along with instant fund availability, offers a high risk factor to the bank, because it is not able to complete the verification process. To cover up the costs, a fee is charged.

Promsvyazbank and the social media revolution

Russian bank Promsvyazbank is among the most active and successful European banks in its use of social media. **Timur Zulkarnaev**, head of digital & special projects at Promsvyazbank explains why the bank is dedicated to social media and how that helps to please its customers and generate revenue

Only 15 years ago, 57% of Russians didn't have even a telephone at home and 96% didn't have laptops or any internet access. Nowadays, there is hardly a person who doesn't have a smartphone or a personal profile on at least two social networks. Both men and women, young and old folks alike, are getting used to having a digital life. Unsurprisingly businesses are also taking some steps in this direction and banks represent no exception. Let's consider the things step by step.

How we try not to miss the 5th digital revolution

The first private banks in Russia began to emerge in the early- to mid-1990s. Despite the fact that the Russian banking system remains youthful, it has gone through several stages of development. In contrast to classic banks, online banks that operate only via the internet began to emerge.

The rapid encroachment of the digital sphere requires new product and service offers. Today, in order to be competitive, it is not enough to look one step ahead. It's crucial to do your best to guess the trends and invest in their development.

At Promsvyazbank (PSB) we can see that the Russian banking market is now dealing with the fifth digital revolution. What were the four previous ones?

1. As soon as the internet appeared websites and online banks, email-marketing, contextual advertising and lead generation were designed.

2. Usage of mobile phones stipulated the development of services and technologies like SMS-bank, IVR, SMS-sending. A sharp increase in remote sales occurred.

3. The third, 'smartphone revolution' allowed lenders to design mobile bank and other financial applications: from PFM to acquiring .

4. Finally, once social networks, emerged banks began to use them for PR campaigns and to boost the increase of traffic to the brand's website.

Thus, the conclusion is very simple: wherever people appear, banks are likely to follow quickly.

Now I strongly believe that the next revolution has already taken place – the revolution of messengers – the applications created for the quick exchange of messages between smartphone users through the Internet. It's cheaper than ordinary calls and SMS, and it's more convenient than using social networks. There are no middlemen except for the smartphone screen.

Only telepathy could be more convenient. What will the world of messengers look like? Will the mobile operators and social networks still exist? Will voice communication become a thing of the past? Will the question 'Do you have WhatsApp?' be meaningless?

We were thinking a lot about these and other questions, and became the first among Russian banks to dare to carry out an experiment – to run the bot of Promsvyazbank in Telegram. In fact, it's a virtual user who can react on messages in the messenger. It works like Siri: you give it some commands and it provides you with an answer.

There is no doubt that the bot can perform almost any algorithm and can take information from any kind of resource. Hence, it's possible to design the website inside the client's mobile phone registered in the messenger.

A few things come to our mind about operating in Telegram:

1. To show the nearest ATM's and offices of Promsvyazbank;

2. To show the nearest shops where discounts for paying by the bank's cards are given;

3. To inform users about real-time exchange rates, and

4. To send users news and special offers from the bank.

After we had the function determined, we started to think about the interface and had the buttons programmed inside the actual application. Actual visual opportunities are limited, therefore this stage was overcome within a couple of days. The most important thing was to set up an infallible algorithm of data parsing. Now it is possible to find our 'freelance worker' in Telegram by the name @psbankbot.

For the first two days about 1,000 people added the bot to their contact lists. Users have already undetaken 7,000 queries. The leader among them is exchange rate (29% of the searches), 17% are about ATMs, 15% concerning discounts. It is probably the most convenient and rapid opportunity to obtain some useful information.

For instance, while having a walk in a shopping centre, a Telegram user can make a query about the nearest shops to get discounts paying by Promsvyazbank's card, provide the bot with the information about a user's geolocation, and immediately, the three nearest shops will be shown in the application. Also there will be the information about the size of discount, shops' opening hours and their exact geolocation.

Why would a bank need social media?

Today, Promsvyazbank is one of the top three financial companies in Russia to work within social networks. In April 2015, we released a very detailed tutorial about working on social media that contains all of our four-year-old experience of dealing with this theme. The Russian version of this tutorial has been downloaded by more than 5,000 people: bankers, marketers, PR-specialists, entrepreneurs.

