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CANDID CAMERON

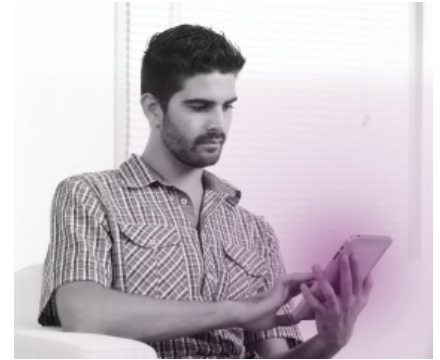
A portrait of Douglas Blakey, a middle-aged man with short brown hair, smiling. He is wearing a dark pinstripe suit jacket over a pink and white striped shirt. The background is a dark green gradient.

DOUGLAS BLAKEY SPEAKS TO THE CEO OF MONITISE

- STRATEGY: Ceska Sporitelna
- MARKETING: The Facebook Top 100
- DISTRIBUTION: MUFG Union Bank
- ANALYSIS: Myanmar

timetric

Multichannel digital solutions for financial services providers



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Intelligent Environments is an international provider of innovative mobile and online solutions for financial services providers. Our mission is to enable our clients to always stay close to their own customers.

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We are immensely proud of our achievements, in relation to our innovation, our thought leadership, our industrywide recognition, our demonstrable product differentiation, the diversity of our client base, and the calibre of our partners.

For many years we have been the digital heart of a diverse range of financial services providers including Atom Bank, Generali Wealth Management, HRG, Ikano Retail Finance, Lloyds Banking Group and Think Money Group.

CONTENTS

- 2 STRATEGY: CESKÁ SPORITELNA**
Ceská Sporitelna has successfully implemented FICO's Optimisation Technology for pre-approved loans. **Douglas Blakey** looks at the results that this change has brought; so far, it seems impressive
- 4 MARKETING: FACEBOOK TOP 100**
Patrick Brunahan writes on the efforts made by financial institutions on social media, particularly Facebook. Why are banks turning towards this channel? *RBI* also releases its Most 'Liked' FIs on Facebook rankings
- 7 DIGITAL: MEXICO**
Robin Arnfield reports on the digital transformation occurring in Mexico through players such as Banamex, Santander, BBVA, and Scotiabank
- 10 DISTRIBUTION: MUFG UNION BANK**
The San Francisco-based subsidiary of Japan's Mitsubishi UFJ Financial Group, MUFG Union Bank, sees an opportunity to use digital distribution to gain nationwide opportunities. **Robin Arnfield** investigates
- 12 FEATURE: MYANMAR**
Xiou Ann Lim reports on the monumental changes currently happening in Myanmar. Not only is it going through cultural and political evolution, but its banking sector is finally gaining some traction
- 14 FEATURE: RBI BANKING ROUNDTABLE**
Are challenger banks as dangerous as the hype makes them out to be? How important are digital and mobile platforms? These are just a couple of the questions asked at a banking roundtable in Paris hosted by *Retail Banker International* on behalf of Assurant Solutions. **Anna Milne** writes
- 16 INTERVIEW: MONITISE**
Monitise has had a near-cinematic rise and fall story in a short amount of time. its new CEO, Lee Cameron, believes that the time is right for the company to be back on the rise again, in fact, it has to be. As he tells **Douglas Blakey**, the market will not tolerate any more failure
- 20 GUEST ARTICLE: COGNISCO**
Mary Clarke discusses the value of proper training of staff. Poorly trained staff can lead to a 'domino effect, which can lead to nothing but failure. How to banks rectify this?'

7th annual Asia Trailblazer Awards: DBS scoops 13 awards



The 7th annual Retail Banker International Asia Trailblazer Awards broke a number of records: a record number of nominations, winners and attendees at the Gala Dinner on 17 March 2016 at the Carlton Hotel Singapore.

More importantly, the awards, celebrating the best in product innovation,, process, strategy, channel, marketing, communications and people excellence produced the best ever quality of nominations.

DBS had some night, winning 13 awards in all including 'Excellence in Internet Banking' and 'Trailblazer of the Year 2016', while Citibank won four awards on the night.

Judging the awards was no easy task. My thanks to Ruben Kempeneer and my fellow judges: Michael Allen, Founder and Group CEO of allen international, Richard Hartung, who has over 20 years of experience in the payments & consumer financial services industry and Xiou Ann Lim, Asia Editor at Timetric.

Excellence in Loan Origination:

DBS BANK, SINGAPORE

Excellence in Collection and Debt Management:

TAISHIN BANK, TAIWAN

Excellence in Client On-Boarding and Communication:

DBS BANK

Excellence in Business Model Innovation:

DBS BANK

Excellence in Customer Centricity:

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Dynamic 3rd Party Partnership:

BANK MUAMALAT MALAYSIA BERHAD

Best Social Media Marketing Campaign:

CITIBANK SINGAPORE

Best Digital Marketing Campaign:

DBS BANK

Excellence in Internal Communications:

DBS BANK

Excellence in Social Media - Customer Relations and Brand Engagement:

CTBC Bank

Best New Product, Service or Innovation Launch:

MAYBANK

Best Marketing Campaign:

DBS BANK

Excellence in Mass Affluent Banking:

CITIBANK SINGAPORE

Excellence in Service Innovation:

DBS BANK

Excellence in SME Banking:

DBS BANK

Best Initiative in Financial Inclusion:

HBL PAKISTAN

Best Mortgage Offering:

MAYBANK

Best Loan Offering:

MAYBANK

Best Bancassurance Product:

BANK DANAMON INDONESIA

Best Deposit Offering:

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Best Card Offering:

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Outstanding Investment Services, Retail Clients:

CITIBANK MALAYSIA

Most Innovative Branch Offering:

STANDARD CHARTERED BANK KOREA

Innovation in Service Delivery - ATM:

CTBC BANK

Excellence in Contact Centre Innovation:

DBS BANK

Excellence in Internet Banking - Cross Border:

DBS BANK

Excellence in Internet Banking - Overall:

DBS BANK

Excellence in Mobile Banking - Customisation:

UNITED OVERSEAS BANK

Excellence in Mobile Banking - Overall:

UNITED OVERSEAS BANK

Excellence in Multi-Channel Integration:

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Best Graduate Employment Scheme - Retail Banking:

ALLIANCE BANK MALAYSIA BERHAD

Best Staff Training & Development Programme:

CITIBANK SINGAPORE

Best Bank in Community Outreach Initiative:

DBS BANK

Trailblazer of the Year for 2016 (Individual):

DR KOSON SAPPRASERT, SIAM COMMERCIAL BANK PCL

Trailblazer of the Year for 2016 (Institution):

DBS BANK

Douglas Blakey

Douglas.Blakey@retailbankerinternational.com

Optimising results in the Czech Republic

Česká Spořitelna has successfully implemented FICO's Optimisation Technology for pre-approved loans. As Česká's Zuzana Sloukova tells **Douglas Blakey**, the returns have been impressive, increasing profits by 26% while new sales are also up by 29% all with no increase in credit risk costs

Erste's Czech Republic subsidiary, Česká Spořitelna, with more than 600 branches and five million customers, ranks first in the country by assets and retail banking market shares in all main product areas.

In terms of consumer finance, Česká is the country's long-term market leader with a market share in total outstanding business of consumer loans of more than 32%.

In response to aggressive pricing by its retail banking rivals and with its market share lead under attack, Česká sought to increase its competitiveness without a loss in profitability.

Zuzana Sloukova, who leads the optimisation, reporting and analysis team for Retail Risk at Česká Spořitelna tells *RBI*: "Optimising our strategy for pre-approved cash loans was a significant part of this campaign."

Česká performed analysis showing that it could increase the absolute portfolio profit (APP) of pre-approved cash loans by identifying the optimal offer price and initial credit limit for each individual borrower, based on their risk profile, loan appetite, price sensitivity and personal wealth.

Utilising optimisation tools that form part of FICO's Decision Management Suite, the bank was able to analyse data to arrive at the best price and credit limit.

Sloukova's team developed a new approach using an iteration algorithm that took into consideration all the possible loan limits in order to maximise profit. The team also developed a highly sophisticated amount take-up model, which predicts the loan amount that clients will take.

Based on the successful results from a similar project for non-pre-approved loans, Česká forecast a 5% to 10% increase in APP, and a 7% to 12% increase in new volume.

When Česká analysts tested optimised scenarios in the FICO Decision Optimizer, they showed even better results.

Says Sloukova: "When the strategy went live, it outperformed our expectations. APP increased by 26% and new sales increased 29%, without an increase in credit risk costs.

"Currently, the strategy runs on our entire

cash loan portfolio of pre-approved loans. Projecting the results across our portfolio, we forecast an annual increase of \$16m in APP and \$41m in new sales

In October 2015 more advanced analytical procedures using real-time optimisation models for decisions were launched.

For this, the bank's analysts use FICO Optimization Modeler, powered by the FICO Xpress Optimization Suite, to configure the optimisation models used for real-time decisions.

In order to react to increasing demand of debt consolidation and to deal with greater competitive pressure, it was necessary to prepare a more suitable offer of debt consolidation for each customer, taking into account customer price sensitivity and credit risk profile, etc.

Česká forecast a 15% increase in new sales compared to the prior strategy, again part of its campaign to win market share.

Sloukova says that the first generation of this optimisation, returning optimised results within one second, helped the bank to increase its market share on new bookings from a 34% average in the first three quarters of 2015 to 39% in the fourth quarter.

She adds that Česká calculates pre-approved limits on consumer loans, overdrafts, credit cards and building society loans. From a credit risk viewpoint, there are two processes of decisions: the standard approval process (real-time decisions based on actual information available at the time, when a client applies for a loan) and calculation of pre-approved or pre-qualified limits where decision is based on proprietary information about a client.

"In cases where a client is considered completely creditworthy for a certain credit product, a 'conditionally approved' limit can be offered," she says.

Implementation of the optimised strategy for pre-approved limits took the bank around one to two months. She explains that the change was not such a complicated task, due to the bank's experience in development and implementation of optimised strategies from previous projects.

"For comparison, it took around one year

from the initial idea to a launch of real-time optimisation. This included not only the development of the optimisation model, but primarily the integration of the new software (FICO Xpress Optimization Suite) into the Česká IT family.

"The task was quite complex: it required development of more sophisticated decision process (optimised offer of loan limit and price), but also some changes in the sales process."

For its part, FICO has spoken in glowing terms about how Česká went about the project implementation.

Bill Waid, vice president and general manager for decision management solutions at FICO tells *RBI*: "Our optimisation tools are second to none in giving analysts and business teams the power they need to develop, test and deploy new strategies.

"Česká Spořitelna has put these tools to the test, and achieved remarkable results."

As the results of the investment have outperformed the bank's forecasts, Sloukova says that internal feedback is very positive: "In comparison with previous internal process setting, it is much more important to be in close contact with the business part of the bank such as distribution, product development and marketing. Good communication, cooperation and understanding of this new advanced approach by all stakeholders is critical for the success of such a project."

Looking ahead, Sloukova summarises her team's priorities this year as follows: "This year we would like to focus on the optimisation of overall client exposure to unsecured products. It means a shift from single-product optimisation to a comprehensive approach, which focuses more on customer's needs.

"Internally, we are talking about second generation of real-time optimisation. Our goal is to help our clients to find the best possible credit options."

Digital at the heart of Česká sales strategy

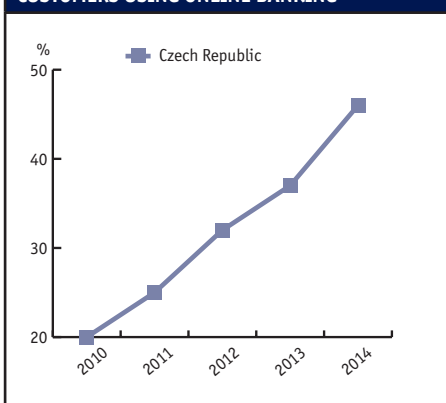
Pre-approved or pre-qualified limits are primarily relevant for the sale of lending products via alternative distribution channels such as internet banking and mobile banking.

■ ERSTE FOOTPRINT: CEE-ERSTE CUSTOMER NUMBERS BY MARKET (MILLION)

Czech Republic	5.00
Austria	3.5
Romania	3.00
Slovakia	2.3
Croatia	1.10
Hungary	0.9
Serbia	0.40

Source: Erste

■ ČESKÁ SPORITELNA - 2010-2015 % OF CUSTOMERS USING ONLINE BANKING



Source: ERSTE

Explains Sloukova: “Simple decision processes and suitable, attractive offers are nowadays absolutely essential. This innovation definitely helped us to increase sales through these channels and we are still hard at work on further improvements.

“Developing sales of lending products in alternative distribution channels (including m-banking) has been included in the long-term strategy of Česká for many years.

