RETAIL BANKER INTERNATIONAL

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WHAT ARE PEOPLE WATCHING?

TV BANK ADVERTISING: WINNERS AND LOSERS

- DISTRIBUTION: North American Mobile Wallets
- DIGITAL: Moven
- EVENT: RBI Asia Trailblazer Summit 2016
- TECHNOLOGY: Artificial Intelligence

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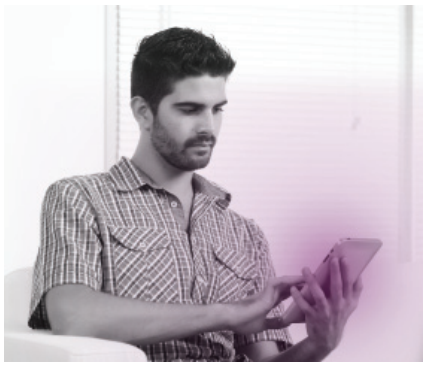

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For many years we have been the digital heart of a diverse range of financial services providers including Atom Bank, Generali Wealth Management, HRG, Ikano Retail Finance, Lloyds Banking Group and Think Money Group.

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Has account switching switched on?

Take a bow Santander, Halifax and Nationwide, the big winners in the latest account switching stats

A monthly record 124,000 plus UK customers switched their current account in March, highlighting the success of a new ad campaign at the start of the year promoting the seven day switching initiative.

Only around 2.5% of current account users switch per year; by contrast 3.4 million UK customers switched their electricity provider in 2015 and 2.7 million switched gas provider.

However, for the first quarter of 2016, 309,678 switches took place, up 20% compared to the fourth quarter of 2015 and 10% more than the same period last year.

The ad campaign was badly needed with account switching rates remaining stubbornly low. Overall, only 1.06 million switches were completed in the 12 months to end March 2016 compared with 1.13m in the prior 12 months.

And the winners: well, the most up to date data on a bank by bank basis covers the three month period to end September last year and Santander is the big winner by a distance.

Between July and September, Santander attracted an additional net 51,000 customers ahead of Nationwide (+15,000) and Halifax (+11,000).

The only other brands to show a net gain were TSB (+3,300) and Tesco Bank (+600).

Biggest losers: well RBS NatWest lost over 2,000 per week (down more than 27,000 for the quarter) just ahead of Barclays (-25,000) and Lloyds (-10,000).

Switching figures released in the third and fourth quarters this year will be of significant interest given recent product changes at Santander and RBS.

In January, the monthly cost of Santander's 123 current account more than doubled from £2 to £5 a month while last October, RBS launched a 123 type product, the RBS Reward account. The latter product gives customers 3% cashback on seven household bills for £3 a month.

Efma and Capgemini report on customer experience

As *RBI* goes to press, the fifth annual World Retail Banking Report from CapGemini and EFMA comes to hand.

As ever, the report is a good read.

Some positives: retail banks have accelerated their drive towards optimising the customer experience and that has resulted in an increase of 2.9% in the CapGemini Customer Experience Index (CEI).

As for some negative findings-take your pick. Key takeaways include one killer. Despite the rise in the CEI, profitable customer behaviour has improved only marginally.

The report also discusses the highly topical issue of fintechs and their relationship with financial institutions, the topic for debate by the by at the upcoming Digital Banking Club Live Debate in June.

According to CapGemini, fintechs are making increasingly significant inroads with customers, yet the vast majority of banks admit they are not adequately prepared to manage this emerging threat.

The report states that nearly two-thirds of the 16,000 retail banking customers polled are now using fintech products or services, and are much more likely to refer friends and family to their fintech provider (55%) than to their bank (38%).

Nearly two in three of the banks execs surveyed by CapGemini say that they need to view fintechs as partners while only 18% say that they plan to acquire fintechs or their technology.

It will be interesting to see how the stats in this report compares to the attendees at the DBC debate when they are polled.

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Can AI breathe new life into banking relationships?

Edwin van Bomme, chief cognitive officer at IPsoft, examines artificial intelligence and cognitive technology and whether it can make a difference in the ever-changing banking sector. With a more demanding consumer emerging in the industry, could this satisfy their growing list of needs?

Retail banking is facing the deepest level of disruption in decades. Shifting customer needs and a generation of millennials resistant to traditional banking methods are challenging established models. After years of change, banks need to plan for a fundamental rethink in order to thrive in a rapidly digitised, globalised and data-driven world .

Although consumer relationships in the retail banking space have never been particularly strong, a recent survey revealed that all four of today's leading banks are amongst the ten least loved brands by millennial consumers. Today's generation is dealing with a dearth of jobs and personal debt. As a result, today's hyper-connected consumer associates personal finance with crowdfunding, virtual currencies and online payment apps – rather than paper cheques, bank branches and ATMs.

The emergence of these fintech start-ups is heating up competition across all industries. Against this backdrop, retention is paramount to success, making it critical for retail banks to reform their business models quickly or risk losing customers and value. The largest banks have announced aggressive cost cutting measures that promise to shave 20% of operations but they do so in a market that any will be heavily penalised by customers with multiple alternatives.

AI supporting the workforce

The key to transforming the finance industry is reliant upon the successful rise of artificial intelligence (AI) and cognitive computing. Financial firms are turning to machines to do the job humans have done for decades. In fact, there has been an increase of more than 400 million people using intelligent digital assistants in the last five years alone.

Intelligent automation is not a quest to replace people in the workforce. Instead, it is more about changing the way businesses operate by complementing and augmenting human capabilities with intelligent machines.

The McKinsey Global Institute estimates that the economic impact of the automation of knowledge work will reach $6.7trn annually by 2025. AI will make it possible to automate vast proportions of work and manage data at record speeds for a fraction of the cost.

With new capabilities that can optimise value rapidly, banks have a fighting chance to both compete and team with fintech entrants and disruptors that have quickly gained mass appeal amongst customers of all groups.

Winning customer loyalty in the age of agile start-ups

AI will only be impactful if customers are willing to engage with it and that means understanding how to leverage AI to meet changing customer preferences. Banks can learn from fintech companies who are growing fast in popularity by addressing these squarely. Analysing successful fintech initiatives shows that above all customers want cross-platform, 24/7 responses, ease of use, and low cost. Banks need to follow this example in order to protect their profits, 60% of which are under attack from fintech players according to McKinsey & Company.

The advent of the internet has created the most educated financial services customers in history. Millennials have access to constant comparison information and alternative financial solutions which have seized a considerable market share from more traditional FIs. Winning the trust and loyalty of millennials, however, is becoming more difficult. Increased competition has made it harder to differentiate based on pricing or offerings alone. Customers around the world have reported increased likelihood to leave, with 52.7% of millennial customers likely to switch their banks by 2016.

Accessible anywhere at any time is the starting point. Customers can open a bank account in minutes with Bank Simple or get immediate confirmation of a loan through Lending Club. Both these services offer the same simple straight-through process that consumers have come to expect through other services.

Fintech companies have generated fanfare for introducing updated products and services that improve quality-of-life and feature innovation. In 2014, an astounding 73% of millennials stated they would rather handle their financial services needs with Google, Amazon, Apple, PayPal or Square than with their own bank.

Seizing the competitive advantage

AI technologies have matured and are ready to implement now. They offer the biggest opportunity in decades to establish new operational models. Many of the reactive service elements can be automated at a fraction of the cost. In the back office, robotic process automation (RPA) is already being used to populate data entry and increasing processing speeds for all elements containing structured data. With other technologies and policies, this will lead to a radical slimming down of back-offices organisations.

With customer patience becoming ever shorter, always available service will become a necessity in order to maintain customer loyalty. In the US, research shows that more than half of consumers will hang up after waiting on hold for 6-15 minutes while 25% will cut out of the call within the first five minutes.