We often hear the question, "Why would a bank need social media?" We think there are many reasons. Firstly, daily traffic to social media sites is staggering – it would be unthinkable to ignore that. Regular activity on Facebook, VKontakte, and other social networks has immense benefits. These sites bring in sales that amount to tens of millions of rubles. Secondly, social media ensures the loyalty of existing clients and facilitates a meaningful dialogue with them, which has

tremendous value in and of itself. Third, social media is a priceless customer care experience, which will be discussed. Finally, the image and reputation of a brand are also, to a degree, achieved through social media channels.

Social media is where we convey the bank's values that we aim to promote:

- **Honesty:** We do not pull the wool over people's eyes and we do not try to look better than we are. If there is a problem, we don't hide it – we discuss it publicly;
- **Responsiveness:** We are constantly in touch with our clients. Even if you write to us in the middle of the night, from another country, or with a bad internet connection, we are always responsive and ready to help, and
- **Ease:** We speak the same language as our users. We are ordinary people just like everyone else.


Timur Zulkarnaev, Promsvyazbank

At our bank, SMM was not born in the public relations or marketing departments, but in the heart of the PSB retail unit. Once we'd started working on SMM, we remained employees of the products department, just like developers of payment cards, loans, and accounts. But in our case, the product is information. Like our colleagues, we are constantly "brewing" our thoughts: they bubble up and give rise to new products, improve current ones, and sometimes simply boil over as new ideas! We never have trouble thinking up what to write on VKontakte or Facebook – the hard part is choosing the best idea. As the saying goes, "Everything looks so delicious!"

We do not have to rack our brains for a list of reasons why this or that product is the best on the market and why it is useful to our clients. We see the products being born and we witness our colleagues' endless discussions about our products and how to improve them.

Banks in digital. Trends of 2016. A view from Russia

Let's try to organise and describe three key trends that we see inside, working every day on the development of Promsvyazbank's digital platforms:

1. CRM is something we cannot do without

It's time to get used to the fact that if your digital channels do not sell your products, these are inappropriate digital channels. In fact, a person provides a lot of private information on Facebook or VKontakte (the most popular social network in Russia). Accordingly, we can hit the target: not spend too much money on the search for clients, show ads only to those people who are interested in them in contrast to the outside or media advertising.

Age-related settings allow you to do the control sample, thus you know exactly what part of your advertising budget is wasted.

The retargeting mechanism converts social networks into the same channel as SMS or email-sending, but is even more flexible and cheaper.

For example;

- **Task:** to inform 'dormant customers' about shops where the discounts paying by Promsvyazbank's cards are given;
- **Solution:** a post about the discount program right in the VKontakte newswire was shown to the target sample, and
- **Result:** $27.3 was spent and 1,216 visits were received - less than 0.03 cents each visit.

2. 2016 is a critical year in Big Data

At the beginning of this year one of the most outstanding Russian technology companies Mail.Ru Group (1 927th rank of the top public companies in the world "Global 2000" by the US Forbes magazine) singled out a separate direction to work with the big data of its customers. We perceive it as a serious signal.

Nowadays technology can analyse millions of options (clicks, likes, comments), construct high-precision mathematical models and then use them in practice. So far, we know the following about Big Data: there is too much information so that now it's difficult to predict all the methods of its application. But in the next couple of years the internet-triggers and look-a-like-scoring for sales in social networks will become everyday tools of bank digital-managers.

3. Spot communication

A kind of culmination of the development of websites and social networks, as well as of the information that they enrich us with, will be a change in communication strategy. The FMCG-brands have got used to implementing spot communication with customers; accordingly the old standards are turning into the things of the past.

Plenty of parameters and 'traces' left in the Internet are likely to bring a shampoo seller to the target audience. There will be one message for the blondes and another for the brunettes. So do banks: there will be one communication strategy for the men of 25 years who work in a prestige Moscow district, whereas there will be a completely different one for the men of the same age from a small town who make some in-app purchases. But in both cases the promoted product is the same.