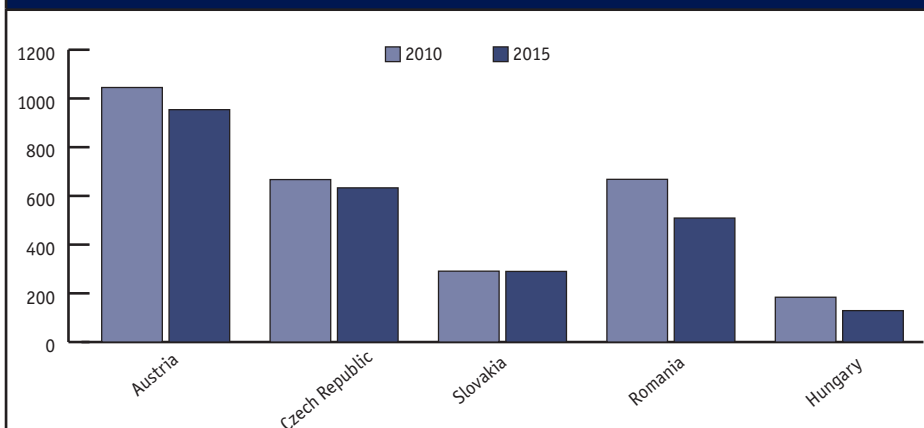
“More and more clients are requesting the possibility to arrange a loan within minutes and above all immediately at the time, when the customer needs money (in a shop or when surfing on a website) without having to visit a bank branch.”

“Mobile banking and tablets are the optimal way to satisfy these needs”

Group wide, nearly 50% of Erste’s 2,735 branches in Austria and Central and Eastern Europe are equipped with free Wi-Fi internet access and the bank plans to continue to increase coverage.

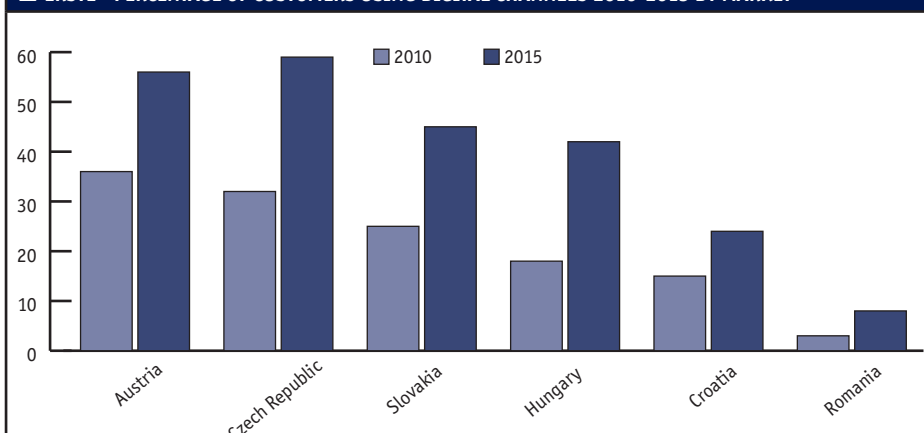
“The branch remains an important touch point, especially for advisory services, but at the same time we encourage our clients to manage their accounts digitally. So with this initiative we combine the benefits of personal in-branch service and mobile banking – for example our clients can get hands-on advice

■ DECLINE IN BRANCH NUMBERS ERSTE - BRANCH NUMBERS BY MARKET 2010-2015



Source: ERSTE

■ ERSTE - PERCENTAGE OF CUSTOMERS USING DIGITAL CHANNELS 2010-2015 BY MARKET



Source: ERSTE

on how to get started online and how various features such as mobile payments work,” says Peter Bosek, chief retail officer of Erste Group Bank.

All Erste branches in Hungary and Serbia now offer Wi-Fi as do the majority of branches in the Czech Republic (80%) and Croatia (70%); around one-half of Austrian outlets are Wi-Fi enabled with plans to achieve full coverage across the branch network.

Mobile internet penetration in Central and Eastern Europe was 53% in 2014 and is expected to grow to 72% by 2017. In 2014, 72% of the ‘online population’ accessed the internet from their mobile phone. This figure is expected to grow to 92% in 2017.

George: Erste’s digital programme for a new financial ecosystem

Then philosophy of Erste’s George digital programme is to make banking more personal. The group rolled out a uniform platform in 2015 in Austria with the aim of enabling group wide transformation from a branch-centric model to a 360 degree omnichannel bank model.

The bank says that the George project incorporates a system that ‘thinks for itself and continually grows’.

Customers have the option to build their own system by adding smart personal plug-ins.

George started on 1 January 2015. And by mid-July there were over 315,000 users onboard.

In June 2015, the offering added a personal Finance Manager option analysing cash flows and different classes. Now customers can fix appointments directly with their personal advisors via George as well the system automatically offering available diary slots in the bank advisor’s calendar.

Erste’s digital drive was kick-started with the launch in 2011 of its in-house start-up, Erste Hub.

“We decided to start innovating from inside out because we believe that this is the best way how we can change our corporate culture. With Erste Hub, we are able to substantially shorten the time-to-market of a new product, which is traditionally the biggest challenge for large banks,” explains Bosek. ■

Which bank is the most ‘Liked’?

Long gone are the days when a branch was needed to speak to your bank. Now, there are a variety of options, including the exponentially growing realm of social media. While banks are unlikely to be defined as ‘social’, they are taking the medium, particularly Facebook, by storm. **Patrick Brusnahan** writes

RBI’s 100 Most Liked Institutions on Facebook table shows that the financial sector is still focusing on the site to interact with its customers. With an average rise in ‘Likes’ of 66%, it has been a strong showing for the financial sector.

Visa finished top of the table yet again with a total of 19.8 million fans, a rise of 19% compared to last year. MasterCard finished second with 13.4 million fans, a rise of over 25% year-on-year.

While these two remained triumphant again, some institutions saw remarkable rises in the amount of ‘Likes’ they received with both State Bank of India and Intesa Sanpaolo increasing their total fans by over 1000%. The region with the biggest risers was the Middle East and Africa, with six of the ten most improved banks in this realm from this region.

The bank with the highest rating was HDFC in fourth place, closely followed by Banco Bradesco and ICICI, with 6.8 million fans, 41% more fans than the previous year.

The highest placed UK-based bank was Barclays in tenth, the same position as last year. The lender saw a 21% rise in fans to hit 4.3 million.

Why are banks looking at Facebook?

What possible purpose could banks have for Facebook? It seems a step outside of the market’s comfort zone.

However, social media is a constant in modern life. Recent research from Innovaue reported that almost 2.1 billion people are now engaged with social networking. In addition, wearesocial.net found that 28% of people’s time online is spent on social media, more than half of which is on Facebook.

On the other hand, social media and banking analytics firm, The Financial Brand, state on its website: “As social media marketing continues to gains team in retail banking, financial marketers need to pause and think about how they use social channels and whether this activity is really adding any value.”

Samantha Gray, head of social media at Barclays, speaking to *RBI*, says: “Facebook plays an integral part of our customer service and communications functions. We are able to reach potential and existing customers, with relevant messages specifically created for them; whether this is around education on a new product, a digital initiative or something our customers need to be aware of quickly.”

Jacqueline Smale, manager of social media for ING Netherlands, adds: “We mostly use it for interacting with our target groups. Our Facebook Netherlands account is less for stakeholder management; it’s wider than just our customers. We use it for a couple of sections, mainly for our web care, customer service and also for brand and representation management. We publish articles and blog posts to share our opinions and expert information from ING.”

Smale believes that Facebook is a good service to deliver up-to-date feedback to ING’s customers. She explains: “We work together with the web care team to see what information is missing on more of the practical stuff and the way people use ING services. Things about how the online and banking app environments work. This is the kind of information that most of our followers really like so they follow us for a couple

■ THE 10 MOST IMPROVED BANKS ON FACEBOOK				
BANK	PAGES	TOTAL FANS 2015	TOTAL FANS 2014	CHANGE %
State Bank of India	State Bank of India	4620713	355704	1,199
Intesa Sanpaolo	Intesa Sanpaolo/Banka BIH/Romania/Card University Award/Card/Live Inspire	906309	75501	1,100
Access Bank	Access Bank	862436	143315	502
Mashreq	Mashreq Bank	494151	168478	193
Arab Bank	Arab Bank	298614	104815	185
Seylan Bank	Seylan Bank	331144	117085	183
First Bank of Nigeria	First Bank of Nigeria	836894	380424	120
Kotak	Kotak Mahindra	626736	287643	118
Bank Audi	Lebanon/Cards	196471	90564	117
BNP Paribas Net	Net/Open/Cardiff/Fortis Belgie/BMCI Groupe/UBCI Groupe/BGZ/Ma /Fortis België/Geojit/Masters/careers	1534725	711304	116

Source: RBI/Facebook

of reasons.

“They like our brand, they like to be informed, and we proactively inform them when there is a hiccup in our services. For example, if some of the digital services are down for some time, we let people know through social media.”

Another factor is the links that ING has through sponsorships, events and the like.

Smale says: “We also use this format for campaigns focused on our products and sponsorships. What we see if that our followers very much appreciate that sort of initiative. A couple of examples are the sponsorship of the national football team, famous museums and even a big event of ours that was sold out in ten minutes.”

Erik van Roekel, manager of social media across the entirety of the ING Group, believes that is a ‘big sector’ across the entire brand and not just in Holland.

However, rather than just providing for customers, Facebook allows consumers to help ING in return.

“We ask our community to think along with us in what should be developed for the app or other services. What do our customers see as the most important thing to develop? And this leads to co-creation where people can come see what we’re thinking about and give their input. It’s a more time-consuming effort so we don’t do this every day, but every now and then, and appreciation is really high,” says Smale.

Praveen Bhatt, head of marketing and customer service at Axis Bank,

■ THE TOP 100 BANKS ON FACEBOOK RANKED BY LIKES

	Bank	Pages	Total fans 2015	Total fans 2014	Change %
1 (1)	VISA	VISA/Small Business	19893994	16687686	19
2 (2)	Mastercard	Mastercard	13493178	10740313	26
3 (3)	American Express	American Express/OPEN/Amex for Business Australia/Amex for Business Canada/Serve	7328919	5829930	26
4 (5)	HDFC	HDFC Bank/HDFC Life	6801518	4817442	41
5 (4)	Banco Bradesco	Bradesco/Seguros/Teatro	5350147	5049398	6
6 (9)	ICICI	ICICI Bank/Fellows/Lombard/NRI	5121033	3555145	44
7 (11)	Citigroup	Citi/Citibank US/Malaysia/UAE Philippines/careers/Brasil/Thailand/Singapore/India/Magyarország/Every Step/Korea/IPB EMEA/Bike	4825997	3057172	58
8 (7)	Capital One	Capital One/UK/Canada/Investing for Good/Small Business/360	4766758	3889017	23
9 (49)	State Bank of India	State Bank of India	4620713	355704	1,199
10 (10)	Santander	Students/UK/Mexico/GP/Brasil/Chile/Universidades/Rio/Totta/US	4581020	3549078	29
11 (8)	Barclays	UK/Football/Business UK	4356324	3595821	21
12 (15)	BBVA	Bancomer/Colombia/Compass/Espana/Continental/Provincial adelante/Chile/Francia/Paraguay/Uruguay	4068594	2341777	74
13 (6)	Chase	Chase	3863260	4409960	-12
14 (16)	GT Bank	GT Bank/Ghana/Kenya	3573635	2266373	58
15 (12)	Axis	AXIS Bank	3168931	2739262	16
16 (17)	Standard Chartered	Standard Chartered/UAE/Malaysia/Marathon Pages/India/Pakistan/Kenya/Indonesia/Bangladesh/Nigeria/Vietnam/HongKong/Thailand/Ghana	2961277	1984364	49
17 (14)	CIMB	Malaysia/Thai/Group/Singapore/Indonesia/Niaga	2875344	2472405	16
18 (13)	HSBC	Brasil/Students/Mexico/UK/Arena/HSBC/Expat/Argentina/UAE	2178426	2717585	-20
19 (21)	Banco do Brasil	Banco do Brasil	2029097	1533585	32
20 (19)	KBank Live	KBank Live	1908917	1647947	16
21 (22)	Maybank	Maybank/PH/Kim Eng Securities/Maybankard/Indonesia/Championship	1907615	1515917	26
22 (18)	Garanti	Garanti Bankasi/Garanti Bank	1821917	1696956	7
23 (20)	Akbank	Akbank/Sanat/Yatırımcı/Direkt/Kariyer/Kobi	1706384	1564065	9
24 (26)	Yapi Kredi	Yapi Kredi/İnsan Kaynakları	1549938	1064443	46
25 (33)	BNP Paribas Net	Net/Open/Cardiff/Fortis Belgie/BMCI Groupe/UBCI Groupe/BGZ/Ma /Fortis Belgie/Geojit/Masters/careers	1534725	711304	116
26 (23)	Interbank	Peru/Interbank	1507452	1380901	9
27 (25)	Scotiabank	Scotiabank/Jamaica/Mexico/Bahamas/Nuit Blanche/Dominican Republic/Chile/Antigua&Barbuda/StVincent&Grenadines/Saddledome	1451529	1074981	35
28 (31)	IDBI Bank	IDBI Bank	1326055	826373	60
29 (27)	Wells Fargo	Wells Fargo/Centre/Advisers	1191179	1028586	16
30 (24)	Davivienda	Davivienda/Costa Rica/Empleos	1182907	1102801	7
31 (28)	DenizBank	DenizBank/Akademi/İnsan Kaynakları	1161514	1024151	13
32 (30)	Multibanca Colpatria	Multibanca Copatria	1037134	871733	19