Cognitive agents integrated in mobile apps and websites are beating the convenience of the current generation of apps and websites. A customer who has just lost his debit card can immediately start a chat with the cognitive agent to explain what has happened and have the issue resolved without delay.

By contrast, existing apps would oblige the customer to follow a much slower and rigid process, which might well not satisfy all the specifics of that customer's situation. Because the cognitive agent can answer questions in the same way as a human, the process is much more efficient for the customer. This hybrid workforce equates to a more agile workforce.

So what is the result of tying cognitive and other AI developments together? It will be the emergence of a fully automated bank that can provide personalised service at scale. Clients will be interacting in natural language with the bank's cognitive agents that are stand-by 24/7 on their mobile. The bank's financial backbone will be managed in a proactive fashion.

By pairing retail banking with cognitive technology, banks can launch first-of-a-kind services at a speed and cost unmatched by today's current standards. Now, with a growing number of competitors, it's important for banks to keep customer at the centre of their strategy. As banks construct their digital future, they have an opportunity not only to revolutionise the efficiency of their operations, but to deliver an entirely new level of AI-enabled superior customer service. ■

Chase Pay to galvanise US bank mobile wallet market

Unlike their Canadian counterparts, US banks have held back from launching own-brand mobile wallets for proximity payments. But the mid-2016 launch of Chase Pay may well force them to offer mobile wallets or risk losing customers to JPMorgan Chase. **Robin Arnfield** reports

"Canadian banks have a lot of momentum in payment-enabling their apps for proximity payments using NFC," Derek Colfer, Visa Canada's Head of Technology and Digital Innovation, says. "CIBC was the first Canadian bank to launch a mobile wallet in 2012, followed by RBC, Scotiabank, TD and Desjardins Group."

By contrast, US banks were held back by Softcard (originally Isis), a mobile payment JV between US telcos AT&T, T-Mobile and Verizon. "US banks were slow to get off the ground in developing their own wallets, as originally the only way they could do so was through Softcard, whose owners controlled access to their customers' handsets," says Colfer. "Prior to Google buying Softcard in February 2015, US banks couldn't get their proprietary payments apps onto customers' smartphones."

HCE

Despite the advent of Google's HCE (Host Card Emulation) software, US banks have partnered with Apple Pay, Android Pay and Samsung Pay instead of launching their own mobile wallets. Meanwhile, the Canadian banks have yet to make any announcements about support for Apple Pay, Android Pay and Samsung Pay.

HCE stores mobile wallet credentials in the cloud for Android devices instead of on a smartphone's secure element, meaning banks don't need agreements with telcos to put their credentials onto customers' handsets.

"RBC was the first bank in North America to launch its own native mobile wallet using HCE," says Julie Conroy, research director at US-based consultancy Aite Group. "So far, in the US only Chase and Capital One have opted for native mobile wallets. There are US banks that want the consumer to stay in their own banking app and not to open up another bank's mobile payments app. But we haven't seen much traction with Apple Pay and Android Pay yet, so a lot of banks will sit on the side-lines to see what happens with Chase Pay after its launch in mid-2016."

The "Pays"

Richard Crone, CEO of US m-payments consultancy Crone Consulting, estimates that Apple Pay has won 12 million monthly users globally since its October 2014 launch, and Android Pay has won five million monthly users since its September 2015 launch.

Samsung says five million registered users processed over $500m using Samsung Pay in the first six months since its August 2015 South Korean and September 2015 US launches.

However, transaction volumes are low for Apple Pay and Android Pay because, unlike Starbucks' mobile wallet which combines payments and loyalty, they don't give consumers a compelling reason to change their payments behaviour. "Once Apple Pay and similar schemes offer the ability to redeem rewards and loyalty points at the point of sale, they will see significant growth," Conroy says.

"In the US, a significant challenge is the relatively low distribution of NFC-enabled terminals for accepting Apple Pay, Android Pay and Samsung Pay," says Thad Peterson, a Senior Analyst at Aite Group. "NFC terminal distribution is increasing, however, and, as NFC achieves critical mass, we will see a more rapid uptake in usage of these schemes."

Samsung Pay offers merchants who haven't upgraded their magnetic-stripe-only POS terminals to NFC/EMV the ability to accept mobile payments using Magnetic Secure Transmission technology. This sends magnetic signals from the customer's device to the terminal's card reader. "Samsung Pay is doing very well in the US because of its use of mag-stripe acceptance technology," says Crone. "Its usage reviews are pretty good, and consumers use it at a lot of places."

Canada

One difference between Canada and the US is the Canadian FIs' and telcos' collaborative approach to developing an open mobile payments environment.

Canada's three largest mobile carriers, Bell Mobility, Rogers Wireless and Telus Mobility, operate the EnStream mobile credentials management partnership. Canadian issuers using EnStream to load customers' credentials onto their handsets include Montreal-based Desjardins, Canadian retailer Loblaw's banking subsidiary President's Choice Financial, and Scotiabank, along with the Ugo and Suretap mobile wallets.

Ugo, which is provided by UGO Mobile Solution, stores consumers' TD and President's Choice Financial credit cards, gift cards and loyalty cards on NFC-enabled Android smartphones connected to the Rogers, Bell, Telus, Koodo Mobile or Virgin Mobile networks.

Suretap is owned by a partnership – also called Suretap – between Rogers, Bell and Telus, each of which offers the mobile wallet. As of March 2016, Suretap had been downloaded almost one million times. Over 20 popular loyalty programmes, including seven of the top 10 Canadian programmes, can be stored on Suretap, along with CIBC and Rogers Bank credit cards. "Still to come are debit cards, coupons and other offers," Suretap says.

Mobile Payments Reference Model

In 2012, under the auspices of the Canadian Bankers Association, the Canadian banking industry published the Canadian NFC Mobile Payments Reference Model, a set of voluntary, open guidelines for the development of secure proximity mobile payments.

BMO Bank of Montreal, CIBC, National Bank of Canada, RBC, Scotiabank and TD published the Payments Security White Paper in July 2015, which outlines the principles for securing mobile payments in Canada, including open mobile wallets containing cards from multiple issuers.

"Canadian banks are focused on protecting consumers in the payments ecosystem," says Hisham Salama, TD's associate vice president of emerging payments. "You have to look at the safety and soundness of any

CANADIAN MOBILE PAYMENTS PRINCIPLES

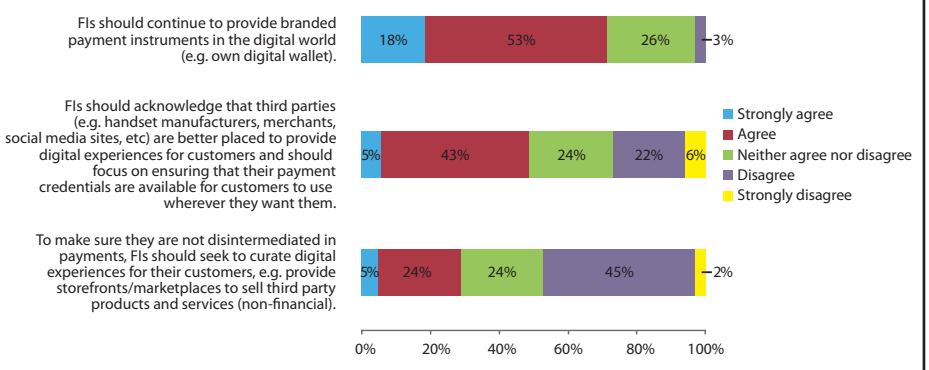
Security – Maintain the level of security consumers and retailers have come to expect from payment service providers in Canada, equivalent to that provided by EMV chip-and-PIN. Identify and protect consumers and retailers against technological and operational risks.