Consequently, unlike many other channels of promotion, digital channel is still evolving. The audience is growing and the cost of advertising is decreasing due to the new technologies and more effective tools. ■

Bancassurance winning strategies – learning from Latin America

Timetric insurance analyst **Jay Patel** analyses the factors driving the success of the bancassurance model in Latin America, and particularly Brazil. Banks have valuable information about their customers, which could help harmonisation with their insurance partners to accurately target people with appropriate policies

The success of bancassurance in Brazil is due to a number of factors: the distribution related benefits of having large retail bank branch networks; the strong brand reputation of Brazilian banks and a favourable regulatory environment.

The branch networks of Brazilian banks offer a cost-effective opportunity for insurers to distribute insurance products to a large customer base. They also enable foreign insurers to benefit from the strong brand reputation of Brazil's largest banks, as opposed to setting up their own operation within the country, which could incur higher marketing costs.

The four largest banks in Brazil – Banco do Brasil, Bradesco, Caixa and Itau – have over 17,000 branches across the country. The effect of these branch networks is demonstrated by the fact 60% of the premiums in the Brazilian insurance market come from sales by the three largest bancassurers in the market: Bradesco Seguros, Itau Seguros and BB Seguridade.

Brazil's accommodating regulatory environment

The regulatory environment in Brazil provides an accommodating environment for bancassurance. For example, banks are allowed to own all of the equity of insurers, giving them an option of greater control over their insurance related operations.

Furthermore, consumer protection regulation is not too stringent in Brazil, making the partnerships more attractive to banks and insurers alike.

From the point of view of the Brazilian banks, selling insurance is seen as a way to diversify revenues away from the traditional credit revenues which can strongly vary across the economic cycle. In contrast, insurance is slightly more stable.

The severe recession in Brazil has negatively impacted upon Brazilian banks' traditional lending operations as loan demand collapses and defaults increase.

Consequently, bancassurance may become more attractive to Brazilian banks, as they see it as an opportunity to increase their income in the face of substantial challenges in the banking industry.

For example, in previous years insurance has accounted for approximately 30% of Bradesco's overall earnings and 16% of Itau's.

However, this is not to say that insurance revenues won't also suffer during a recession; it is just they are likely to be less affected compared to credit revenues.

Bancassurance in Brazil v Mexico

The bancassurance model is similarly successful in Mexico, particularly in life insurance. The key role played by Mexican banks in the drafting of legislation regarding the establishment of pension funds in the 1990s is one of the reasons behind the strength of this channel, as it helped these banks to develop expertise in the sector.

Furthermore, Mexico offers favourable tax treatment to its citizens on certain savings products. Just as in Brazil, the strong geographical presence of Mexican banks through their branch network gives them an advantage in distributing insurance around the country, especially in less developed areas.

Argentina

In Argentina, banks account for around 15% of new business premiums in the life insurance market. This channel initially was used for non-life products such as fire and motor insurance but has recently built a presence in life insurance.

Customers are attracted to this channel as they are able to meet their insurance needs at their bank and can purchase simpler products. While Argentinian banks, like their counterparts in Brazil are attracted by the revenue diversification benefits.

Including partnerships between banks and brokers, roughly 44% of life insurance in Chile is distributed in some way through bancassurance.

The bancassurance channel is generally more suited to selling life insurance and pension products.

The long term income protection nature of these products make them conducive to being cross-sold in a bank, as customers who are actively managing their savings are likely to be receptive to information about other products.

For example in Brazil, sales of VGBL and PGBL policies (popular pension products) are dominated by the large banking groups; Itau, Bradesco and Banco do Brasil; they have 80% of the market.

Outlook in Latin America

According to the CEO of Metlife's Latin American division, large banks are likely to move away from certain insurance operations deemed not to be core business.

Therefore Latin American banks may decide it would be better to focus on selling more of their profitable insurance products than diversify into other areas.

We may also see more utilisation of client information. Banks have very valuable information about their customers which could help their insurance partners to accurately target people with the appropriate policies.

With big data playing a greater role in the economy and increasing the value of this information, we could see industry players levering client information more intensively. Bradesco has created a new customer relationship management area which provides information regarding customer relationships with the company across its banking and insurance operations.

There is also scope for greater harmonisation between banks and their insurance arms. If you look at Bradesco, it has banking operations in 96 Brazilian cities, but only 22 of these cities are host to insurance representative from Bradesco.