Source: RBI/Facebook

■ THE TOP 100 BANKS ON FACEBOOK RANKED BY LIKES

	Bank	Pages	Total fans 2015	Total fans 2014	Change %
33 (29)	RBS	Scottish Rugby/6 Nations/Early Careers/Royal Bank of Scotland	1014547	976431	4
34 (92)	Intesa Sanpaolo	Intesa Sanpaolo/Banca BIH/Romania/Card University Award/Card/Live Inspire	906309	75501	1,100
35 (32)	JSC TBC	TBC Bank/Kredit/Smart Club	903242	782872	15
36 (34)	USAA	USAA	902504	705579	28
37 (72)	Access Bank	Access Bank	862436	143315	502
38 (39)	Commonwealth Bank	Commonwealth Bank/Business/Indonesia	853104	591905	44
39 (46)	First Bank of Nigeria	First Bank of Nigeria	836894	380424	120
40 (36)	SABB	SABB	836203	624885	34
41 (44)	Unicredit	Austria/Italia/Bulbank/Champions/Universities/Srbija/Bosna I Hercegovina/Ceska Republika/Slovensko/Russia/Romania	788653	487932	62
42 (35)	ING	Vysya Bank/ I ski/Turkey/New York City Marathon/Australia/Belgique/Belgie/nederlands/Bank	756834	663871	14
43 (37)	Banco Falabella	Chile/Peru/Colombia	735910	621940	18
44 (40)	Banco Popular	Costa Rica/Dominicano/Portugal/Banco Popular PR/Virgin Islands/Honduras	711737	580025	23
45 (38)	HLB	HLB/ID/Asset Management	708428	594679	19
46 (42)	TD Canada	TD/Canada Trust	668219	536082	25
47 (55)	Kotak Mahindra	Kotak Mahindra	626736	287643	118
48 (48)	RHB Bank	RHB Group	612358	356690	72
49 (41)	OCBC	OCBC Bank	607511	542595	12
50 (51)	Jordan Ahli Bank	Jordan Ahli Bank	578575	332409	74
51 (56)	Credit Agricole	Credit Agricole/Nord de France/Store/Polska/Normandie/Egypt/ACBA/Loire/Lorraine/Normandie Seine/D'ile de France	541313	281431	92
52 (43)	Bank of Georgia	Bank of Georgia/Bank of Georgia	537633	503058	7
53 (45)	Diamond Bank	Diamond Bank/	508397	381885	33
54 (52)	Sterling Bank	Sterling Bank	505904	327320	55
55 (69)	Mashreq Bank	Mashreq Bank	494151	168478	193
56 (53)	Sberbank	Sberbank/Hrvatsa/Slovensko/u BiH/srbija a.d.	422822	310541	36
57 (50)	Finansbank	Finansbank/Kariyer/Enpara	414136	339539	22
58 (60)	Banco Ciudad	Banco Ciudad	408952	237023	73
59 (NEW)	Investec	Investec/Super Rugby/Sport/People and Planet	393676	N/A	N/A
60 (47)	Bank Leumi	Leumi Digital/Business/Card	392919	376757	4
61 (54)	DNB	DNB	347867	289438	20
62 (59)	Royal Bank of Canada	RBC	338659	244054	39
63 (81)	Seylan Bank	Seylan Bank	331144	117085	183
64 (58)	Commercial Bank of Qatar	Commercial Bank of Qatar/Masters	321378	251576	28
65 (62)	Natwest	Natwest	316882	223835	42
66 (57)	CIBC	CIBC	312148	272560	15
67 (82)	Arab Bank	Arab Bank	298614	104815	185
68 (66)	PNC Bank	PNC/Arena	283182	190862	48
69 (67)	mBank Polska	mBank Polska/.sk	271479	174761	55

Source: RBI/Facebook

also believes Facebook is a good method of making a connection with customers.

He says: “The strategy for Axis Bank is to look at social media as a key medium of reaching out to our customers. We are consistently trying to reach out to younger customers and we want to be positioned as a young and progressive brand. It is extremely important for us to be present on platforms where young and progressive people are present. That is why social media is important.”

Truly engaging

While banks, and other organisations, can post as much as they want on

Facebook, it doesn't count for much if nobody even glances at it. With so much posted on social media sites, it can be difficult to truly engage with consumers, or even get their attention.

Smale comments: “It really depends on the content. In the Netherlands, we have approximately 250,000 followers. If you post organically, the people that we reach can range between 30,000 and 100,000.

“The engagement on videos is really high. Also, what works really well is simple saving tips. Every time we post something, we consider what's in it for the customer. There should always be something useful or beneficial in the content.”

Bhatt says: “[The engagement figures] are usually around 12-16% on the content we post on Facebook, but it really depends on the type of content. We do related content or topical, around thing such as Father's Day, and that sees a far much higher engagement rate.”

Gray comments that the engagement levels vary, but ‘on average, we are please with engagement levels’.

Advantages and struggles

On the advantages of maintaining a presence on Facebook, Gray adds: “Facebook and other social media platforms help us to get meaningful messages to the relevant audiences as they offer such strong targeting options.

“We can choose who receives which messages and switch it on and off as appropriate. If for example, we are able to provide information about mortgages to people that are looking to buy a house, or information on our Blue Rewards offering to those who have been comparing current account they are much more likely to engage and react.”

Smale believes that Facebook has huge potential. She says: “It's personal communication en masse. The impact is high. It is beneficial, but also a risk, but I think that's one of the main advantages. It's where our target group is so that's one of the main reasons why we're there. And it allows us a lot of speed.”

However, there are downsides. “We can't control Facebook. We don't even reach half of our followers. This is because of Facebook algorithms and rules. In that way, there is a struggle. There is a business model on Facebook, if you want to have a higher reach, you have to promote your post and spend more money on it,” Smale adds.

“In the past, one of the main benefits was the low cost. It's still low compared to other forms of mass media, but the price is increasing.”

Gray also finds that they are difficulties with Facebook. She says: “Social media is 24/7 so it doesn't sleep. We ensure that our channels are monitored at all times and we have a team who do this and are available to reply to any queries which come in at any time, making sure customers get a fast reply at all times.”

Compliant at great speed

With the overwhelming pace of social media present, it can be tempting to just post whatever comes to mind on Facebook, especially considering the disinhibition effect caused by the internet.

Banks cannot afford to be careless when it comes to this issue. All communication needs to be tightly monitored in order to not break regulation.

Smale says: “We are always cautious with what we publish. We try to educate our customers on how to treat their personal data and information, so we have a lot of guidelines for that that are helpful. We haven't run into any struggles there.

“Social media is a fast game, so we have processes for it in place, but we are very aware of this issue. There always needs to be checks, we have our procedures like in any other section of the bank where we need to take precaution.”

“All channels use the same FAQ and the same knowledge base. Social media, the website and the call centre will all give the same information,” van Roekel adds. ■

■ THE TOP 100 BANKS ON FACEBOOK RANKED BY LIKES					
	Bank	Pages	Total fans 2015	Total fans 2014	Change %
70 (64)	Qatar Development Bank	Qatar Development Bank	253409	202404	25
71 (68)	US Bank	US Bank	252079	174269	45
72 (61)	La Banque Postale	La Banque Postale/Jeunes	243065	224657	8
73 (75)	Westpac	Westpac	220910	131953	67
74 (NEW)	Absa	Absa	217266		
75 (87)	Bank Audi	Lebanon/Cards	196471	90564	117
76 (80)	Standard Bank of South Africa	Standard Bank of South Africa	195240	119943	63
77 (65)	Magma	Magma	182770	197021	-7
78 (73)	Crédit Mutuel	Credit Mutuel	175818	136727	29
79 (79)	Capitec	Capitec	174211	121124	44
80 (71)	Chebanca!	Chebanca!	173738	149900	16
81 (74)	Swedbank	Sverige/Lithuania/Latvia/Eestis	166852	133254	25
82 (70)	Ally Bank	Ally Bank	165332	150216	10
83 (NEW)	Nedbank	Nedbank/Sport	155042	N/A	N/A
84 (78)	OTP Bank	OTP Bank	147575	124507	19
85 (76)	Charles Schwab	Charles Schwab	141413	128740	10
86 (77)	ASB	ASB Bank	140734	127816	10
87 (89)	ABN AMRO	ABN AMRO/World Tennis/Studenten/Werken Bij	139470	81681	71
88 (84)	Axess	Axess	127204	101292	26
89 (95)	Danske Bank	Danske Bank/Suomi/Norge/Sverige	125271	62329	101
90 (85)	la Caixa	la Caixa	122129	100025	22
91 (83)	Kuwait Finance House	Kuwait Finance House/Malaysia	115897	103949	11
92 (96)	Erste Bank	Erste Bank/Austria/Srbija/Open	113270	56890	99
93 (88)	Deutsche Bank	Deutsche Bank/Careers/Services	113058	84092	34
94 (90)	E-trade Financial	E-Trade Financial	109191	78638	39
95 (86)	AmBank	AmBank	108776	93356	17
96 (98)	Bank Mandiri	Bank Mandiri/Syariah	102574	54410	89
97 (97)	Lloyds	Lloyds Bank	101338	56123	81
98 (93)	Credit Suisse	Credit Suisse/Careers	92219	70579	31
99 (91)	VUB	VUB Banka	77310	76223	1
100 (94)	Halifax	Halifax	76070	65529	16

Source: RBI/Facebook



Mexicans slow to adopt digital banking

Despite Mexico's high Internet and mobile phone penetration, the country's 39% bancarisation level means there is low usage of online and mobile banking services. However, major Mexican banks are investing in their digital platforms to take advantage of the growth opportunities. Robin Arnfield reports

According to John Price, managing director at Americas Market Intelligence in Miami, Florida, Mexico is the most unbanked middle-income country in the world. "In terms of loans as a percentage of GDP and the percentage of people with bank accounts, Mexico is really underpenetrated," he says.

In recent years, the Mexican government has introduced legislation to facilitate financial inclusion by allowing different levels of simplified bank accounts and simplified capital requirements for start-up banks. Taking advantage of these reforms, several new mobile-only banks are targeting the unbanked and underbanked with digital offerings. In addition, large banks such as BBVA Bancomer, the Mexican arm of Spain's BBVA, and Citigroup's Mexican subsidiary Banamex see opportunities to use mobile money accounts to reach this segment.

"Mobile banking is currently a bet that most major banks are taking, since it has the potential to provide access to banks to an otherwise left-out sector of the population," says the PwC report, *Retail Banking in Mexico: An Industry Outlook*.

"Consumer and corporate digital banking services are less well developed in Mexico than in Brazil," Price says. "With its high level of unbanked consumers and past financial crises which led to banks going bankrupt, Mexico isn't as profitable a banking market as Brazil, and its banks have been undercapitalised. However, Mexican banks are trying to speed up their investments. There's a lot of appetite at the senior levels of Mexican banks to adopt more technology."

Internet and mobile banking

According to a January 2015 BBVA Research report, in 2013 only 16 % of total Mexican banking transactions took place via the Internet and 6.4% via mobile phones. This is despite the fact that, according to Asociación

Mexicana de Internet, Mexico had over 50 million Internet users in 2013.

The Competitive Intelligence Unit estimates that there were 104 million mobile phone connections in Mexico in 2014, with 53 million Mexicans owning a smartphone.

A May-July 2014 survey by Banamex found that in 2014 39% of Mexicans aged over 15 in the A, B, C and D socioeconomic segments living in cities of over 400,000 inhabitants, had bank accounts. This represented 22% growth in bancarisation since 2011, Banamex says.

Over three quarters (78%) of Mexicans with bank accounts are Internet users, according to Banamex, and 85% of banked consumers who use the Internet do so via mobile phones.

Surprisingly, the survey found that 75% of banked Internet users don't bank online, citing reasons such as a preference for branches or concerns about security.

The number of customers banking online has grown slowly since 2011, Banamex says. However, the percentage of consumers making purchases online has risen from 18% in 2011 to 42% in 2014, indicating there is still opportunity for growth in online banking in Mexico, it says.

According to Banamex's survey, Internet users with bank accounts have 10.5 contacts per month with their bank, of which 48% are via ATMs, 21% online, 27% at branches, and 4% via call centres. Between 2011 and 2014, customers' online contacts with their banks rose by 16%.