Openness – Create and support an open mobile payments environment that allows consumers to pay for goods and services using any mobile wallet on any mobile device, leveraging the contactless payment terminals that many retailers already have.

Innovation – Support innovation in mobile payments by creating an environment that promotes consumer choice and is conducive to the development, evaluation and introduction of new products and services.

Source: "Payments Security White Paper," (Canadian Bankers Association)

MOST FIs BELIEVE THEY SHOULD OFFER DIGITAL PAYMENTS UNDER THEIR OWN BRANDS



Source: Celent Digital Research Panel, November 2015

products offered to consumers, starting with identity and verification for customers trying to digitise plastic cards."

RBC

RBC is leading the way in offering wallets providing added-value compared to plastic cards.

"We constantly look for ways to improve our mobile payments platform so it provides choice, convenience and flexibility," says Linda Mantia, RBC's executive vice president of digital, payments and cards. "In Autumn 2015, we rolled out beta mobile gift card capabilities in RBC's mobile solutions. This means clients can load, purchase, gift to another individual and redeem gift cards using the RBC Mobile app. We'll be adding digital receipts to the RBC Mobile app soon, allowing clients to have all their receipts at their fingertips so they can track their purchases to reconcile their receipts with banking statements."

Mantia says contactless cards are an efficient, secure and simple way to pay at the point-of-sale. "So, for mobile payments to take off, they should offer clients more than what they're already carrying in their wallet," she says.

In March 2016, RBC updated the RBC Wallet for Android as a stand-alone app giving clients access to the wallet without having to use RBC's mobile banking app. Customers can also use an Android widget to select their card and pay with one tap from the home screen without having to sign in.

RBC's mobile payments are powered by RBC Secure Cloud, which keeps sensitive customer data secure in RBC's HCE-based cloud, not on the customer's smartphone secure element. "Secure Cloud is based on (proprietary) tokenisation technology, where the secure token is a representation of a card and is used at the point-of-sale to facilitate a payment, but the secure token itself doesn't contain sensitive client data," says Mantia. "That data resides with RBC's Secure Cloud instead of on the mobile device and isn't shared. This technology is more secure than existing credit and debit cards."

Secure Cloud works with multiple mobile devices and platforms, as well as existing contactless-enabled POS terminals. "We're also well positioned for how payments will be transformed with the Internet of Things," Mantia says.

RBC has been experimenting with biometric technologies such as wearables. In November 2015, it participated in a pilot involving the Nymi Band, a wearable authentication device that uses the uniqueness of the wearer's heart to authenticate transactions.

"We're investigating these technologies with our clients' needs in mind, while ensuring the safety and security of their personal information," says Mantia. "The pilot showed that early payment technology adopters valued the concept of wearable payment devices. It aligned with our mobile strategy of providing choice, convenience and flexibility to our clients while moving all the security into the background. Wearable, biometric payment technologies have the potential for seamless secure payment authentication, as they can assure issuers that both the payment information and client are present during the transaction."

Scotiabank

Since October 2015, Scotiabank's My Mobile Wallet has supported credit and debit card purchases on both Android and BlackBerry devices.

Scotiabank customers with eligible Android smartphones from Rogers, Bell, Virgin Mobile, Telus and Koodo can tap their phone to pay for purchases up to the contactless limit of C$100 ($76.53) at Interac Flash (Canadian contactless debit cards) or Visa PayWave-enabled terminals.

Customers can store their Scotiabank SCENE loyalty card in their mobile wallet to earn and redeem SCENE points at participating merchants.

TD

In March 2016, TD became the first Canadian bank to use the HCE-based Visa Tokenization Service in its new Android mobile payments app.

"The app has been very well received by customers," says Salama. "This is a testimony to the seamless experience we designed using Visa's network-based tokenisation service, which makes it easier for people to use mobile payments. Also, while the payment app is part of our banking app, you can make quick payments using an Android widget without firing up the whole app.

Canadian credit unions

From Spring 2016, Canadian credit unions will be rolling out mobile Interac Flash payments using Canadian debit scheme Interac's Token Service Provider platform.

The first four credit unions to launch the mobile payment service are Affinity Credit Union and Conexus Credit Union in Saskatchewan, First West Credit Union in British Columbia, and Meridian in Ontario

The US

"In the US, mobile payments are being led by retailers, not banks," says Crone. "Retailers such as Starbucks, Dunkin' Donuts and Subway have been very successful with mobile payments. Starbucks says 21% of its sales come via its Starbucks mobile payment app."

One way banks can play in mobile payments is to embed their payments credentials inside a retailer's own app. "But issuers need to ensure their branding isn't subsumed inside the retailer's app," Crone says. "There need to be embedded links between the bank's mobile banking and payment apps and retailer apps. A bank's mobile banking app can use presence detection to detect when a cardholder is in a Walmart store, for example, and offer a link to the Walmart loyalty app for shopping, while providing the bank's payment app for the actual purchase."

Research by Celent shows that most US banks are more likely to engage with third-party wallets than explore their own HCE wallets. In November 2015, Celent surveyed 42 US banks and credit unions for its *US Financial Institutions and Digital Payments: Digital Research Panel Series Part 3* report.

Celent senior analyst Zilvinas Bareisis says 61% of respondents already support Apple Pay and the majority of the others are planning to join the scheme.

"When we asked the FIs about HCE, just 5% said they offer HCE wallets, 17% plan to do their own HCE wallets and 32% are considering them," Bareisis says. "But 46% said they have no plans for HCE. The paradox is that when we asked what they were worried about in digital payments, they all talked about the need to be top of wallet and not lose control, and all agreed that banks should provide their own branded wallets."

Chase Pay

The rollout of Chase Pay by Chase, the largest US card issuer, will awaken the bank-branded mobile wallet market, says Crone. "Chase Pay will spur every bank that wants to keep their customers to offer a bank-branded wallet," he says. "Banks need to have a plan for mobile payments. Signing up for Apple Pay or Android Pay isn't a mobile payment strategy, but will actually erode the bank's franchise and brand value over time. Most importantly, banks offering a mobile payments capability will have a platform for providing personalised services such as customised credit offers when the customer is in the store making a purchase."

Chase's QR-code based mobile wallet will be accepted at US merchants belonging to the MCX (Merchant Customer Exchange) mobile payments alliance as part of MCX's CurrentC wallet.

Chase is partnering with 17 technology vendors so merchants who are not Chase Commerce Solutions merchant acquiring clients can participate in Chase Pay. From Autumn 2016, Chase Pay will also be accepted at the 7,500 company-operated Starbucks locations in the US.

"Market research surveys show that consumers prefer to get a mobile payment capability from their primary FI, and Chase is playing into that," Crone says. "Chase knows that the number one reason for switching banks, after fees, is mobile capability. Five years ago, Chase was one of the first banks to launch mobile RDC, and every time its RDC ad played on national TV, it opened up 10,000 new accounts. Over half of US millennials will move their primary banking relationship to get a mobile payment capability from a bank."

Chase plans to prepopulate all of its 94 million credit, debit and GPR prepaid cards in Chase Pay. "Chase Pay will be accepted by the 49 major retailers such as Krogers, Walmart and Wendy's which belong to MCX and account for over $1trn in annual spend. It will offer transactions which are cleared through Chase's own processing network and have fixed-fee pricing with volume-based discounts plus zero merchant fraud liability and zero network fees. This means merchants are motivated to accept Chase Pay's lower-cost transactions."

"Chase did a deal with Visa according to which it carved out a portion of VisaNet called ChaseNet so Chase can process transactions in an Amex style closed-loop environment," says Bareisis. "Because Chase Pay encompasses both issuance and acceptance through Chase's merchant services business, it's a unique proposition that not many banks can replicate."