Mobile and online tech impact

The move to online and mobile application-based purchases may reduce the interaction of customers with the branches of their banks and therefore diminish the importance of having a branch network as a tool to reach customers.

Therefore, internet banking will reduce opportunities for face-to-face cross selling of insurance products. However, it also offers opportunities for banks to offer insurance as a convenient add-on to policies and services they offer online. ■

REGULATION

Indonesia plans to set up holding company for state-owned banks

The Indonesian government is planning to set up an investment holding company that will manage its state-owned banks by 2018 to boost operational efficiency and boost equity.

The new firm will own shares in the country's largest banks, such as Bank Rakyat Indonesia, Bank Mandiri, Bank Negara Indonesia, and Bank Tabungan Negara.

Deputy minister Gatot Trihargo said that the new holding firm will be selected from one of the investment companies under the ministry such as PT Danareksa (Persero), PT Bahana Pembinaan Usaha Indonesia (BPUI) and PT Perusahaan Pengelola Aset.

Additionally, the Indonesian government has also scrapped its plans to merge all state shariah banks, and instead decided to pick investors from the Middle East to partner with the banks.

PAYMENTS

Kazkommertsbank partners with Visa to launch HCE payments service

Kazkommertsbank, a private bank in Kazakhstan, has partnered with Visa to launch a contactless mobile payments service in Kazakhstan.

The service, which is based on Host Card Emulation (HCE) technology, will allow the bank's customers to make contactless payments using Android-smartphones with NFC chip.

In order to avail the service, customers have to download and install a special application which is available for mobile devices running Android version 4.4 and a built-in NFC chip.

The solution will now enable Visa cardholders of Visa cards, issued by Kazkom, to integrate them easily with their Android-smartphones to pay for goods and services, both in Kazakhstan and in other countries, where contactless Visa payWave technology is available.

The service requires the entry of PIN code by users for payments of over KZT5, 000 to provide additional security of transaction.

The bank has over 5,000 contactless POS terminals in use in supermarkets, restaurants and shops across Kazakhstan and is planning to boost this number to 12,000 by the end of 2016.

Visa regional manager of Central Asia Galym Tabyldiev said: "Visa payWave technology accelerates and simplifies the payment for goods and services, thus creating additional comfort, both for buyers and for sellers.

"Visa Cloud technologies allow to use the mobile phone as a payment instrument, allowing to increase the volumes of electronic payments and providing to mobile commerce the new level of performance."

DIGITAL

NAB unveils personal banking origination platform

National Australia Bank (NAB) has unveiled a new personal banking origination platform that will reduce the processing times of personal loan and credit card applications.

The platform, developed in conjunction with technology provider Oracle, is part of the NextGen IT transformation project at the bank that is being carried out for several years.

The national rollout of the origination platform is scheduled to be completed by the end of 2016.

The launch follows a successful pilot of the platform in 2015 in contact centres and branches in the Northern Territory and South Australia.

NAB executive general manager of core banking Steve Collier said: "NAB's Personal Banking Origination Platform has reduced credit card application times to just seven minutes.

"For our bankers, we've streamlined processes by reducing the number of clicks to complete a loan application from 250 down to 50, which significantly reduces errors and improves turnaround times."

REGULATION

Westpac to repay $4m to customers over debit card fees

Westpac New Zealand has agreed to repay over $4m to more than 100,000 customers who were overcharged debit card fees while withdrawing money from the bank's ATMs across Australia.

Westpac, which reached a settlement with the Commerce Commission and Financial Markets Authority (FMA), will compensate about 108,000 past and existing customers who were overcharged more than $5.

Another 60,000 customers were overcharged less than $5, and the sum attributed to this group that amounts to just over $125,000, will be donated to the Mangere Budgeting Services Trust.

The breach occurred between October 2012 and August 2014, when the bank charged a higher exchange rate than that fixed by the card schemes.

In 2014, the bank self-reported the breach of the Fair Trading Act to the Commission and FMA.

Commissioner Anna Rawlings said: "Having reviewed Westpac's internal investigation and the information they have provided us, we are satisfied they did not set out to mislead their customers. While the overcharged fees are small for individuals, cumulatively it could have generated several million dollars in profit for Westpac."