Banamex says 93% of customers who bank via the Internet log onto online banking at least once a month. But the average Internet banking user logs onto online banking 8.7 times a month, its survey found. Three-quarters (75%) of Internet banking users log on to check their account balances, 43% do so to make transfers, 19% pay utility bills and 18% pay credit cards.

The percentage of banked customers receiving banking alerts and notifications via SMS doubled to 29% between 2013 and 2014, the survey found. Between 2013 and 2014, the percentage of customers downloading banking apps increased from 5% to 13%.

Jeffrey Bower, a digital finance specialist with the United Nations Capital Development Fund's Better Than Cash Alliance, says mobile banking use remains relatively limited to younger consumers, mostly under the age of 35. "Less than 4% of Mexicans have signed up for banking products using their phone," he says.

Financial inclusion

The Mexican government is using regulation to improve financial inclusion. In 2009, it introduced a law simplifying the capital requirements for start-up banks that restrict themselves to offering savings, micro-loans and payments instruments such as prepaid cards. The first so-called 'banco de nicho' (niche bank) licenses were issued in 2012, enabling start-up banks to integrate with Mexico's ATM and card switches and electronic funds transfer infrastructure.

In 2011, Banco de México (the Central Bank), Comisión Nacional Bancaria y de Valores (CNBV, Mexico's national banking and securities commission) and the Mexican government introduced legislation allowing four different levels of bank account, with different limits on monthly deposits and different KYC requirements.

The tiered structure aims to ensure provision of low-cost, basic bank accounts with simple KYC identification requirements to unbanked consumers, with the possibility of linking these accounts to mobile phones.

The lowest level of account, an anonymous prepaid card, requires no proof of identification and can't be used with mobile phones, while the highest level, a traditional bank

account, requires standard KYC procedures.

According to Martha Casanova, a consultant at World Bank subsidiary CGAP's (Consultative Group to Assist the Poor) Technology Programme, citing CNBV data, in January 2015 there were 1.9 million Level 1 accounts, 5.6 million Level 2 accounts, 430,000 Level 3 accounts and 70 million Level 4 (traditional) bank accounts in Mexico.

"Mexico has a very solid payments infrastructure, but its population is still largely cash-based," says Elizabeth McQuerry, a consultant with Glenbrook Partners. "However, people are now opening basic bank accounts and the level of bancarisation is growing."

"Mexico's multi-level basic account regulation is allowing some financial institutions to develop digital business models for low-risk accounts," says Álvaro Martin Enriquez, Head Economist, Digital Regulation, at BBVA Research in Madrid. "Some banks such as Acertum (a mobile-only bank owned by Grupo Salinas), Bankaool (an online and mobile bank formerly called Agrofinanzas) and Banco Azteca (owned by Grupo Salinas' financial services and retailing arm Grupo Elektra) are opening Level 2 accounts online, with a focus on specific segments of the unbanked population such as the under-30s."

"The big players will probably start offering Level 2 online account opening during 2016," says Enriquez. "Level 1 accounts are anonymous and very limited, so there's no point in offering them online. In my opinion, the most interesting part is how the unbanked are now receiving distinct value propositions according to their specific characteristics. Moreover, digital banking might further evolve thanks to these new clients entering the market."

Bower says the lack of interoperability between different Mexican mobile money schemes such as Banamex's Cuenta (account) Transfer and BBVA Bancomer's Dinero Móvil (mobile money), with schemes being limited to one provider, is hindering adoption of mobile money accounts by the unbanked.

"However, the Mexican Central Bank has been upgrading its national interbank payment settlement system, SPEI (Sistema de Pagos Electrónicos Interbancarios), to act as the default settlement system for payment networks, including potential mobile money transactions," he notes. "This should help ensure low-cost mobile money transfers."

Another barrier to the growth of mobile money is the fact that, according to Madrid-based Tecnocom and Analistas Financieros Internacionales' *Trends in Payment Instruments 2015* report, Mexico has progressed slowly in the rollout of non-bank correspondent agent networks, even though it has



a long way to go to cover its entire populated territory with correspondent agents. These agents are non-bank locations such as convenience stores where bank customers can deposit and withdraw cash or pay bills.

Banamex

Currently, Banamex has 1.4 million online banking customers, says spokesperson Gerardo Gregoire Crespo.

In October 2015, Banamex launched its first digital branch in Mexico City offering videoconferencing with product specialists, a central workbench with touchscreen computers, digitally-literate millennial staff, and a self-service area with ATMs and tablets.

"We expect to have 200 digital branches in Mexico by 2018," says Gregoire Crespo. "This branch is based on the new digital branch design that Citi will offer to all its customers worldwide."

According to Mexican press reports, the purpose of Banamex's digital branch is to encourage customers to use self-service technology, with cashiers available for transactions of over MXN 10,000 (\$542) and for more personalised transactions.

For unbanked consumers, Banamex offers the Transfer SMS-based mobile P2P service in partnership with mobile operator Telcel and Mexican convenience store Oxxo. Transfer's two million users can deposit and withdraw cash using a prepaid debit card at Oxxo's 11,000 stores as well as at 7-Eleven Mexico and Soriana stores.

Bankaool and BBVA Bancomer

According to Mexican press reports, Bankaool, which describes itself as Mexico's first

branchless bank, had over 20,000 deposit customers at the end of 2015. The bank says it signs up an average of three new customers every hour via its digital channels.

Bankaool's credit portfolio grew by 25% between December 2014 and December 2015.

In July 2015, BBVA Bancomer opened the Mexican offshoot of the BBVA Innovation Centre, a space where the bank can demonstrate emerging technologies. BBVA has also opened Innovation Centres in Bogota, Madrid and New York.

Hugo Najera Alva, BBVA Bancomer's Head of Digital Banking, said in a statement that the bank has three prerogatives: "Mobile first, as mobile devices are what enable the bank to assist customers with their big decisions; big data, because by learning to use data we can identify the key moment in which the bank needs to contact a customer; and the Openlab environment where FinTech startups and main market players collaborate."

BBVA Bancomer has 2.7 million mobile banking customers who carried out 490 million mobile banking transactions in 2015. The bank has 2.7 million web banking customers, who carried out 1.17 billion web banking transactions last year.

Najera Alva tells *RBI* that 19% of the bank's total transactions occur via its mobile channel.

During 2015, BBVA Bancomer made the following changes to online banking:

- Eliminating passwords for frequent

transactions;

- New one-time password generation process for non-frequent transactions;
- Simplification of the fund investment process;
- New loan simulator, allowing customers to simulate different loan scenarios, pay existing loans, and apply for new loans;
- More history (up to five years) and greater flexibility in transaction searches, and
- Online feedback at the end of sessions.
- The bank made the following changes to its mobile banking service in 2015:
- Simplified enrollment process;
- Higher transaction amounts can now be processed through the channel;
- New loan simulator, allowing customers to simulate different loan scenarios, pay existing loans, and apply for new loans, and
- Four new apps:
 - BBVA Wallet: generates a one-time password for online purchases, plus card-blocking and activation;
 - BBVA Send: money transfers to a sender's mobile phone contacts without needing their bank account number. Beneficiaries don't need to be a bank customer;
 - Vida Bancomer: geolocalised, targeted offers from merchants to BBVA Bancomer cardholders, and
 - Línea Bancomer: enabling customers to phone call centre agents directly, without needing to go through the bank's IVR system.

In 2012, BBVA Bancomer launched the Dinero Móvil SMS-based P2P transfer service which is targeted at unbanked consumers, allowing recipients to withdraw cash via mobile phones and 12-digit codes from ATMs without needing cards or bank accounts. In March 2015, BBVA Bancomer enhanced the service to enable it to be used for mass payments from employers and government welfare departments.

Santander Mexico

Santander Mexico has over 500,000 active mobile banking customers, who carry out over 300 million transactions a year. The bank has 700,000 active web banking customers who carry out over 280 million web transactions a year.

Mobile accounts for over 20% of Santander Mexico's total banking transactions, says spokesperson Gamal Duran Castellanos.

During 2015, Santander Mexico embedded a security token in its mobile banking app, so its customers no longer need a token device for transactions.

"Our app was the first banking app in Mexico to be compatible with all four platforms, Android, iOS, Windows Mobile and BlackBerry," says Duran Castellanos. "Our SuperMóvil app offers investments, credit card payments, utility bill payments, and transfers, while in addition to these our SuperNet web banking service offers tax payments, withdrawals from credit card accounts, and money transfers."

Santander Mexico operates the Autocompara, Viajacompara and Casacompara portals where consumers can search for best car insurance, travel and property deals respectively.

Casacompara currently showcases 78,000 homes and offers quotes for Santander mortgages. In Q3 2015, the site had over 455,000 visits, Santander says.

Autocompara offers car insurance quotes from 10 insurers. In August 2015, Santander launched the new Autocompara app enabling users to report accidents and their precise location from their smartphone via geolocation.

"Autocompara has changed the way people get car insurance in Mexico, because everything is online and you can choose the best quote for your car," says Duran Castellanos.

Scotiabank

Dieter Jentsch, Scotiabank's group head of international banking, told a Mexico City Investor Day in January 2016 that Scotiabank plans to expand its retail banking operations and enhance its banking platforms in Mexico, Chile, Colombia and Peru to capitalise on the expanding middle class in these countries.

"Scotiabank has realised that technology is key to its success in Mexico and Latin America," says Americas Market Intelligence's Price. "But this is a new realisation, and Scotiabank has a long way to go to modernise its Latin American banking systems."

Bloomberg quoted Jentsch as saying Scotiabank wants to develop

more primary customer relationships, simplify and digitise the customer experience, and optimise its structure to fund growth. Scotiabank Mexico will be a 'leaner, more competitive diversified bank' with more digital offerings and a larger customer base, Bloomberg quoted him as saying.

Scotiabank predicts C\$40m (\$28m) to C\$60m in incremental earnings from digitising its Chilean, Colombian, Mexican and Peruvian banking operations, plus C\$35m to C\$50m from developing more primary customer relationships, and C\$30m to C\$40m in cost-savings from optimising its infrastructure.

Scotiabank has appointed digital banking innovator Ignacio Deschamps as Strategic Advisor, Global Digital Banking to its President and CEO, Brian Porter. Based in New York and Toronto, Deschamps will work with technology Co-heads Michael Zerbs and Kyle McNamara to digitise Scotiabank's systems and processes, it said.

Deschamps was formerly chairman and CEO of BBVA Bancomer and Global Head of retail banking at BBVA and has extensive FinTech and digital experience.

The January 2016 investor presentation said that, as part of the digitisation process, Scotiabank Mexico wants to cut its branches' share of its total transactions from 35% in 2015 to 20% over the next three to five years, with other channels growing from 65% to 80% in the same timeframe. Scotiabank plans to enhance its Mexican mobile and online banking channels, while migrating low-value transactions from branches to mobile and online.

Previously, Scotiabank Mexico announced plans in October 2014 to invest MXN3.6bn (\$195m) up to 2019 to improve its operational platforms and delivery network.

In 2015, Scotiabank Mexico had 70,000 mobile banking customers, who carried out 10 million mobile banking transactions. The bank also had 335,000 Internet banking customers who carried out 50 million web banking transactions in 2015.

Scotiabank Mexico spokesperson Hector Lopez Rangel told *RBI* that 20% of the bank's total banking transactions take place via web banking and 4% via mobile banking.

Services offered to digital banking customers include bill payments, time deposits, balance transfers, credit card payments, mortgage and personal loan payments, and a virtual token sign-in option.

During 2015, Scotiabank Mexico launched a new version of its mobile app which allows bill payments to be made by scanning the bill's barcode and generates a security token during the transaction flow. ■

MUFG Union Bank sees nationwide opportunities from digital

MUFG Union Bank, the San Francisco-based subsidiary of Japan's Mitsubishi UFJ Financial Group, sees an opportunity to use digital technology to expand its reach across the US. This includes social media, free chequeing, digital banking and education for consumers. **Robin Arnfield** investigates

"The digitalisation of retail banking changes the playing field compared to how banking has been for the previous couple of decades," says Pierre Habis, Union Bank's Managing Director and Group Head of Consumer, Business and Private Banking. "Retail banking was anchored by physical locations, and, if you didn't have 5,000 branches across the US, you wouldn't be a national player."

Then came the direct banks like ING Direct and Ally which enable customers to disaggregate their higher-value funds from their primary bank. But there's also an opportunity for a bank without a nationwide physical distribution network to sit in the middle between the banks with national retail footprints and the direct banks."

Currently, Union Bank has 365 consumer-oriented branches in California, Oregon and Washington State. Four of these branches are student-run branches inside High Schools in California.

According to Habis, Union Bank has an opportunity to use digital technology to have a broader, nationwide reach than its physical footprint.

"We think there are enormous opportunities to bring a different banking experience compared to the direct banks, which is founded on convenience, security and value exchange," he says. "We've been working on this for almost three years based on a lot of research, and think we can offer a platform that is the next step up from the direct banks," he tells *RBI*.