Chase Pay's benefit to consumers will be the ability to activate offers and redeem rewards from within the wallet. "Chase will be the only wallet provider able to offer seamless rewards and offers integration," Crone says. "I estimate that Chase will see revenues of $300 per active Chase Pay user per year from merchants whose offers are activated."

Although its default option is QR code payments, Chase Pay will support NFC payments for Android devices as well as Bluetooth Low Energy beacons which detect a mobile wallet user's presence. "BLE can be used for applications such as paying for take-out food at drive-ups," says Crone.

CU Wallet

US credit union service provider CU Wallet has developed the white-label CU Wallet app which credit unions can issue using their own brand. CU Wallet has 120 credit union participants, which together represent over 10 million members.

"The CU Wallet application is already live," a CU Wallet spokesperson says. "Two early adopter credit unions have launched the app and are testing with friends, family and employees in preparation for a full release to membership. A third credit union is on the cusp of doing the same, and a dozen or so others have signed contracts and are in our deployment pipeline."

Currently, CU Wallet supports QR code transactions using technology supplied by PayPal subsidiary Paydiant which also provides MCX's platform. "We will soon support NFC for contactless payment through our recent partnership with MasterCard through integration with the MasterPass digital wallet," the CU Wallet spokesperson says. "We have also partnered with two national merchant networks, Empyr and Relevant Solutions, with a third that will be announced in the coming weeks, to provide consumer value through national and local discounts and card-linked offers."

MCX

Walmart, Best Buy and Target launched MCX in 2012 in order to develop a retailer-centred mobile payment system focused on loyalty and rewards that would cut the cost of card acceptance in its members' stores.

MCX subsequently launched the CurrentC mobile app which, as of March 2016, is in pilot mode in Columbus, Ohio with retailers such as Kmart, Sam's Club, Sears, Walmart, CVS/pharmacy, Target and Wendy's. MCX's members collectively operate over 110,000 locations.

"CurrentC provides consumers with multiple ways to pay, including chequeing accounts, Chase Pay, gift cards, and retailers' private-label credit and debit cards," an MCX spokesperson says. "CurrentC combines these payment accounts and consumers' loyalty cards, automatically applying coupons, promotions and loyalty rewards at checkout in a single transaction."

MCX's prospects are uncertain due to the fact that many of its original members no longer have exclusive agreements to accept CurrentC, which means they can accept other m-payment methods such as Apple Pay and Android Pay. Another potential drawback of CurrentC is the fact that only Chase-issued cards linked to Chase Pay can be stored in it.

Walmart Pay

In December 2015, Walmart launched its QR code-based Walmart Pay mobile wallet which it plans to roll out to its 4,600 US stores during the first half of 2016. Walmart Pay works on iOS and Android devices which have downloaded the Walmart mobile app, and accepts any major credit, debit and prepaid cards as well as Walmart gift cards, Walmart says.

Walmart has a head start for Walmart Pay as it already has 22 million Walmart mobile app users. The app lets Walmart customers look at and activate in-store offers and store a shopping list.

"What Walmart is doing is cross-populating the payment credentials customers use in Walmart.com and allowing them to make purchases in physical stores with the Walmart app," Crone says. ■

The 'black horse' gallops to Lloyds' advertising rescue

Companies spend millions on advertising and banks are no exception. From attracting new customers to maintaining a brand presence, advertising can be crucial in a firm's strategy. There only remains one question: Does it actually work? **Patrick Brusnahan** speaks to Nielsen and examines its effectiveness

When one thinks of Nielsen ratings, the mind usually wanders to television shows and how said ratings hold their futures in the balance. However, it isn't just the latest Channel 4 drama that the company tracks. Advertisements are also monitored to check their effectiveness.

A service entitled TV Brand Effect (TVBE) runs seven days a week between 6pm to midnight on Channels 4 and 5, ITV and Sky 1.

Christopher Cox, the UK TVBE lead at Nielsen, speaks to *RBI* about this service. He says: "Any advertising that airs in our coverage period is surveyed to our panel. So it's pretty comprehensive. Since it launched in 2010, we've received about 10 and a half million completed surveys across about 45,000 ads and about 3,500 brands."

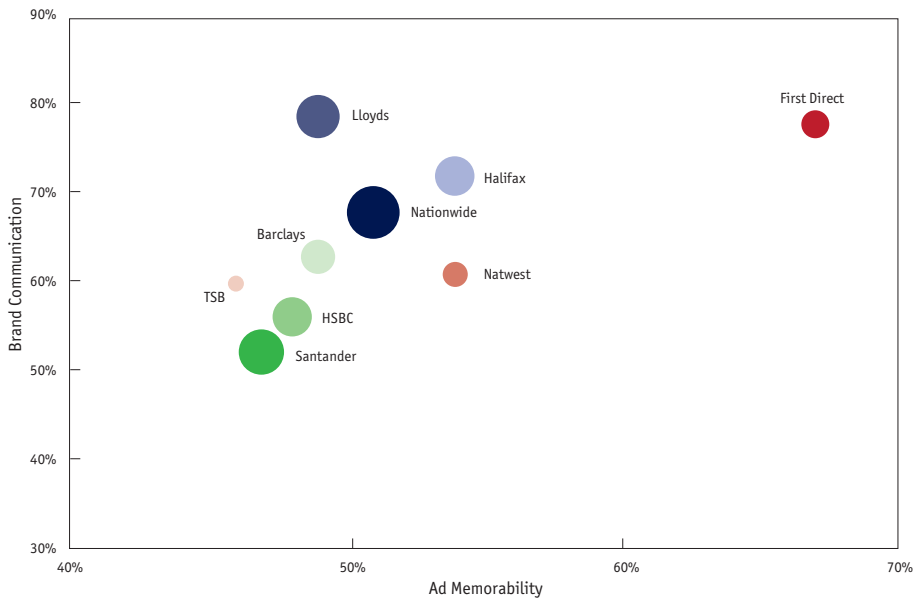
Research carried out by the global information and measurement company focuses not on showing adverts to consumers, but seeing what consumers can recall about them.

Cox explains: "The interesting thing about what we do is that we never show a consumer an ad, we basically are testing on the basis of 'Can they remember it the next day, based on watching it alongside normal TV?'

"So we ask a consumer what they watched. If they say they watched the Simpsons, we'll know that a Lloyds ad was on in a break and we see whether they remember that. We define effectiveness as being able to remember the ad and the brand within the ad. If those two things don't happen, nothing else will, it's as simple as that."

Nielsen gets around 4,000 to 4,500 responses a day split across approximately 100 pieces of advertising. Afterwards, a viewpoint can be reached in close to two weeks. This is then compared to spend data in order to 'investigate how much these ads are cutting through in the real world environment'. Through this, a better understanding of how wisely banks are spending their advertising budget is reached.

SUCCESS OF TELEVISION ADVERTISING FOR UK BANKS



Source: Nielsen

Was 2015 a good year for banks' ads?

Nielsen wanted to get an overview of what sorts of advertising were connecting with audience members. However, there are many variables in the field and it can be easier defined when considering brand value.

Cox says: "We saw a high degree of what we call variants. We have a metric called less impact potential which measures people's ability to remember the ad and also to correctly attribute the brand. We know across categories that the benchmark norm of less impact potential is around 30% for all advertising. Typically, we see banking hit around the same level with some brands over-performing and some brands under-performing."

Looking within a brand can reveal unexpected results. For example, if one brand is performing to an average extent, it may not be because all of their content is average; the bank could have the best and the worst advertising campaign, which evens out.