M&A

AMCON to offload 100% stake in Keystone Bank

The Asset Management Corporation of Nigeria (AMCON), the state-backed bad bank, has announced plans to divest its 100% stake in Keystone Bank.

Keystone Bank represents the last of the country's three nationalised banks to be sold.

In 2011, the country nationalised three lenders- Afribank, Spring Bank and Bank PHB- which were recapitalised by AMCON and rebranded as Mainstreet Bank, Enterprise Bank and Keystone Bank.

Earlier, Mainstreet Bank was offloaded to Skye Bank Plc, while Enterprise Bank was sold to Heritage Bank.

Prospective buyers are required to submit their bids for Keystone Bank by 4 March.

As of June 2015, Keystone Bank managed total assets of NGN317.6bn ($1.6bn), equity of NGN18.9bn and a loan portfolio of NGN98.2bn.

As of 31 December 2015, the lender operates from 156 branches across the country and comprises four subsidiaries.

MOBILE

UBA and Airtel Kenya join forces on mobile banking

United Bank of Africa (UBA) has teamed up with Airtel Kenya to offer mobile-based financial services to Kenyans.

The collaboration will allow the two firms to offer a virtual savings account that can be accessed by all Airtel customers, along with mobile banking services to Airtel Money users.

The new Akiba Mkononi account can be used to save money by transferring funds from their Airtel Money wallets to their virtual savings account in UBA Kenya.

The mobile banking services will allow UBA customers using Airtel Money to transfer funds from their bank accounts to their Airtel Money account and vice versa. The service will also allow users to make airtime purchases and view account statements.

In addition, the duo has also unveiled plans to introduce mobile-based financial products, which include Airtel Money PESA Card and UBA Bank debit-VISA card.

Airtel Kenya CEO Adil El Youssefi said: "The customers taking up this product will also enjoy the convenience to use the Airtel Money PESA card that continues to enhance their experience and convenience on Airtel Money and ensure that they get added value."

UBA Kenya Bank managing director and CEO Isaac Mwige said: "Our partnership with Airtel to launch Akiba Mkononi and Mobile Banking services is the first step along this path to provide Kenyans with a rich bouquet of mobile-based banking services."

REGULATION

Saudi Arabia relaxes bank lending rules

Saudi Arabia has relaxed rules on bank lending in a bid to ease liquidity constraints and boost economic growth.

The Saudi Arabian Monetary Agency (SAMA) has told banks that they can now lend the equivalent of 90% of their deposits, up from an earlier limit of 85%.

The move comes as falling oil prices strain the banking sector. Last year, the government issued bonds to banks to cover a capital hole of about $100bn.

The three-month Saudi interbank rate surged to a record 1.73%, the highest in seven years, compared to less than 0.80% in the middle of 2015.

STRATEGY

Barclays names JPMorgan' executive as new COO

Barclays has named JPMorgan's chief administrative officer Paul Compton as its new group COO, effective May 2016.

Compton will be replacing Jonathan Moulds, who is leaving the British banking giant to pursue other opportunities.

In his new role, Compton will be responsible for operations & technology, structural reform, cost transformation, major project delivery, administration, corporate real estate services, and sourcing.

Compton will report directly to Barclays' group chief executive Jes Staley. Compton will join the executive committee of Barclays as well as chair the group operating committee.

Staley commented: "For nearly 20 years Compton has served in a variety of senior operating roles. His huge directly relevant experience will prove invaluable as we continue our strategic transformation and manage the required changes under Structural Reform."

Compton said: "Over the last few years, Barclays has taken a number of steps to enhance its operating structures and become more efficient. I'm looking forward to working with Jes and the rest of the management team to continue the progress of the business and deliver the performance Barclays' shareholders expect."

STRATEGY

HSBC decides to keep its headquarters in UK

Banking giant HSBC has decided to remain headquartered in the UK following an extensive review by its board of directors.

The decision made by the Board to keep its headquarters in London was unanimous, the bank said.

This move is part of the bank's strategy to support trade and investment flows globally as well as help its retail and corporate customers to meet their financial needs.