Digital banking

"I would say that our mobile platform is at a par with the digital services offered by the largest US banks," Habis says. "We don't have any major differentiators with our competitors, although our limits for mobile remote deposit capture (RDC) are higher than other banks' limits. Usually, for risk reasons, banks have limits for daily and weekly mobile cheque deposits. But we invested a lot in risk management so we could allow higher-value mobile cheque deposits. This is a feature which is particularly useful for our mass-affluent customers who tend to deposit higher-value cheques."

Mobile ATM withdrawals are definitely on Union Bank's roadmap for consideration. "We're working through the prioritisation pro-

cess," Habis says. "We've looked into mobile ATM withdrawals and have the capability to introduce this feature. But we're trying to separate out the PR talk about it versus the actual capability that will be used. We could have rolled it out before introducing higher limits for mobile RDC, but we thought higher limits for RDC was more important than mobile ATM withdrawals."

Union Bank does offer Apple Pay to its debit cardholders, as it sees the Apple payments platform as table stakes which banks have to support, Habis says.

"In terms of digital banking, Union Bank will always be with the tide, whether we lead the tide or not," says Habis. "In most cases, we'll be right alongside the tide. Once the big banks had rolled out mobile banking, within a few months we had also rolled it out."

Habis says Union Bank's traditional branch transactions are decreasing by double digits, while its digital transactions are growing.

"In the last seven years, we've grown substantially in terms of our balance sheet and in terms of customers, but our transaction volumes are constantly being reduced," he says. "This is because we're seeing fewer and fewer people coming into our branches, since people have greater access to cards, and can now do banking the way they want to, for example by using mobile RDC and mobile P2P payments."

While declining to disclose exact details, Habis says Union Bank is planning 'a variety of branch evolutions as part of the bank's ongoing investment in digital banking'.

Acquisitions

Union Bank, which had assets of \$114.3bn as of 30 September, 2015, has expanded in recent years through acquisitions. In 2014, it bought First Bank Association Bank Services to expand its nationwide banking services to US homeowners' association management companies. It bought Klik Technologies in 2011 and Smartstreet in 2012 in order to acquire a platform enabling it to provide banking services to homeowners' association management firms.

In 2012, Union Bank acquired Pacific Capital Bancorp and its bank operating subsidiary Santa Barbara Bank & Trust, adding 38 branches in California. In 2010, Union Bank bought San

Rafael, California-based Tamalpais Bank and Everett, Washington-based Frontier Bank through agreements with the Federal Deposit Insurance Corporation, adding 57 banking offices.

Banking by Design

In September 2013, *RBI* profiled Union Bank's Banking by Design offering, an unbundled banking package which enables customers to select individual chequeing account features (see 'A la carte banking pays off for Union Bank').

Union Bank launched Banking by Design in September 2012, after conducting market research to discover what features customers would want if they built their own chequeing account. "They told us that they didn't want expensive charges and that they wanted transparency about pricing," Habis told *RBI* in 2013. "We also discovered from our research that, if we unbundled our chequeing account, customers would be prepared to pay for features that they valued and needed."

Customers can compare and apply for Banking by Design and Union Bank's other accounts online at its website.

The account requires a minimum initial deposit of \$100, and, to avoid the \$3 monthly service charge, customers must make a single direct deposit of \$250 or more, or a single mobile cheque deposit during each monthly statement period.

Customers can write an unlimited number of cheques free of charge, and online banking, mobile cheque deposit and online bill pay are free. However, customers pay a \$2 monthly fee for paper statements and a monthly fee for safety deposit boxes. There is a \$1 per month fee for an unlimited supply of cheques and \$1 per month for incoming wire transfers. A linked savings or money market account costs \$1.50 a month. For \$3 per month, customers enjoy two free non-Union Bank ATM transactions per month.

"In terms of Banking by Design's configurability and fee structure, nothing has really changed since its launch," says Habis. "Consumers really like the freedom of choice it offers, and it's a positive product from the P&L perspective for us."

Offering Banking by Design gave Union Bank an insight into consumer behaviour in different segments. "It has helped us to understand

more clearly where the value lies, when people are empowered to make financial choices and turn on or turn off specific features,” Habis says. “Banking by Design caused us as a company to rethink what tomorrow looks like in terms of product sets for the different segments. We now understand more clearly how the mass-affluent segment differs from the mass market segment in terms of their trade-offs, and we’ve started to act on that knowledge.”

Mass affluent

Originally, Union Bank had hoped that the transparency and empowerment offered by Banking by Design, which has worked well for the mass market segment, would also be attractive to mass-affluent customers.

“We had thought Banking by Design could go upstream, but we learnt that what mass-affluent customers are interested in is different to what the mass market wants,” Habis says. “Empowerment isn’t as important for mass-affluent customers, who really want a higher-value package. They don’t want to turn on and off different features to optimise cost, as they don’t traditionally pay banking fees anyway. So we developed a Priority Banking premium account for the mass-affluent, which we created from our learnings from Banking by Design.”

In addition, for high-net-worth customers holding combined balances of \$250,000 with Union Bank, the bank created the Private Bank Private Advantage Checking Account.

The package that Union Bank offers the mass-affluent isn’t ‘a la carte.’ “Priority Banking is a fully packaged product with relevant discounts and features,” Habis says. “We’re still working on our strategy of building a holistic relationship which will be of value to the affluent segment, and in the next twelve months we will be offering several new products to that segment.”

Union Bank aims to be innovative in the mass-affluent market, Habis says. “For example, our fee-free offer to that segment is tied to a mortgage product, although mass-affluent customers without a mortgage can qualify for fee banking through their investments with us,” he says. “Traditionally, you get fees waived by having direct deposits or balances above \$50,000.

“Now we look at loans as a way to bring the affluent segment into our bank. What tends to happen with affluent individuals and families early on in their financial lifecycle is that they become highly leveraged, and then later on they start to accumulate wealth, pay off their loans and have money to invest. We want to get a relationship with affluent customers when they’re still heavily leveraged and need to borrow, so they will become loyal to us.”

Free chequeing

Habis says that Union Bank’s product set for consumer and small business clients, such as

its chequeing accounts, credit cards, and home equity products, are on a par with its competitors’ offerings.

“The biggest differentiator is that we offer free chequeing in a number of ways, while our competitors offer free chequeing only for balances over a certain level and for direct deposit,” he explains.

Similar to Banking by Design customers, Union Bank’s Ready to Go Checking customers get free chequeing in return for monthly mobile cheque deposits, as well as through monthly direct deposits. Otherwise, there is an \$8 monthly fee for Ready to Go Checking accounts without paper statements and an \$11 fee for accounts with paper statements.

Union Bank’s Priority Banking account customers get free chequeing if they hold a mortgage with the bank or a combined balance of \$50,000.

“We’re the only bank that offers free accounts in return for RDC,” says Habis. “But we think this is the future.”

Partnership with Gallup

In summer 2015, Union Bank began working with customer analytics firm Gallup in the area of customer experience.

“The client experience is very important to us,” says Habis. “We’re focused on omnichannel and, working with Gallup, want to better understand our strengths and opportunities at every touch point and delivery channel. We’re focusing on how we hand off our clients for specialised questions and how we resolve these questions. There are only a few ways to differentiate yourself in banking, and one of them is the way in which you work with your clients and come access to them. It’s more than just having a greeter at a branch.”

Habis says Union Bank is working with Gallup on several journey maps.

“These will take the best out of every industry, not just out of the banking industry,” he says. “Customer experience is part of everyone’s score card from our bankers right up to me. We look at it holistically, not just from the perspective of transaction experience.”

Social media

“Social media is important enough for us that we have an internal team focused on learning, listening, understanding and responding to what people are saying in this channel,” says Habis. “We need to hear what our competitors, customers and people in our community are saying. But social media for us is still more about waiting and seeing what it all means.”

Nevertheless, Habis says social media has proved a positive experience for Union Bank.

“We’ve learned how consumers feel about us as a socially-responsible bank,” he says. “We’ve scored very well in terms of our repu-

tation, for example for our diversity and inclusion policies.”

Habis says he is often asked at what point social media will drive Union Bank’s profitability. “We aren’t there yet as a company,” he says. “We aren’t sure when social media will get there in terms of profitability.”

Student-run branches

In January 2016, Union Bank opened its fourth student-run branch in California offering banking services to school students and school staff. Located inside High School campuses, the student-run branches are staffed by student bankers and overseen by a Union Bank branch manager. The program aims to provide students with real-world financial education, work experience, and mentoring opportunities.

Union Bank’s latest student-run branch was opened in partnership with Anaheim Union High School District in Anaheim.

“When we make announcements about programs such as our student-run branches, there is a huge social media response,” says Habis. “We get a lot of discussion online, as students are involved and they are typically in the social media space.”

Financial education

In 2014, Union Bank launched Yuby, an Android- and iOS-based banking app which teaches children about responsible spending, saving, budgeting and charitable giving. The app was developed with software company Mutual Mobile.

“We wanted to put something out there to help educate children about the value of money which wasn’t about Union Bank,” says Habis. “As an industry, banks have a responsibility to help parents educate their children about banking, especially as many US schools no longer teach home economics. We’ve had a lot of positive feedback from schools, parent groups and fellow bankers. The app has certainly helped raise awareness about Union Bank and our position on financial education.”

Union Bank has a community outreach team within its Corporate Social Responsibility division. The team works with non-profit organisations to meet the needs of low- and moderate-income communities, Union Bank says on its website. Union Bank employees carry out volunteer activities such as:

- Offering financial education workshops in partnership with non-profit groups in disadvantaged communities;
- Connecting bank employees with community-based organisations, and
- Coordinating senior-level officer board service with non-profit organisations. ■



The two-step: Myanmar's dance with liberalisation and modernisation

Myanmar's political front is not the only landscape that is undergoing a liberal revolution, its banking sector is experiencing rapid changes as well. **Xiou Ann Lim** reports on the emerging market and how not only banks, but government initiatives are bringing life to the financial sector

Closed off from the global economy under 50 years of military rule, Myanmar's economy has been opening up in the last few years. This includes liberalisation of the banking sector. In 2014, the Central Bank of Myanmar (CBM) issued nine licences to foreign banks. This year, four more foreign banks have already been granted preliminary approval to operate in Myanmar.

Managing director of KPMG in Myanmar, Yasuhide Fujii, believes that further liberalisation in the industry is imminent as Myanmar's economy is developing rapidly and needs a robust financial infrastructure to support this growth. He believes that Myanmar's government and its central bank have taken a conscious decision to benefit from the participation of foreign banks in the development of the banking sector.

"They went ahead with their plans despite some quarters of the local banking sector voicing their reservations – although the finely calibrated way in which the CBM went about opening up the sector to foreign participation has put the fears of the local industry to rest," he says.

He also adds that the primary objective of letting foreign banks operate in Myanmar is to facilitate foreign direct investment and make it easier for foreign companies to do business in Myanmar.

When compared with its ASEAN neighbours, Myanmar remains highly underbanked. According to Fujii, a vast majority of Myanmar's citizens outside the urban areas of Yangon and Mandalay still don't have access to basic banking services.

"The domestic banking sector in Myanmar can clearly benefit from the international best practices, access to funds and technological expertise that foreign banks bring," he says. Hence, he believes that there is a case to allow foreign banks to begin offering domestic retail services in Myanmar sooner rather than later.

But before this is done, Fujii cautions that the local banks need to be given time and support to move to a level where they can effectively hold their own against competition from foreign banks. "Some of this support may actually come in the form of training and technical tie-ups with foreign banks – and we know that a number of such tie-ups are already working successfully," he adds. He is also of the opinion that the CBM needs to put in place a regulatory and institutional framework that will ensure that the nascent banking sector in the country does not experience any major turbulence when this liberalisation happens.

Fujii expects the CBM will have ambitions to open up the range of services that foreign banks are allowed to offer in Myanmar. "We can't say when such services will be allowed, but we do believe that the CBM is commit-

■ LARGEST PRIVATE BANKS OF MYANMAR (2014)

Bank	Assets (MMKbn)	Branches	Staff	ATMs
Kanbawza Bank	4144.97	180	11111	259
Ayeyarwaddy Bank	1200	76	3500	156
Co-operative Bank	1180.7	100	5255	223
Myawaddy Bank	1028.1	37	2088	26
Myanmar Apex Bank	721.2	45	2600	56
Global Treasure Bank	588.9	81	1817	0
Yoma Bank	506	51	2221	0
United Amara Bank	505	32	1400	70
Asia Green Development Bank	463.1	50	2400	116
Myanmar Oriental Bank	238.9	26	975	22
TOTAL	8923.4	676	33367	926

Source: GIZ

ted to making Myanmar's banking sector as robust and as competitive as any other in ASEAN – and allowing foreign banks in Myanmar to offer services that they are permitted to provide in other ASEAN countries will be a step towards that," he adds.