According to Cox, there are a few standouts in advertising. He clarifies: "Traditionally within the last few years, I would say FirstDirect has typically been a leader. Their advertising has got a lot of consistency, a really steady look and feel; they follow a formula which often works. It's been like that for a while now. But there's a following that's gone: black and white, weird animal, joke. That kid of consistency works, they don't have to put as much weight behind it because it locks in quickly and people know what it is over time.

"Some of the other brands tend to do well, for example, we've seen Halifax do quite well historically. Again, in 2015, they were up in the top group.

"One brand that changed quite significantly in the last year was Lloyds. We saw real uplift for it primarily due to the return of the black horse imagery which is familiar to consumers and even now, having not has that on screen for however many years, it's something that people associate with the bank and it's helped define it as its own thing."

Lloyds is an interesting case as it had to keep its own brand image after splitting from TSB. Cox continues: "There are implicit brand queues and for a lot of consumers who remember Lloyds before it was Lloyds TSB,

when it used the [black horse] imagery all the time. Those are implicit queues to the brand. I think it really helped it in that campaign."

However, some other banks didn't fare so well. "Santander slipped a bit, it didn't cut through in the way it has historically, and it slipped towards the middle of the pack. TSB was weaker as well. The other ones that kind of lagged were the supermarket-type banking operations. They just didn't get the kind of weight needed. I think they suffer a bit because banking for them is not a priority within the business."

The importance of advertising

So does advertising work? While it is as ever-present as always, especially on television, the effectiveness of it has been in question as the more cynical millennial generation comes to the fore.

Cox says: "TV is a broad, effective tool for any brand. It's something you can use to go out and get a wide audience. The challenge is that you don't get to target in the way that you do through digital and things like that. That's the trade-off that brands make.

"TV is great at pushing a broad message to a broad audience, but it has to work to cut through and there's no way of pushing it in front of the consumer you want in a proactive way whereas digital theoretically allows you to do that in a more assertive way."

With that level of targeting available with internet advertising, surely most of banks' efforts would go towards that?

"There is an inherent debate in the industry of where budget goes. No one has as much money as they want to have and they have to make tough calls about going down a very targeted digital approach or going down a broad TV approach or is there a way of balancing them both out?

"TV is challenged a lot with regards to 'am I getting a return on my investment?' TV is inherently tougher to measure in terms of your return on investment than digital. Digital is much simpler as it is the ad; the eyeballs it went in front of and did it do anything? Whereas TV, because it's broad, it's harder to go back and this is why we try to tie it back. TV is not going anywhere, we're still seeing a lot of spend going to that, and it's just companies trying to work out how they make TV and digital best fit alongside each other."

However, younger generations simply have no patience for ads. With countless documentaries, and even serial dramas (such as Mad Men), examining the advertising world, viewers are now more cynical.

On this trend, Cox says: "A trend that we've been tracking since 2010 is that amongst younger audiences is a steady slip in terms of ad effectiveness. It's not vast year-on-year, it's only a couple of points of effectiveness each year, but it is noticeable. The challenge for everybody is how do I link to those younger consumers who are going to be tomorrow's big customers and driving that is really important.

"We talk about that millennial group, the buzzword everyone has, but that's definitely a big challenge as it's a highly distracted audience that don't work the way the previous models of activity have done and this is where the challenge lies. They are seeing [ads] on the TV, but they're distracted by the smartphone. So how do you get an ad in front of them in the right time?" ■

Review of banking category TV ads Jan/Feb 2016

Throughout Jan and Feb 2016, Nielsen measured adults' reaction to TV ads from 13 leading banks in three key areas:

- **Ad Memorability:** Ability to remember the narrative of an ad;
- **Brand Communication:** Amongst those who would remember the ad, those who could correctly identify the advertiser, and
- **Net Impact:** Amongst total audience, those remembering ad and brand.

The retail banking category is relatively dense, with a large number of brands advertising heavily for services which can overlap in consumers' minds. Each year we've tracked a significantly larger number of creatives being run amongst these brands, with 25% more creatives on air in 2015 vs. 2014.

Already in January and February, 26 different creatives from different brands have been seen on air, many of which are continuations of campaigns which first ran in 2015, but others are new. Barclays and First Direct have been the most active, with eight creatives between them. Performance so far has been highly varied.

2016 Performance

The strongest brand, overall, so far this year is clearly First Direct, who has traditionally been extremely strong amongst the group. Their advertising typically has a highly recognisable look and feel, ensuring that consumers can pick up on those implicit brand cues.

Halifax and Lloyds have also been strong, with Lloyds doing extremely well on their branding, likely driven by a long running, consistent campaign featuring the 'black horse' imagery which is familiar to many consumers.

Typically ads in banking which do well feature:

- **Ownable imagery/themes** – Styles which are consistent over time and stand out amongst the competitor set, such as Lloyds' Black Horse which has been a hallmark of the brand for many years. If a competitor could put their logo on the ad and it still be effective for them it isn't considered 'ownable';
- **Clear, early, frequent branding** – Branding can be verbal, visual, implicit or explicit. It should be a core component of the creative however, ideally with both a verbal and visual cue. Nationwide almost always include "At Nationwide..." at the start of a creative, a strong verbal cue;
- **Create a recognisable offer** – Within banking there are opportunities to create ads which feature an offer that is structured in a highly recognisable way. Santander's 1-2-3 campaign is a good example of this, and
- Novel visuals and music cues – Ensure that the visuals and music are set up to draw attention to the screen, keeping these elements consistent across different ads can also help. First Direct stands out by using black and white images and unique animal mascots to catch attention and implicitly link to the brand.

Amongst the new ads only in 2016, the single most effective one is Barclays' Fraud Prevention ad 'Imposter' featuring 'David' with a person behind him revealing all his lines are a scam.

This ad follows several best practices, which have helped it cut through despite a relatively short time on air. The novel look and feel, with a character interacting directly with the audience and a 'mystery' voice, the lack of music or any other secondary sound, and the early brand cue all combining to grab and keep viewer attention.

Notes

Demographic: Adults 18+
Time period reviewed: 01/01/10-29/02/16
Surveys conducted 24 hours after exposure in the home.
Brands evaluated: Barclays, First Direct, Halifax, HSBC, Lloyds, TSB, M&S Bank, Nationwide, NatWest, Santander, Tesco Bank, Co-operative, Virgin Money.

Source: Nielsen

Is Moven truly a modern game changer?

New York-based neo-bank Moven has been widely heralded as a disruptive innovator which is changing the nature of banking. **Robin Arnfield** talks to Vincent Bahk, Moven's Chief Customer Officer, about the challenger bank's views on the marketplace and how it feels it can change the banking paradigm

Founded in 2011 and launched commercially in March 2014, Moven offers a US fee-free FDIC-insured mobile checking account and debit MasterCard which are provided by its US banking partner, Weir, Kansas-based CBW Bank. It also offers real-time personal financial management (PFM) and budgeting and savings apps as part of its mission to encourage what it terms 'financial wellness'.

"Moven isn't your typical bank," Alex Sion, Moven's president, wrote on his LinkedIn page. "We provide banking and financial services, and we work with banks and industry partners to do this. So you get the protection and security of depositing at a bank, but none of the frustrating baggage. We're changing the definition of what a bank does and how it works with its customers. So, while we're not set up like a typical bank, we'll provide all the products, services, and features of a typical bank and will even create some much-needed innovations of our own."

Digital banking strategy

"We're about connecting a bank to the moment (in time) that matters for the customer,"Vincent Bahk, Moven's chief customer officer, tells *RBI*. Using Moven's app, consumers can make decisions about spending and saving when they are at the point of sale.