HSBC in a statement said: "London is one of the world's leading international financial centres and home to a large pool of highly skilled, international talent. It remains therefore ideally positioned to be the home base for a global financial institution such as HSBC."

The bank added that its board has decided not to continue the previous practice of reviewing the location of the Group's headquarters every three years, and will only revisit the matter if there is a material change in circumstances.

In June 2015, the company announced a 'Pivot to Asia' as a key part of its strategy under which it plans to invest more into China's Pearl River Delta and ASEAN region.

HSBC Group CEO Stuart Gulliver said: "Having our headquarters in the UK and our significant business in Asia Pacific delivers the best of both worlds to our stakeholders.

"The completion of this review closes out one of the 10 strategic actions we set out at our Investor Update last June. My colleagues and I remain totally focused on completing the other nine actions."

The bank described the review process as an exhaustive process. In its later stages, the review was narrowed to the UK and Hong Kong.

STRATEGY

Arun Jaitley: Expect bank reforms

Indian finance minister Arun Jaitley said that the government will be announcing a series of bank reforms to reinvigorate the sector, which is grappling with non-performing assets.

Jaitley also indicated that the government is thinking of reducing its stake in banks but will not totally exit the banking sector, as public sector banks play a major role in financial inclusion through their geographical presence.

"I don't think India has reached a stage where the state can pull out of banking altogether. State sector banks have performed an important role, which includes geographical reach and financial inclusion. Banks have an important role to play going forward as well," Jaitley said.

He added that banks should be allowed to function independently without political interference.

"The government does have to play at an arm's length in the functioning of banks. Bank boards have to be professionalised," Jaitley said. He added that the government was committed to pare down its stake in public sector banks to around 51 or 52%.

STRATEGY

HSBC scraps pay freeze plan after staff protests

Banking giant HSBC has abandoned plans to freeze pays this year following staff protests barely two weeks after introduction.

At the end of January 2016, the lender had announced plans to freeze pay and hiring in a drive to cut costs and boost profitability.

The bank looks to achieve annual cost savings of up to $5bn by 2017.

HSBC CEO Stuart Gulliver said in a memo that pay rises at the bank will be funded by its 2016 variable bonus pool, originally designed for bonuses to be paid out in 2017. However, the freeze on hiring will remain intact.

"We will therefore proceed with the pay rises as originally proposed by managers as part of the 2015 pay review, noting that, consistent with prior years, not all staff will receive a pay rise," Gulliver said.

Bonuses for 2015 that are expected to be paid in 2016 will not be affected, the memo added.

M&A

Chase Bank joins forces with Postbank

Chase Bank has signed a partnership deal with Kenya's Postbank to boost its distribution networks across Kenya.

The partnership will allow Chase Bank customers to access banking services at all 104 branches of Postbank in Kenya.

Customers will now be able to make third party deposits, cash deposits and withdrawals, as well as access mini statements and balance inquiries at Postbank branches, Chase Bank said.

The agreement boosts Chase Bank's cash access points in the country to 54 branches, 1,104 agents, and 1,448 ATMs.

Chase Bank in a statement said: "As a bank, we are expanding our distribution network throughout the country by opening more branches and deploying a full range of non-branch channels including agent banking, offsite ATMs, mobile banking, electronic banking and other innovative channels as we respond to the needs of our customers."

DIGITAL

BBVA pumps $250m into fintech venture fund

Spanish banking group BBVA has announced plans to invest $250m into a new venture fund known as Propel Venture Partners after shutting down its in-house venture fund.

The latest funds includes the original $100m used to set up the BBVA Ventures fund in 2013.

The Spanish lender will be a limited partner in Propel, which will focus on payments, credit, insurance, wealth management, e-commerce, security and compliance.

Propel will operate from London and San Francisco, and will use the $250m fund to invest in fintech firms across the US and Europe.

BBVA Ventures managers Jay Reinemann and Tom Whiteaker, will serve as the managing partners of the new fund, alongside Ryan Gilbert.

BBVA chief development officer and general manager of new digital business Teppo Paavola said: ''In an increasingly competitive fintech venture capital environment, we believe that our increased capital, Propel's independence and a presence in London can enable us to invest in the best fintech start-ups and better support BBVA's vision of using technology to change financial services for the benefit of the customer."