However, Hal Boshier – chief executive officer at Yoma Bank, one of the oldest private retail banks in Myanmar – doesn't see this happening anytime soon. "The country already has a large number of very traditional retail banks with a large branch network. The competency could be better, but they have reach," he reveals.

A challenging landscape

As with most emerging markets, the retail banking sector in Myanmar is not without its challenges. According to Boshier, mod-

ernisation is a challenge for the whole country – especially in terms of banking practices, corporate governance and risk management.

Yoma Bank – which received a \$5m convertible loan from the International Finance Corporation in 2014 as well as assistance to improve its risk management – is very focused on good corporate governance.

But issues pertaining to governance – especially in a nascent market such as Myanmar – needs to be helped along by having a coherent regulatory framework.

“The CBM has been working hard on devising a comprehensive regulatory framework for the industry and has made significant progress in the last four years,” Fujii shares.

But there is still much more to be done. He reveals that the CBM has a limited number of staff who have to juggle the dual responsibilities of coming up with new policies and regulation while overseeing the implementation of the existing ones.

But this challenge is not contained only within the CBM – the entire sector is facing capacity constraints for staff and there is need for more trained staff at all levels of the industry, according to Fujii. While one solution is to conduct in-house and external training, banks are choosing to bring in expatriate staff for key positions.

“It will take time and a concerted effort by the CBM and industry organisations for the staff shortages to be bridged in the medium to long term,” he observes.

Banking on telecommunications

Very low banking penetration coupled with rapid improvement in telecommunications infrastructure have created a unique opportunity for Myanmar’s banking sector to leverage financial technology. “Myanmar banks have been upgrading their financial infrastructure and new third-party providers have entered the market to bridge the technology gap in this sector,” Fujii says. He believes that further upgrades in this area will be the fastest and most cost-effective way to get the basic banking services across to rural masses.

Even though telebanking and mobile banking have their challenges and risks, Fujii is of the opinion that they are the solution that the banking sector in Myanmar is looking for. “Serving the unbanked rural population in Myanmar requires a service designed for high-volume low-value transactions, whereas banks are typically designed for high-value low-volume transactions with a high fixed-cost structure for branch networks,” he explains.

Fujii believes that if mobile banking is to succeed in Myanmar, mere mobile penetration will not be enough – it would need to be



supported by an enabling regulatory framework and implemented through a network of agents.

One example of a telco-bank collaboration is Yoma Bank’s partnership with Telenor, which is launching mobile money transfer service Wave Money. Telenor has a 51% stake in this new venture while 49% is held by Yoma bank. Boshier says: “We partnered with a telco to ensure that the competency and the quality of the disbursement is there.”

“It’s about providing consumers with easier and cheaper access to financial services while providing a platform for all banks and telcos to digitise cash,” Boshier says, adding that the digitisation of money is something that has yet to happen in Myanmar. However, he says that the biggest challenge in the digitisation of money is weaning consumers off cash.

From being a country that had little in the way of traditional banking services, Myanmar sure is leapfrogging its way towards modernity and Boshier thinks that this reflects the huge advantages of technology that is seen globally.

“Myanmar is very late in terms of its opening up and its development – but there are some advantages in not having to go through those capital-intensive and infrastructure-intensive steps,” he says.

Opportunities abound

Fujii discloses that regulators and industry participants in Myanmar have unprecedented access to technical support and guidance from the International Monetary Fund, the World Bank and central banks of a number of friendly nations. “They can study various models of financial sector growth that countries in ASEAN and the world have adopted, then choose

■ SIZE OF MYANMAR FINANCIAL SECTOR IN TERMS OF TOTAL ASSETS, 2014 (MMKBN)	
Banking	30147.7
Securities	2803.6
Insurance	536
Finance companies	30
MFI's	6.5
Source: GIZ	

the one that suits their requirements the best,” he observes. This means they can avoid making policy mistakes that have plagued the banking sectors in some countries.

Apart from that, Fujii also believes that the industry can – through technical partnerships and training programmes – benefit from the rapid innovations that are taking place in the banking sector in developed countries such as Japan and Singapore.

Meanwhile, Boshier foresees that the wide use of technology will bring in a whole new raft of consumers who had not previously participated in the financial sector – those who are younger and more digitally savvy: “I think we will see a very different type of client for banks.”

Adding that the consumer has not really been a target for banks in Myanmar – ‘simply because they have been so hard to reach’ – he thinks the advent of technology will trigger efficiencies that will force banks to face them and provide products that they want. “I think that’s going to be a big transition – it’s pivoting the financial sector here from being focused on commercial banking to retail banking,” he concludes. ■



Will digital really lead to a revolution?

How much of a threat are challenger banks? What are banks' opinions on digital transformation? What are the most successful digital offerings in France? How profitable are credit cards? These are just some of the questions pondered at a roundtable hosted by *RBI* on behalf of Assurant Solutions. **Anna Milne** writes

When banks seek to push the innovation boundaries, they tend to brainstorm ideas based on their experience as a consumer. It's true the retail consumer market often informs finance sector products. With this in mind the roundtable discussion kicked off with a round-up of favourite apps, and more importantly, why they are chosen as favourites.

Whatsapp, Uber (ironically, given the difficulty people had getting to the venue on the day on account of the cab driver strike in the capital over the car sharing app), Spotify, Instagram, YouTube and 'connected appliance' apps were some of the more well-known apps cited as favourites.

Brought to light was the fact that very few actual banking apps were chosen.

This, for an industry that is one of the biggest spenders and investors in mobile technology; a sector in which millions of pounds are spent on consultants, analysts and innovation labs, is perhaps surprising at best, disappointing at worst.

Douglas Blakey, group editor of Timetric finance titles including *Retail Banker International*, and chair of the discussion, asked: "Can you see in the next two to three years, you answering your bank app to this question of favourite apps? Because with the investment being made by the banks, arguably we should be there already."

Jae Won Jeong, global head of savings

and term life, BNP Paribas Cardif, said: "Yes- there are experiments with user experience, not only from the banks but also from the para-banking companies, for example applications for sharing money between people."

Fintech competition: boom or bust?

Delegates discussed the sea change in the number of mobile-only challenger banks coming out now in the UK. And whether there is an actual appetite for people to conduct all their banking on their phone. A similar situation is reflected in France, with the likes of Boursorama Banque.

Jeong continued: "BNP Paribas was very late to launch a dedicated digital bank and still we are trying to find a way to extend the business. Boursorama Banque for example has its own site for its transactions and everything."

"To have maximum benefit to attract new clients there needs to be differentiation. Boursorama Banque is doing very well in terms of the customer interface and total value."

Politics were brought into the frame as well, there being a very different political climate in the UK to France. French banks were not bailed out to the same extent as publicly as the UK banks.

Douglas Blakey: "French customers, generally, have a higher regard for banks than UK customers so there's not the feeling of antipathy. There are moves from fintech players to eat

away at some of the traditional forms of banking revenue, eg, remittances or international payments and compete. BNP Paribas launched Hello Bank as a new brand."

Corrine Leger-Licoine, head of operations at HSBC, said: "Hello Bank came out and said it wanted to create a new bank but continue to use the processes done by BNP. That's the reason for which Hello Bank is absolutely not profitable. Which is not the case of Boursorama, which has developed as two different banks, it has re-created its entire IT system, with which they are able to be very agile."

Delegates described the current market as 'very energetic, similar to the dotcom boom' when there were some great people with great ideas and innovation and eventually what happened was they all got consolidated and bought.

The bankers agreed this was a scenario likely to be replicated. After all, given the muscle in the big banks, and the amount of money they have, it's not very difficult for them to buy the small challengers, taking them out of the market.

Crossing the digital line- how far to take it?

Blakey said: "BBVA is a very successful Spanish bank, digitally-speaking. Unlike Santander, which grew market share in the UK by acquisitions, BBVA had virtually no presence in the UK,

COMPANY	NAME	TITLE
BNP Paribas Cardif	Jae Won Jeong	Global head of Savings&TermLife
BNP PARIBAS Personal Finance	Jean-Marc Buresi	CEO PF INSIDE REGION
BOURSORAMA	Brice Groche	Director of Investment Operations
Credit Agricole SA	Roberta Cecchin	International Retail and Commercial banking Multichannel Project Manager
Credit Agricole SA	Konstanty Kasprzyk	Agile Service Projects
HSBC BANK PLC France	Corinne Leger Licoine	Head of Operations
HSBC BANK PLC France	Antoine de Murat	Head of Banking & CDD-Deputy Head of Operations -
Natixis Global Asset Management	Lientu Lieu	Head of Strategy and Planning
Natixis Global Asset Management	Samuel Behrens	Strategy and Business Planning
NBAD FRANCE	Fadi Halout	Country CEO & Managing Director Wholesale-France
NEWEDGE (SG)	Eric Bonnefoy	Directeur des Opérations
Santander Consumer France S.A	Martin Thomas	CEO
Santander Consumer France S.A	Philippe Pouget	Chief Technology&Operations Officer
SG CIB	Angel Galdano	Head of Static Data Quality and Functional Transversal
Societe Generale	Camille Durand	DRH Head Office International Banking and Financial Services
Assurant Solutions	Alexandra Berger	Directeur Commercial Corporate
Assurant Solutions	Joanna Gittens	Marketing Executive
Ecobank France (EBI SA)	Elfried Didehia	Senior Credit Analyst

had bought a third stake in Atom very cheaply - £45m (\$65m), call it £60m - loose change. It is possible that the start-up digital banks may not be very independent for very long if they're successful."

Roberta Cecchin, international retail and commercial banking multichannel project manager, Credit Agricole, said: "The big banks have a lot of money and can buy these fintech banks, it's true but I think the danger comes more from Apple, Google and Facebook.

"Banks can die, despite all the money they have. I don't think I would bank with Google but I think my nephew would."

However, Leger-Licoine said: "We cannot compare Google or Apple with a bank - it's totally different. I don't think that we will finance the economy through Google or Apple; we can certainly pay through Google and Apple, but I don't think we will do structured bonds through them. And I think we are confusing the most important volume of activity, and the real activity of the bank, which is financing.

"For this type of flow the main competitor should be Google and Apple but I am more worried by someone like Boursorama, backed by a big bank."

Brice Groche, director of investment operations, Boursorama: "It's totally different. Hello Bank is based on the site of BNP but we do not rely on the site of Societe Generale."

Leger-Licoine: "We need to propose all the activity of digitalisation for the customer.

"We don't think that even for mortgages for example, it's possible to do via the internet, we see that, we have opened an offer for our customers for mortgages in France and one person has completed the process, one person. The others prefer to discuss in person. People are afraid of the risk involved if they make a mistake, they don't want to decide the rest of their lives with a mortgage via the internet.

Agility is easier achieved with smaller customer numbers, Leger-Licoine explained: "When you have larger numbers, it is more difficult. HSBC, globally has more than 80 million customers.

"We think in the future we will be more agile but today our main issue is to be robust, to deliver the same service to all countries, to be sure we have no risk of fault: the main thing. The credit card is an activity which is not profitable because we accept to pay when the customer has an issue.

"I think to try to attract the customer with free cards of payments is slightly stupid from an economic point of view. I'm not sure that digitalisation is the solution to all our worries today. Advisory services are important and can't necessarily be done online."

The question is how far to take digital, are customers ready even if the technology is? To what extent do cus-

tomers still want a personal interaction for a sensitive transaction?

Jeong: "Once you are too digitalised you grow tired of digital. A few years ago I did everything digitally; I don't like it anymore because I don't want to replace human interaction on the phone."

Is the demise of the physical branch premature?

Blakey asked the French bankers to discuss the reduction in branches in France. "In the UK, Barclays are down from 2,200 to 1,300, over a third of branches. Do you see real reduction in branch networks of the type we see in the UK?"

Leger-Licoine: "A lot of branches are closing in France. And yet the customers do still want direct contact for sensitive transactions.

"The best in class in terms of customer service in France are the mutual banks, Credit Mutuel, Credit Agricole, and why are they considered best in class? Because they provide a physical link for the customer, that's very important, despite the fact 60-80% of customers use internet banking."

One thing is for sure, the pace of change.

Konstanty Kasprzyk, who manages agile service products at Credit Agricole, commented on the recent changes in the market: "A few weeks ago to change the credit limit on my card I was told I had to speak to an advisor but since then I've received an update to my app informing me that there are new options and I can now do it through my app. So the changes are happening now."

Elfried Didehia, senior analyst, Ecobank France (EBI SA) brought the roundtable full circle by reconsidering the question of what actually is the best mobile app: "Maybe the best app is about discretion, and in providing a fast, discrete service, you forget, you don't spend a lot of time in it so maybe if we ask ourselves the question again, everybody might well say their favourite app is their banks'. Because I need something where I have two clicks and it's done."

Wrapping up, Blakey came in: "If it's just a case of taking holiday insurance the scope surely is as Alexandra [Berger, director commercial corporate, Assurant] says, just to be able to do it quickly on your phone to add it to your product." ■

"We are out pitching every day..."