"We believe banking products are on the road to commoditisation and becoming 'utilities' - just like the telephone dial-tone and the Internet," says Bahk. "Mobile has enabled us to play a role in our customers' lives, instead of simply selling them a banking product. Transaction data, location data, social media, etc. all give us insights on how to address a true customer need in the moment."

Bahk says that what differentiates Moven is its ability to connect the customer experience layer directly to banking products. "Other providers, like traditional PFMs, are limited to being a referral engine, but today's customer is smarter and knows that they are being sold to," he says. "Our engagement data tells the story that our customers are depending on us in their daily lives. We're becoming something they rely on."

Bahk claims current digital banks are still not meeting the specific needs of millennials. "While digital banks are in the medium that millennials prefer, they are still bringing old rules and trying to apply them to a new behaviour," he says.

"The millennial mindset is thinking about money management, banking, savings, and planning for the future in a completely different way thanks to innovations of the sharing economy such as AirBnB and Uber. Similarly, millennials have different customer service expectations compared to previous generations."

Advice

"Moven's key differentiator is 'advice and guidance'," says Ron Shevlin, Director of Research at US consultancy Cornerstone Advisors. "It has developed a number of PFM functions to give its customers real-time information on how they're doing against their budget."

Moven works with conventional plastic card and mobile wallet transactions, giving consumers instant feedback via mobile alerts on their spending activity including real-time, categorised receipts and the colour-coded Spending Meter.

This helps users avoid overspending by showing how much they are spending on different categories and how recent transactions compare to past activity. Moven uses three colours – red, yellow and green – to indicate a user's financial health.

Moven app users can get a complete money management picture by linking and aggregating all their accounts with different banks through the app, Bahk says.

Partnerships

In addition to its US business, Moven is seeking to partner with banks in other countries, and has already teamed up with Canada's TD and New Zealand's Westpac.

"If we partner with a bank, our first assumption is that they have their own products which we connect with," Bahk says. "In essence, we're the customer engagement layer to our partners' financial products."

In December 2014, TD signed an agreement with Moven for the exclusive Canadian rights to Moven's PFM app, and is currently in pilot mode. In February 2015, Westpac New Zealand launched a new version of its digital banking platform incorporating Moven's PFM tool.

"There are others banks in the pipeline, but we're not at liberty to reveal their names yet," says Bahk.

"Offering a PFM app like TD is doing with Moven helps create stickiness for a bank," says Ed O'Brien, director of Mercator Advisory Group's banking channels service.

In May 2015, Moven signed a services agreement with Accenture to develop digital banking solutions such as next-generation account opening, biometric authentication, and real-time marketing, which they will provide to banks globally.

"Accenture gives us immediate scale, so we can meet our clients' needs," says Bahk.

"We have pursued global partners to not only distribute our platform but also strengthen our offering," says Bahk. "Since launching these partnerships (with TD and Westpac), we've created an infrastructure that is multi-currency, multi-lingual and on a distributed cloud system. This is proven to be a leading formula for a future-proof platform, something we wouldn't get if we pursued only domestic partners."

Business model

Bahk says Moven's business model is SaaS (Software-as-a-Service) based. "We've structured our contracts to share risk and upside with our partners, but, fundamentally, we are an engagement platform of which any financial institution, including banks in the US, can take advantage."

Moven differentiates between its Direct to Consumer US banking customers and its PFM app users. "While we keep our numbers close, we can that we have tens of thousands of active users on our platform in the US who are direct customers with Moven accounts," says Bahk. "We also have hundreds of thousands of (Moven) app users, and, with our global partners, our usage will be in the millions."

Bahk stresses that Moven's Direct to Consumer US banking business is "created specifically to be a live, working laboratory for the firm's software platform. It's enough to be a 'real' business and 'practice what we preach,' which is a key differentiator to any other FinTech firm out there," he says.

Enhancements

"We're always making enhancements to our digital offerings in order to take a customer-centric approach," says Bahk. One example is support for Moven's PFM tools on iOS and Android-based wearables. "We have more to come in our product roadmap soon," Bahk tells *RBI*.

In January 2016, Moven released a new version of its app which no longer requires passwords or fingerprint authentication for certain basic level transactions such as viewing balances, provided customers have enabled auto-login on the app. Once they have set up auto-login, customers use their mobile device as ID authentication. However, risk-based transactions such as fund transfers still require authentication through usernames, passwords or fingerprint ID.

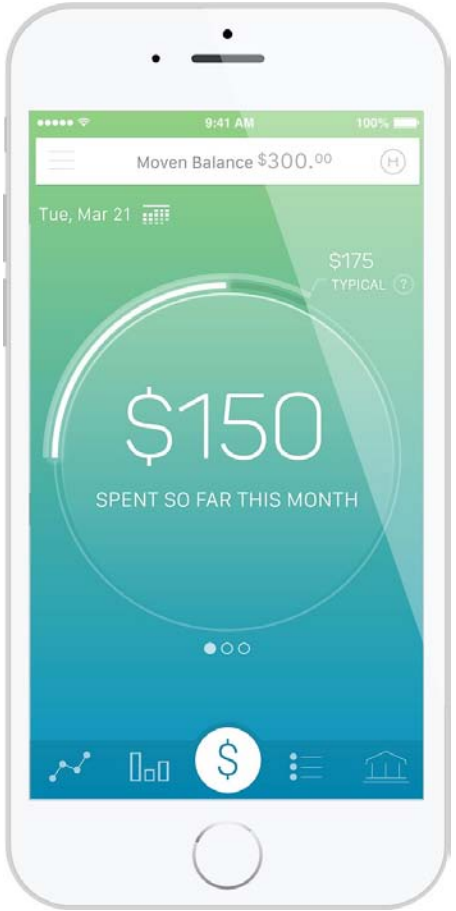
"We've taken an old paradigm of passwords and moved it to a mobile-first world of fingerprints and device ID where passwords are obsolete," says Bahk. "We will be taking the approach of auto-login and fingerprint ID as we introduce new features within our app and our banking products."

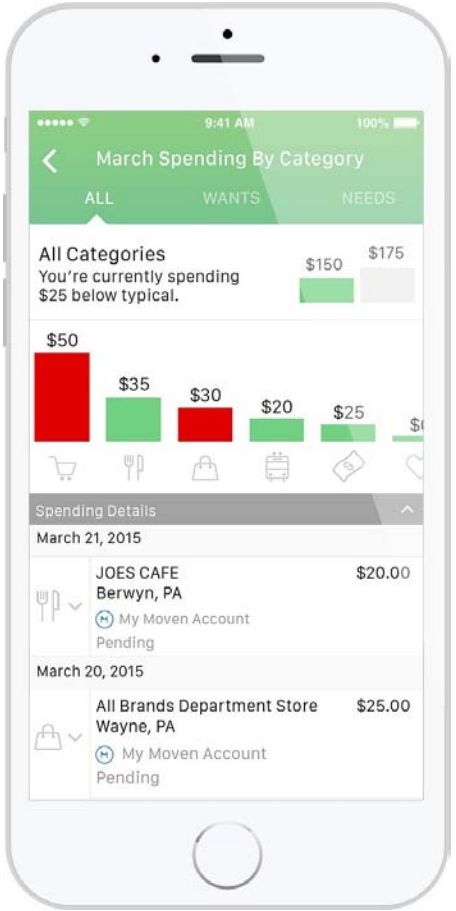
During the first half of 2016, Moven will introduce its Impulse Savings feature which includes:

- Prompts to 'lock away savings' when a user's spending behaviour has placed them sufficiently in the green (below their average spending) that it makes sense to do so. "Moven gamifies that moment in time when you're thinking about spending that cash that is burning a hole in your wallet, and turns it into a savings moment," the firm says;

- The ability to set up a visual wish list of items a user wants to save for, as well as the option to curate these directly from a user's board on visual social media services such as Pinterest, and

- When users have reached a savings milestone, they access their savings by tapping the app interface three times to simulate 'breaking the glass.' This employs behavioural gamification to make users think before spending their hard-earned savings. If they proceed, their savings funds are immediately transferred into their Moven spending account for their desired purchase.