PAYMENTS

Bandhan Bank ties up with Visa for debit cards

India's Bandhan Bank has partnered with Visa International for debit cards. The card will have two variants - Visa Classic and Visa Platinum.

The lender, which started full-fledged operations in August 2015, offered only RuPay card to its depositors for the first five months.

With Visa Classic, cardholders can withdraw up to INR40,000 ($583) daily, while Visa Platinum allows cash withdrawal of INR1,00,000 daily.

Bandhan Bank said that the new debit card will be accepted worldwide at more than 30 million Visa merchants and allow card holders to withdraw cash at two million ATMs worldwide.

Additionally, Bandhan Bank has introduced banking services for NRI customers in order to move beyond rural finance for deposit mobilization. NRI services would be offered only at select branches, the bank said.

The bank, which had developed a network of 612 branches and 203 ATMs so far, has a customer base of 8.2 million, of which around 800,000 were added in the last five and half months.

The lender aims to add one million new customers by the end of this financial year.

SECURITY

FirstBank selects Entersekt to enhance mobile banking security

Colorado-based lender FirstBank has selected Entersekt's multi-factor authentication product known as Transakt to improve mobile banking security.

Transakt leverages digital certificates and proprietary validation techniques to identify each enrolled mobile phone or tablet and convert it into a trusted second factor of authentication, Entersekt said in a statement.

The Transakt Software Development Kit will be integrated into FirstBank's mobile banking app to offer an one-touch authentication experience that meets FFIEC and international regulatory standards on out-of-band, multi-factor authentication.

Entersekt further said that in order to offer a one-touch user experience, the bank has deployed a fingerprint biometric feature through Transakt.

The authentication involves a single touch in response to a pop-up verification request, and eliminates the requirement for one-time passwords or challenge questions.

FirstBank chief operating officer Jim Reuter said: "Our mobile app has been incredibly well-received by our customers since we launched it in 2014. Adding one-touch authentication will further enhance what is already one of the most progressive, easy-to-use mobile banking technologies on the market."

M&A

Hampton Roads Bankshares, Xenith Bankshares to merge in $107.2m deal

Virginia-based lenders Hampton Roads Bankshares (HRB) and Xenith Bankshares have agreed to merge in a deal worth about $107.2m, creating the state's fifth-largest community bank by deposits.

Based in Virginia Beach, HRB is the parent of the Bank of Hampton Roads and manages $2bn in assets. Richmond-based Xenith Bankshares is the parent of Xenith Bank and manages assets of about $1bn.

The combined entity will be based in Richmond, Virginia, managing pro forma total assets of $2.9bn and combined deposits of $2.5bn.

As per the agreed terms of the transaction, Xenith shareholders will receive 4.4 shares of HRB common stock for each share of Xenith common stock, with HRB and Xenith shareholders holding about 74% and 26% of the stock respectively in the combined firm.

The merged company will operate under the name Xenith Bankshares for the holding company and the Xenith Bank name for all banking operations.

It will be governed by a 13-member board that will include 8 directors from HRB and 5 directors from Xenith.

Xenith president and CEO T. Gaylon Layfield, III will assume the role of CEO of the combined entity, while Bank of Hampton Roads president Donna Richards will serve as president and chief operating officer.

The deal has already secured the go-ahead from the boards of directors of both companies. It is anticipated to close in the third quarter of 2016, subject to regulatory and shareholder approvals.

Commenting on the merger, Donna Richards said: "This is an exciting opportunity to combine two financially strong banks with very similar cultures, core values and guiding principles, as well as a shared commitment to building long-term customer relationships with exceptional customer service.

"As a combined company united under one name, we will bring together the relationship focus of a hometown bank with the sophistication and experience of a larger one. In addition, Xenith's extensive business banking experience will complement Bank of Hampton Roads' retail and consumer focus." ■

Are MPs the solution to banking's IT problems?

By **Vishal Bhatnagar**, SVP & Country Manager, UK, at CAST Software

For some time now the European banking sector has been in the firing line for a number of reasons ranging from job cuts, increased regulation, lower profitability and major IT glitches. All of which can potentially lead to brand damage, customer dissatisfaction and fines in some cases from the regulators.