Lee Cameron has one of the toughest jobs in fintech. Soaring losses, impairments, declining revenues and repeatedly missed targets have all combined to weaken market confidence in Monitise, the onetime darling of the UK fintech sector. As he tells **Douglas Blakey**, the market will not tolerate any more failure

Monitise CEO Lee Cameron does a good line in understatement. He tells *RBI*: "Everyone is holding their breath a bit."

Few technology vendors have endured such a rollercoaster ride as Monitise. And Lee Cameron, the firm's third CEO in a year, has been with the firm since day one.

"I was part of the founding management team when we had no customers, no revenue and no employees. I have seen it all the way through."

Appointed as CEO last September, Cameron inherited something of a hospital pass in business terms from his predecessor who spent only six months in the role.

Losses quadrupled in the six months to end December 2015; impairments soared as the firm wrote off £167m (\$235m) while sales fell to £33m from £42m in the year ago period.

Market confidence dried up after a number of targets were set and missed with depressing predictability; the share price fell by 97% from a peak of 80p to less than a meagre 2p by the end of 2015.

And amid all the management upheaval and negative press coverage, the firm was burning through its cash pile at an alarming rate.

Candid Cameron

As for what went wrong, Cameron does not pull his punches.

"We projected a vision and an ambition that was so enormous that we were over-stretched. We opened offices everywhere and saw the opportunity for a digital financial services land grab," he says.

"For a little UK AIM-listed company, we were too ambitious and we did over-stretch and we have taken a long time to pivot and transition the business."

"We grew so rapidly but did not have the substance to support it. We have missed targets and repairing the consequences has been very public. We now accept that we are not going to own digital financial services."

Nor, says Cameron, will the firm embark on another strategic review or seek a sale of the business.

A strategic review of the business in early 2015 resulted in some major players kicking

the tyres of Monitise ahead of a possible sale; no deal resulted.

"We spoke to a number of organisations in our space but if it has anything to do with us, we will stay as an independent company," says Cameron.

The Cameron turnaround plan incorporates drastic cost-cutting; headcount has almost halved.

He says: "We have taken out the cost centrally and prioritised customer facing roles. We had too much corporate stuff that was not supporting customer engagement or generating revenue – that has been taken out of the business."

Cameron's plan also incorporates accelerating a change in strategy away from charging licence fees to banks.

Instead, Monitise is banking on a single cloud platform with the aim of deriving more consistent revenues from subscriptions as well as new business partnerships, such as a major deal with IBM.

Historically, the Monitise business model involved the firm selling its proprietary software to its bank clients and charging a licence fee, plus professional services fees, for the implementation and localisation work around that and to provide ongoing support and maintenance.

That strategy, says Cameron, worked 'extremely well' for a few years.

And then in March 2014, Monitise raised fresh capital of £100m to build what it terms its MCP or Monitise Central Platform.

"We wanted to move away from charging a licence fee and charge banks transaction fees when their customer uses the service."

Sell FINKit

Looking ahead, the future of Monitise – if it is to have a future as an independent outfit – can be summarised in two words: sell FINKit.

Cameron does not quite admit that the success or otherwise of FINKit will determine the future of the firm but he comes close.

"Whether we are super successful or just go down in history as another UK fintech company that did okay will depend on how successful we are with FINKit," he explains

The new FINKit offering is designed to pro-

■ SUMMARY INCOME STATEMENT MONITISE - INCOME H115-H116 (£M)			
	H115	H215	H116
Revenue	42.2	37.3	33.4
Gross Profit	21.6	24.9	18.5
Operating Expenses	-52.4	-35.9	-38.7
EBITDA	-30.8	-11	-20.2
Depreciation, amortisation and impairment	-58.1	-165.1	-211.6
Exceptional and share based payments	-14.4	-47.8	-11.4
Attributable loss	-56.8	-166.8	-205.4
Source: Monitise			

vide a compliant framework within which banks can compose and package their services in conjunction with other third party services.

FINKit features prebuilt component architecture and is built in such a way that can ingest APIs from fintechs and from the banks themselves.

Adds Cameron: "A lot of banks tell us that they have in-house innovation they want to commercialise and bring to market."

"Co-opetition may be a terrible word but it does exist. We can be the platform to enable the mixing and matching."

"So when we go and pitch to banks it is not just a pitch to push more to the self-service channel to lower costs."

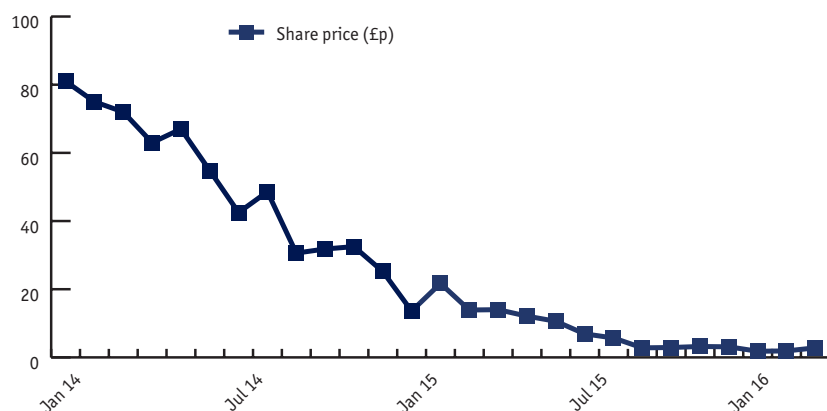
"It is to look at the revenue side of balance sheet; we can now deliver to banks lots of services - some they might want to build themselves, some we will build for the bank and some they may want from a fintech but cannot get them into their systems because they will not satisfy their security guys."

"Other organisations are coming over the top and inserting themselves into the supply chain."

"It may not matter to the banks today because are enormous and successful at what they do but if they allow other people to get access to their customers' spending behaviour and their transaction data it will over time mean that the bank loses its ability to own and be the custodian of these services of value to their customers."

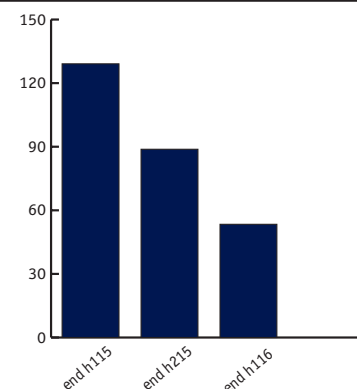
"So my message to the banks is to let them leverage us and you can launch those services

SHARE PRICE ROLLERCOASTER MONITISE - SHARE PRICE JANUARY 2014-MARCH 2016 (£p)



Source: Monitise

DECLINING CASH PILE - MONITISE - CASH AT END OF REPORTING PERIODS H115-H116 (£m)



Source: Monitise

MONITISE TIMELINE

- **2003;** Monitise founded by Alastair Lukies
- **2006;** Monitise signs up first major client; HSBC subsidiary first direct;
- **2007;** Monitise lists on London's AIM;
- **2009;** Visa Inc takes a 15% stake in Monitise (subsequently diluted to 5.5% by capital raisings)
- **2013;** Market capitalisation of Monitise hits £900m
- **10 January 2014;** Monitise share price peaks at 81p
- **January 2014;** UK Prime Minister David Cameron appoints Alastair Lukies as Business Ambassador;
- **6 June 2014;** Elizabeth Buse, a 16 year veteran senior executive at Visa Inc appointed co-CEO of Monitise
- **13 June 2014;** Alastair Lukies recognised in Queen's Birthday Honours List – appointed CBE;
- **26 June 2014;** Monitise acquires Markco Media Limited in all share deal worth up to £55m, the parent company of MyVoucherCodes.co.uk;
- **8 July 2014;** Monitise issues second profit warning in four months; warns it will miss sales targets; share price falls 8.6% to 45p; says it remains on target to break even in 2016 and 'increased confidence' in hitting its target of 200m users by mid-2018;
- **August 2014;** Alastair Lukies appointed non-executive chairman of FinTech industry body, Innovate Finance at its launch;
- **15 September 2014;** Monitise posts loss for year

- to end June 2014 of £31.4m; shares decline by 4% to 44p; Visa, the firm's fourth-largest shareholder says it is considering selling its stake in Monitise; appoints JP Morgan to advise on its options;
- **10 October 2014;** Monitise attracts negative press and analyst comment following reports of Lukies total pay package. For the year to June 2014 it rose to £1.17m from £616,000 the prior year; Lee Cameron, head of sales is awarded a 40% pay rise from £473,000 to £677,000 for the year to June 2014;
- **27 November 2014;** Monitise raises £49.2m from share issue; share price rises 12% to 34p;
- **2014;** Management Today names Monitise The UK's Least Admired Company, ranking 247th out of 247 firms surveyed by Leeds Business School;
- **22 January 2015;** Monitise issues another profit warning; discloses it holds gross cash of £129m; hires Moelis & Co to conduct a strategic review of the company;
- **23 January 2015;** Monitise reportedly receives 'a number of expressions of interest', with potential transactions including a merger with a third party or outright sale of the business
- **16 February 2015;** Sky News links FIS with a possible bid for Monitise;
- **17 February 2015;** Monitise reports loss of £30.8m for six months to end Dec 2014 up from loss of £10.2m in corresponding period the prior

year; blames switch in 2014 to a subscription model from one based on licences; press reports link a number of potential suitors with Monitise including Visa, MasterCard, Fiserv, TCF, IBM and Temenos;

- **25 March 2015;** Monitise ends sales process; Founder and co-CEO Alastair Lukies steps down; hands over full executive control to Elizabeth Buse; accelerates cost-cutting programme; share price falls 22%;
- **6 July 2015;** Monitise CEO Elizabeth Buse said revenues will be lower than previously forecast due to a 'difficult year'; r
- **9 September 2015;** CEO Elizabeth Buse resigns for 'personal reasons' after little more than a year in post; Monitise share price collapses 29% to a six year low; Lee Cameron, deputy CEO takes over;
- **31 December 2015;** Monitise share price ends the year below 2p;
- **12 February 2016;** Monitise posts loss of £20.2m for six months to end December 2015; writes off £167m from value of its business; cash balance has declined to £53.4m from £88.8m six months at end June 2015;
- **4 March 2016;** Monitise reportedly in talks to dispose of content business unit, Markco Media including MyVoucherCodes.co.uk; Monitise share price surges by almost 50% to a three-month high of 3.2p. ■

to your customer to drive additional revenues - and more importantly you are defending your role with your customers."

Looking forward

Cameron is adamant that the firm is now stabilised, focused, moving towards profitability, adequately funded with tight management controls in place, transparent and accountable.

He faces no easy task. Monitise's half-yearly costs for the six months to end December 2015 were £53m; it is targeting a reduction in costs

of £3m per month to end June, bringing total costs to around £35m.

Revenue in the last six months was approximately £33.4m and is expected to be broadly similar in the six months to end June.

Such figures stress just how important it is for Cameron's sales guys to get new deals on board for FINkit.

"We are out pitching every day. A number of our competitors have disappeared or been acquired. Often, the competitor is the banks themselves via their in-house teams.

"But just look at the in-house history. When

we turn up and tell a bank what we can do for them, we may meet with some resistance as the bankers say 'well, our own internal team can do it better, faster, cheaper.'

"It is so often not the case. The internal team has to deal with legacy change at the back end and so often do not have the time or resource to focus on innovation at the front end which is where we help."

Are there deals in the offing that might improve City sentiment towards Monitise?

"More than one – before 30 June," concludes Cameron. ■

DIGITAL

Google to shut down its financial comparison site

Technology giant Google is set to close its financial comparison site Google Compare one year after its launch in the US and UK.

Citing the reason for the site's closure, Google said that the service had been unable to offer the desired success in terms of revenue even though it received a good level of traffic from users.

The comparison site was originally launched in March 2015 as a car insurance comparison site for California's automobile buyers, and was later expanded to other markets such as credit cards and mortgages.

Google Compare enabled online shoppers to view offers from auto insurers, mortgage lenders and credit card issuers on entering personal data.

Google took commission from insurers and lenders on referrals, and was also licensed to sell products directly to consumers in some cases.

The service would be wound down this month and terminated on 23 March.

DISTRIBUTION

Ahli United Bank launches banking operations in Dubai

Ahli United Bank Limited (AUBL), a subsidiary of Bahrain-based Ahli United Bank, has launched its banking operations in Dubai International Financial Centre (DIFC), UAE.

The expansion into the UAE market follows the receipt of a Category 1 Licence from the Dubai Financial Services Authority (DFSA) on 25 February.

The new office will provide corporate banking, private banking, wealth management, trade finance, treasury and cross-border financial products and services to clients based in the UAE as well as in the wider Middle East region.

This move is part of the group's strategy to develop integrated banking presences in all

the Gulf markets and to act as a preferred regional intermediary for its clients in terms of securing their cross border banking needs.

Meantime, AUB Group chairman Hamad Al Humaidhi has been named as new chairman of AUBL, while CB Ganesh was appointed as the CEO.