Moven will also launch a GPS-based Emergency Cash notification feature which tells users their funds are low as they enter their favourite or most frequented merchants.

Using its behavioural insights on a user's typical spending habits at that location – for example, their average grocery bill – Moven sends the user an alert offering them a real-time overdraft with a transparent upfront fee, to bridge the gap between their typical spend and their current balance. When the user's next direct deposit to their Moven account comes in, the emergency cash advance is settled.

Funding

In October 2015, Moven closed a $12m Series B Funding round led by Route 66 Ventures with investments from backers such as Anthemis Group, its original seed capital provider, and Atlas Asset Management. The new investment will be used for international expansion, enhancement of Moven's consumer banking experience including new spending and credit products, and expanding its US technical team.

In July 2014, Moven completed its Series A Funding round led by SBT Venture Capital, raising $8m from investors such as Route 66 Ventures and Standard Bank.

Loan repayments

In January 2016, Moven announced partnerships with US loan refinancing providers Payoff and CommonBond to incentivise its customers to pay down their loans. CommonBond operates a low-cost student loan marketplace, while Payoff provides tools to help customers pay off credit card debt.

Moven's customers who become Payoff Loan repayment members will receive a $100 credit to their Moven account, while those who become CommonBond members will receive a $200 credit to their Moven account and a 25 basis point discount off their monthly student loan repayment when they pay via Moven.

"As many Moven users have credit card or student loan debt, incentivising them to pay their balances through these partnerships allows them to manage and improve their financial health via a seamless experience," Moven adds. ■

The start-up that's revolutionising the public cloud

Developments in the use of the public cloud as a tool for financial services are beginning to take off as more and more institutions realise the potential of it. But one major concern is how secure the cloud really is. One start-up is changing this perception with their new computing cell. **Alexander Atkins** reports

More and more, large companies are looking to take advantage of the servers and infrastructure at Amazon, Google and others throughout the public cloud. But the nature of its security has always been a highly sensitive question.

Enter Bracket, a tech start-up in California, which has developed a new product that can provide this peace of mind, as well as providing users with many other applications.

"It's really focused on allowing large enterprise companies to have a level of control that they can't get from the public cloud on their own," says Tom Gillis, CEO and co-founder of Bracket. "In particular we've been paying attention to security controls but it's not limited to that," he adds.

In terms of security though, the computing cell focuses on building logical controls around an asset.

"The way people think about security, many of the principles are manifestations of physical infrastructure. If I have a server in a data centre, I can put a cage around it and have guard with a gun in front of it so that it appears secure, but recent breaches in companies such as Home Depot, Target and Sony show that physical control of an asset does not mean you have logical control of an asset," says Gillis.

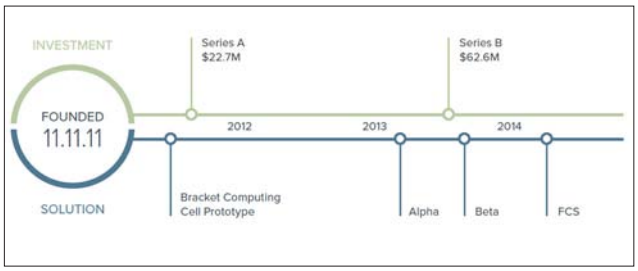
The system operates in the same way as a hypervisor, also known as a virtual machine manager, a program that allows multiple operating systems to share a single hardware host.

This technology then sits on top of any cloud, such as Amazon's or Google's or even private clouds, and this becomes the foundation of the computing cell.

"Think of it as a bubble that you can draw around your app, the data and all that stuff that goes with the app and the data to protect them, such as firewalls, authentication, encryption, data management. Now all of that can be moved as a complete stack from one cloud to another," explains Gillis.

The technology is all about centralisation and provides one set of infrastructure that will run across heterogeneous clouds. This means that if someone is using Amazon's cloud, for example, which comes with its own firewalls, encryption, data management, and data backup capabilities, but they want to switch to Google's cloud, which has different firewalls etc, Bracket provides an infrastructure that spans across all of these so that you don't need multiple systems for each.

"It simplifies the operations for IT and provides a level of control that they otherwise wouldn't have," says Gillis.



Bracket is Gillis' third start-up. His previous enterprise, IronPort, was also focused on security and was bought by Cisco for almost a billion dollars. After the acquisition, Gillis went on to run the security business unit at Cisco for five years before founding Bracket. As he puts it himself: "I'm a security guy, and I've been doing security for a long time."

It's a technology that appears to have Wall Street firms and financial companies excited. Bracket recently closed its series C investment round, having raised $45m which, in addition to its previous investment rounds, means the start-up has now procured over $130m in total.

Goldman Sachs, Blackstone, Wells Fargo and Fidelity Management are just a few of the companies who have signed on. But Gillis insists that it's not limited to financial companies as GE and Direct TV, among other non-financial companies, have also signed up.

However, it's not just in security that both the public cloud and Bracket have far reaching potential. Risk analysis is another factor that banks are interested in, especially in looking at the different ways the market might move in.

"To run these large scale market risk analyses might require five to ten thousand processors," explains Gillis. "But in addition to that, governments are now asking banks to run stress tests, in addition to the risk analyses, possibly once a week, maybe more often, maybe less, and that might require another 10,000 processors that have to complete this, but only between market close and market open."

Bracket, however, offers the opportunity to perform this on the public cloud, as through it banks can have the ability to access tens of thousands of CPUs for perhaps an hour overnight.

"That's what's got the financial institutions excited because they can think differently about how they calculate risk as they are no longer constrained by the limitations of physical hardware," adds Gillis.

As for where the cloud is, in terms of development, Gillis admits that for use by the financial services, it's still in its pilot stage.

"It's the year of piloting the cloud for financial services. People are seriously moving production workloads onto the cloud and seeing how it works and once we show these results collectively, I expect the adoption of the public cloud to be fairly rapid," concludes Gillis. "It's a fairly pivotal year both for us and the industry." ■

What can UK banks learn from Europe?

In the first Digital Banking Club debate of 2016, a panel of banking experts assembled to discuss what the financial sector in the UK could learn from its European brethren. As it turns out, it could be a lot, ranging from digital adoption to dealing with new competition. **Patrick Brusnahan** writes

Entitled *What can we learn about best practice from our European colleagues?*, the debate had delegates from across Europe flocking into the historic Law Society in London.

While certain parts of Europe, usually the nations described as 'developing', are regarded for their innovative and digital output, Simon Cadbury, director of strategy and innovation at Intelligent Environments, believed the situation to be more complex.

He said: "No one country dominates with respect to innovation. However, there's something about developing countries. Is it a young population? Is it an organisational culture? Does this embrace innovation? Overall though, London is the capital when it comes to fintech."

Jacek Iljin, managing director of retail banking at mBank, had a unique perspective on the matter. mBank was founded in 2000, with its core banking up and running within 100 days, and has since risen to become the fourth largest retail bank in Poland with over five million customers, 3.8 million of them in Poland. Taking into account that its main focus has been digital, this is even more impressive and the bank has won several awards for its online and mobile banking.

Its success can be seen in figures with over 780,000 active mobile banking users. It has not neglected the physical aspect of banking though with 100 branches across Poland.

Iljin said mBank was in the right place at the right time: "We were well positioned from the start. It was in our DNA to be 100% digital from the beginning. Our case is special. There are not many like us: a digital bank that has succeeded. We treat Google and Facebook as our competitors."