The most headlines over the past year have been driven by the system outages that some of the UK's leading banks, such as RBS, NatWest and Barclays have been experiencing. Already in 2016, HSBC experienced an outage lasting nearly 2 days, preventing its personal banking customers from accessing their bank account and functions online.

Following the latest glitch from HSBC, leading MPs held a Treasury Select Committee meeting to discuss the need for a major audit that could result in millions of pounds of restructuring costs for banks. The industry has been plagued by repeated IT failures which seriously disrupt and undermine the credibility of business and personal banks.

The frequency of these failures across the banking sector suggests a systemic weakness in IT systems. With a primary factor being the fact their core systems are based on legacy IT, with some banks running core banking applications on systems that are more than 30 years old. The technology currently in place isn't going to get any younger, so the situation will only get worse if nothing is done to fix the problem.

Some of the UK's leading and oldest banks are delivering more and more services to customers, whose expectations of reality have been set by consumer tech. The addition of new payment platforms, like contactless and Apple Pay, is imposing unprecedented volumes on these legacy banking systems. In the 'old days', the peak CPU utilisation for bank's servers was when batch processes were run in the middle of the night during a four hour window but in the digital world similar processing peaks are seen during lunch hours in a weekday or even at 10pm at night.

The string of recent glitches in the UK banking sector, highlights the structural flaws in their business-critical systems, and the level of risk they expose the businesses to. This is now a boardroom issue that the UK financial services regulator has to address since the problem is only getting worse.

A bank's IT builds up over many years; its software is created by a myriad of different teams and outsourcing vendors, writing in different programming languages on different machines in multiple locations. The systems then become the product of hasty and ill-considered mergers. Problems are inevitable, fixing them can take years and cost a fortune.

CAST predicted last year that the systems which run exchanges as well as those internal to banks, were not robust enough to ensure IT issues did not cause costly business interruptions. Sadly, this has already proved true weeks into the New Year. Therefore, there is an urgent need to measure the software risks banks face on their critical IT applications to help take objective decisions about how IT transformation should take place.

The financial services industry needs standards based on low cost, automated measures for evaluating software size and structural quality that can be used in controlling the quality, cost and risk of the software.

This is where CISQ code quality standards can be used to carry out an audit of its applications. Without a benchmark to measure against they are less likely to have an understanding of where the problems are within their system.

CISQ code quality standards can be used to detect critical violations of good coding and architectural practice in software. Initially, there would need to be the measurement against software quality standards at every release, e.g. measure code compliance to secure architecture, and put CISQ software quality measures into contracts with outside developers or software vendors to track established outcomes.

Using such architectural and structural analysis tools in accordance with the CISQ standards allows for non-IT executives and application owners to use this insight to identify which of the applications present the greatest risk to their business or involve the highest cost of ownership. These measures can also be used externally to benchmark service level agreements in their outsourcer agreements with greater accuracy.

Software quality measurement is often in the eye of the beholder, and it can fall victim to the perspective and values of whoever happens to be judging the code. But it should not ,now that there are agreed industry standards.

These are designed to develop a common understanding between developers and enterprises of how software systems are analysed, as well as how to detect architectural and coding flaws.

The fact of the matter is that the top management at companies like HSBC don't seem to understand the complexity of the technology they're managing. Their developers try to do a good job, but they are also pushed by the business to deliver the digital transformation, the next marketing programme, and the next customer service functionality as soon as possible.

At the heart of the issue, neither the developer nor their management have all the information in one place. IT executives think structural issues are technical and not their concern, but it's the technical issues that account for more than half of software disasters.

Top management needs to step up to manage these and implement an audit of its applications. ■

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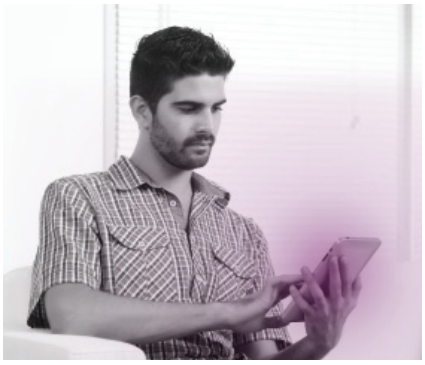

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