Commenting on the UAE venture Al Humaidhi said: "The launch of DIFC operations represents another important milestone in AUB's evolution as a truly diversified regional bank and enables it to more effectively service its UAE and regional customers through a dedicated presence."

Ganesh said: "AUBL has already seen very strong interest from AUB Group clients across the UAE and the region and we will work to significantly develop and enhance these relationships in the coming period."

M&A

Nedbank to take controlling stake in Mozambique's Banco Unico

South Africa's Nedbank has announced plans to invest ZAR178m (\$11.4m) to increase its stake to 50% plus one share in Mozambican lender Banco Unico.

The South African lender, which currently owns a 38.3% stake in the bank, is now the joint largest shareholder in the bank with Gevisar, which is a joint venture between Grupo Américo Amorím and Portuguese conglomerate Visabeira.

Other shareholders include Banco Único's former CEO, João Filipe Figueiredo Júnior with a 10.69% stake; SF Holdings with a stake of about 7%, and Mozambique's state social security fund INSS with a 2.14% stake.

Nedbank said that the increase in stake would offer Nedbank a controlling share in the Mozambican bank.

In 2013, Nedbank took a 36.4% stake in Banco Único for \$24.4m which has now grown to 38.3%. Banco Único operates

with 16 branches in Mozambique, according to the Nedbank website.

TECHNOLOGY

New fintech hub launched in Israel

A vertical-focused financial technology hub, named The Floor, has been launched in Tel Aviv, Israel to support start-ups in the fintech sector.

Financially backed by Chinese venture capital fund Pando Group, the new hub will include an R&D centre, 1,600 square metres of collaborative workspace and host events to connect the country's fintech start-ups with investors and partners.

In addition, The Floor has also secured the support of four major banks including Banco Santander, HSBC, Intesa Sanpaolo and RBS.

Up to 25 companies can rent office space at the hub, gaining access to international financial players, venture capitalists and other mentors.

The hub is managed by Moises Cohen, Avi Cohen and Gil Devora.

SECURITY

TD Bank adopts Visa's secure tokenisation technology

Canada's TD Bank Group has adopted Visa's global standard tokenisation technology for its TD app for the Android operating system.

The tokenisation technology, powered by Host Card Emulation (HCE), will improve the security of the bank's customer by substituting sensitive account information with encrypted 'tokens' during mobile payment transactions.

The transition to tokenisation obviates the need for smartphone owners to go to their carrier and get a NFC SIM Card.

The bank said that its clients can download the updated TD Bank app, which available on Android phones running 4.4 and above. After adding their Visa card to the app, customers can

start making payments for goods and services with their mobile device.

TD's chief digital officer Rizwan Khalfan said: "The adoption of Visa's tokenisation solution allows us to deliver a faster, simpler, and more accessible mobile payments experience, backed by a secure technology developed by a global leader in payments."

Visa Canada head of technology and digital innovation Derek Colfer said: "Visa Token Service provides a secure environment for mobile commerce, allowing consumers to shop seamlessly and with confidence using their devices."

STRATEGY

ABN AMRO partners with First Data for payment services

ABN AMRO has teamed up with First Data to offer a range of digital and cash payment methods to businesses with physical and online stores.

The bank will deliver these services through its joint venture European Merchant Services (EMS), which processes credit card and debit card payments for businesses.

The bank is planning to expand this service to all of its business clients later in 2016.

ABN AMRO Corporate Banking director of products & business development Berend Dinkla said: "We are pleased that, based on our new partnership, we can now offer clients a single contract with payment solutions for both webshops and physical stores. Together with our partners EMS and First Data, we will continue to invest in relevant payment solutions."

European Merchant Services general manager Bart Damstra said: "The partnership between First Data, ABN AMRO and EMS has enabled us to further increase our footprint in the payments industry. We are committed to further developing our product offering to make payments even more convenient for our clients."

First Data head of global business solutions EMEA Shane Fitzpatrick said: "Through this exciting partnership, First Data and ABN AMRO will be able to offer clients a true omni-channel experience: innovative point-of-sale, mobile and online solutions that connect businesses with their customers."

M&A

Eurobank Bulgaria wraps up its acquisition of Alpha Bank Bulgaria

Eurobank Bulgaria (Postbank), the Bulgarian subsidiary of Greece's Eurobank, has closed the acquisition of Greek lender Alpha Bank's Bulgarian branch.

The acquisition makes Postbank the fourth largest Bulgarian bank in terms of deposits and loans, with assets of over BGN6.3bn (\$3.4bn).

Eurobank said in a statement that the transaction, announced in July 2015, will strengthen its position in the Bulgarian banking sector and help expand its customer base in the retail and wholesale segments.

"Starting from 1 March 2016, branch originating customers will continue to enjoy high-quality services through the same service channels and in the near future, during which the operational integration is expected to be completed, they will be able to use the extended Postbank branch network," Eurobank said.

M&A

Sumitomo offloads half of its stake in Kotak Mahindra Bank

Japan's Sumitomo Mitsui Financial Group has sold half of its 3.58% stake in Indian private sector lender Kotak Mahindra Bank for nearly \$300m.

According to media reports, a large portion of the stake has been acquired by Canada Pension Plan Investment Board (CPPIB).

An existing investor, CPPIB acquired stake in Kotak Mahindra Bank from the bank's vice

chairman and founder Uday Kotak in 2014.

Following the latest sale, Sumitomo's stake in the Indian lender will be diluted to about 1.8%.

In 2010, the Japanese firm had acquired a 4.5% stake in Kotak Mahindra Bank through a preferential allotment for \$201.2m.

STRATEGY

ANZ to merge wealth unit with retail businesses

ANZ Banking Group has decided to overhaul its wealth division by aligning some of the wealth businesses into its existing retail operations and on a geographical basis to improve returns and capital efficiency.

As part of the restructure, the bank's Australian insurance, superannuation and investments operations will be rebranded as Australia Wealth, which will be led by Alexis George as managing director.

ANZ Banking Group CEO Shayne Elliott said "These changes generate more value for our eight million customers by making it simpler and more convenient to access wealth solutions through closer coordination and alignment of our wealth and retail products.

"The changes help us unlock more potential from wealth and reduce complexity, duplication and cost across our business."

"The simplified approach also provides the opportunity to focus on improving returns and capital efficiency from our insurance, superannuation and investments product business given higher regulatory capital requirements," Elliott added.

Joyce Phillips - who led ANZ's wealth, marketing and innovation divisions - will leave the bank.

Following the reorganisation, the private bank division in Australia will report to the group executive for Australia, Fred Ohlsson.

ANZ financial planning will become part of the retail distribution division and report to Catriona Noble. In New Zea-

land and Asia, the wealth divisions will become part of the retail teams.

PAYMENTS

Number26 teams with TransferWise for international money transfers

Number26, a German digital banking start up backed by Peter Thiel, has teamed with TransferWise, a UK-based peer-to-peer money-transfer firm, to offer its customers in-app access to TransferWise's service.

The service will be immediately rolled out to the bank's customers in Austria, France, Germany, Greece, Ireland as well as Slovakia.

The transfers will be initially available from Euros into eight currencies, namely US Dollar, British pounds, Swedish krona, Indian rupees, Australian dollars, Hungarian forints, Swiss francs, and Polish zloty, the bank said in a statement.

The updated version of N26 apps, with TransferWise built in, are available on iOS and Android platform.

TransferWise CEO Taavet Hinrikus said: "We want to make it as easy and fair as possible for people who need to send money abroad, so we're very excited that Number26 customers can now access the TransferWise experience without leaving their banking app."

SECURITY

Nordea selects FICO's platform to counter payment cards fraud

Swedish lender Nordea has selected FICO's fraud management solution, FICO Falcon Platform, to protect its customers from credit, debit and e-payments fraud.

The company will also use FICO's adaptive analytics technology to refine its fraud detection.

The fraud management solution will be implemented for the company's retail banking as well as corporate banking segments.

It will eventually be rolled out to all Nordic countries including Sweden, Norway, Denmark and Finland. The company earlier used separate fraud solutions for various countries and channels.

FICO regional director of Nordics, the UK and Ireland Steve O'Malley said: "FICO already partners with Nordea in multiple parts of their business, including customer account management and scorecard development, and our work with them on customer fraud protection is a natural extension of that partnership.

"Enterprise-wide fraud management is a goal for many banks worldwide, since criminals are keen to exploit gaps between fraud systems. Nordea's leadership will show how a centralised approach can reduce fraud losses while improving the customer experience."

M&A

Citigroup to buy Costco's US co-brand card portfolio

Citigroup has signed a definitive agreement with American Express to purchase warehouse chain Costco's co-brand credit card portfolio in the US for an undisclosed amount.

Under the agreement, Costco's users with co-branded American Express cards will be transferred to Citi.

The transition is expected to close in the middle of 2016.

Citi Cards CEO Jud Linville said: "We are immensely pleased to have entered into an agreement to acquire the Costco portfolio and look forward to a long-term partnership with Costco and the opportunity to deliver value, convenience and seamless service to their 51 million loyal members across the country."

Currently, the bank is working with the well-known and popular warehouse chain to offer a new value proposition to its cardholders.

Citi said that it does not expect the impact of the acquisition and conversion to be material to its earnings in 2016. ■

People Risk: The Domino Effect at the Heart of Banking

The 2008 financial crash and the many banking scandals over the past few years have led to increased regulation in the sector in a bid to change banking culture for good, argues **Mary Clarke**

Whilst many retail banks have invested heavily in governance, risk and compliance and enterprise risk management infrastructures, these systems and processes fail to measure human behaviour – how employees think, act and behave at work – and this was one of the key issues at the heart of the financial crisis.

We only need to reflect on the market-fixing Libor scandal and PPI mis-selling cases to recognise that people's conduct and risky behaviours went unchecked. The consequences led to hefty fines, damaged reputations and the erosion of public trust.

According to the latest Chartis RiskTech100 report, human behaviour-based solutions have been deficient in the risk and compliance market. The report also highlighted that a lack of human-based solutions in risk and compliance has cost the banking sector \$60bn over a 12 month period. 98% of these losses (by value) and 82% (by frequency) were as a result of employee misconduct and human factors.

I understand that many managers within banks are still in the dark about the extent of their 'people risk', because the systems they use do not collate data about what people truly understand about their jobs, how confident they are in their knowledge and how they apply it at work.

Avoiding the 'Domino Effect'

If banks fail to identify, manage and mitigate against their people risks, a 'domino effect' is created. Evidence from the past indicates that if a single individual makes a 'wrong' decision, it can escalate into a major issue, damaging reputations, depleting share price and leading to hefty fines.

Limiting exposure to risk is clearly fundamental and it has a major role to play in many strategic and risk agendas within the banking sector. These agendas include the alignment of risk and compliance functions, operational risk, cyber security, anti-money laundering, customer experience, regulation and reputation.

Banks need to optimise their workforce in order to reduce this risk and to comply with the various new rules and regulations introduced in recent years to govern how people behave and act at work.

New rules hold banks accountable

Under the Senior Managers Regime, individuals who hold key roles and responsibilities will have more checks placed on them. Whilst they will still need to be pre-approved by regulators, the legal onus will be on banks to ensure there are proce-

dures in place to assess their fitness and propriety before applying for approval, and at least annually afterwards.

The Certification Regime applies to other staff who could pose a risk to the bank or its customers. Firms will need procedures for assessing the fitness and propriety of staff, for which they will be accountable to the regulators. This will include the recruitment and on-going reassessment of any staff that fall under this regime.

These regimes highlight that cultural change must be embedded in banks and firms will also need to demonstrate that boardroom-backed governance and risk structures are in place, reinforced from the bottom up.

How can banks do this? One effective solution is to identify the specific training needs, gaps in understanding and confidence levels of every individual. Such insight will begin to provide human-based behavioural analytics that highlight how people think, act and behave at work.

Human-based behavioural analytics is not simply about putting people through more training, it is about understanding what they know, if they understand how to apply this knowledge appropriately, how confident they are and where the gaps lie so they can be addressed.

Mercer's 'People Risks in M&A Transactions' report highlights that 'assessment is becoming more and more critical' in banking. The company also points out that organisations that bring the same discipline and rigor to addressing the people issues as they do to managing balance sheet risk and the other key operational aspects of a deal, will ultimately realise the most value from the transaction.

Why insights into behaviour are crucial

As many as 30% of any workforce have gaps in their understanding with mis-placed confidence to such an extent that it puts the organisation, people, reputation and shareholder value at significant risk.

With an insight into what people understand, misunderstand and how confident they are, banks can reduce their risks and build a picture of behaviour patterns.

Culture change takes time, and it's fair to say the industry is making positive changes. However, banks will continue to struggle and expose themselves to the 'domino effect' if they do not complement their existing efforts with the available insight and analytics about their people. People hold the key to change, and it's about time retail banks invested in bridging the gap between their people, their processes and their systems. ■

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