As a fairly new bank, mBank was developing in a similar fashion to its market. Iljin stated that the team behind the bank is 'young with no tradition, only looking outwards with nothing to lose'.

Oliwia Berdak, senior analyst for e-business and channel strategy professionals at Forrester, believed that the efforts of players such as mBank forced markets to evolve.

She said: "[I] think there is a cycle in countries where one bank does something innovative and others are pressured into it."

Jakub Grzechnik, Head of Mobile and Internet Banking, PKO Bank, Bank Polski, agreed. As Bank Polski is one of Poland's oldest banks, and its largest with almost 2,000 branches, it needed to adapt.

Grzechnik explained: "The effect of these banks has forced us to be innovative. We saw the iceberg on the horizon, but it took an age to turn. Now, we are moving quicker. Even though we are an old bank by Polish standards, we have hardly any legacy systems.

"Back in 2000, the market was not saturated. Even today, there is a stake to fight for. We knew this was worth fighting for. We have some legacy branches that are simply too big, but we will still need face-to-face contact with customers."

Ahmet Ertan Algan, ABank's unit head for digital banking and card payment systems, believed that Turkey was in a good position to have the best of both.

He said: "Turkey is attractive to the foreign market. Its demographic is perfect for digital banking. Branches are still important for banking in Turkey, we have 16 in the big cities, but Turkey is getting many more customers online.

"Generations Y and Z, the younger audiences, are demanding more from their banks. New start-ups and smaller digital banks are changing the Turkish market."

Inspiring innovation

The chair, Douglas Blakey, asked where the panellists looked to for inspiration in terms of innovation, whether that is in the financial sector or not.

Iljin states that he looked towards disrup

tive companies, such as Klarna and PayPal, while Grzechnik looked at Spanish banks as 'prime examples of banks digitally innovating'. Simon Cadbury gave USAA Bank as an example of a player that is 'constantly innovating'.

Berdak warned about focusing purely on innovation without deciphering how it is financially viable.

She said: "There is a danger on only focusing on functionality; thinking about delivering customer experience without connecting that to ruthless targets. It's hard for some people to see the value of digital without that.

"People feel uncomfortable investing. Start-ups are showing you can change that through digital."

The panel

Oliwia Berdak, Senior Analyst Serving E-Business & Channel Strategy Professionals, Forrester
Oliwia is a Senior Analyst at Forrester serving the European consumer financial services sector. Her research focuses on the digital transformation of banking, insurance, and wealth management, mapping out digital strategies, adoption trends, and best practices. Prior to joining Forrester, Oliwia held a number of research positions in both business and academia, working with a variety of methodologies to deliver insight. Oliwia also worked for six years as a freelance analyst for Euromonitor International, drawing on national laws, macroeconomic data, and statistics to analyse the latest economic, social, and political developments in Europe and explain their significance to businesses.

Simon Cadbury, Director of Strategy and Innovation, Intelligent Environments
Simon is a product marketer and strategist with 18 years' experience working for a range of major international brands. Simon's role is to work with Intelligent Environments' investors to set and deliver the company's mid and long term strategy, as well as overall responsibility for the product development and management of Interact; the company's core product offering. Simon joined in 2013 from Lloyds Banking Group where he was responsible for payment technology and also sat on the Credit Card division's leadership team. Prior to this he worked on the launch of a number of firsts in new technology – the Blackberry (BT Cellnet), BT Openzone (BT Retail), 3G Live! (Vodafone Australia) and Sky HD (BSKYB).

Ahmet Ertan Algan, Digital Banking and Card Payment Systems Unit Head, ABank
Ahmet is responsible for internet banking, mobile banking, IVR systems, ATM & ITM banking, fraud monitoring and credit & debit card systems software development at ABank. He studied at Okan University, where he obtained a master's in business administration, specialising in 'customer relationship management' in 2013. He also holds a bachelor's degree in computer science engineering from Ege Üniversitesi.

Jakub Grzechnik, Head of Mobile and Internet Banking, PKO Bank, Bank Polski
Jakub Grzechnik is head of mobile and internet banking at Poland's largest bank, PKO Bank Polski. Jakub is responsible for the development of the bank's digital distribution channels, for their sales performance as well as integration with other distribution channels of the bank. He also leads the innovation agenda in digital channels and the fintech ecosystem. Jakub was chairman (until the end of 2014) and since then, a member of The Supervisory Board of Polski Standard Płatno ci (PSP), the company created by 6 of the largest Polish banks to jointly build the innovative mobile payment standard Blik, based on the IKO app developed by PKO Bank Polski. Jakub led the Blik creation project from the outset in March 2013, interacting directly with CEOs of the 6 banks to agree on the system design and governance.

Jacek Iljin, Managing Director Retail Banking, mBank
Jacek Iljin has been Managing Director Retail Banking, Sales & Processes at mBank since January 2014. Prior to assuming his current role, Jacek spent over 5 years as Head of the Product Management Division at mBank responsible for Core Banking Products Business (Accounts and Cards) and Analytical CRM. Previous roles undertaken by Jacek at mBank included Marketing and Business Development Director and Head of Business Strategy and Customer Segmentation.

Iljin saw his goal to be at the 'frontier of innovation' and that meant, to him, focusing on mobile.

He explained: "We are betting on mobile, but not through a ruthless financial perspective. We are pushing our customers to mobile. It's no longer a red light for us. Half of our customers regularly use our mobile solutions. We are making the mobile app a preferred gate to all other channels.

"Mobile is much more comfortable for the customer. We have special offers for customers on mobile as well. The only big concern is the onboarding process."

Berdak retorted: "There are still security and trust issues with mobile."

Grzechnik emphasised that there is more to banking than just moving it onto the mobile channel. He stated: "We are betting on a multi-channel scenario. Our branches are part of a legacy, but also an asset. People don't like bank [branches], but they trust them."

Algan agreed with that perspective and added: "We are trying to implement a multi-channel infrastructure at the moment, but we are also trying to digitise the whole process."

Cadbury remarked that there were other markets outside Turkey and Poland implementing plenty of innovation as well.

"Germany is a market we will learn a lot from; banks such as Fidor and Number26 particularly. There is more that the UK can do, but it's not far behind. Online banking adoption rates are above average in the UK."

The PSD2 shadow

One thing that is on the minds of everyone in Europe is the upcoming PSD2 regulation. Jakub Grzechnik talked about why this is a worrying aspect of the future.

He said: "We are deeply concerned about PSD2, but at the same time, we are familiar with the theme of the whole retail banking revenue stream being cut up by fintechs that are taking chunks of retail banking and building their own businesses on it. It's just that after PSD2, the fear is we will be left only with the cost and process of brand current accounts and all the profits will be taken up by the other small fintechs.

"It is a possible scenario, but we are trying to create such a strong experience for the customer: an integrated, multichannel experience, that the 'stickiness' customers have will make it difficult for all the start-up players and all the competitors to get those profitable opportunities.

"Just look back at our history. mBank is a formidable competitor, but even with mBank, we as an incumbent and as a traditional institution, have managed to retain our market share and remain the top bank in the country. We are all big banks trying to create a customer experience, good enough for the customer so that the customer is too lazy to go elsewhere."

Berdak also wondered if the market was truly considering the implications of how expensive being innovative can be.

She explained: "The biggest obstacles to innovation are running costs. Digital banks that are being created now will struggle to grow. I am not convinced they will gain a million customers overnight, or if they will even grow beyond 100,000 customers. We underestimate the challenges in being a challenger bank."

Emerging technology

The discussion moved towards what form of technology would grow within banking in the foreseeable future. Iljin once again stated his belief that mobile technology will dominate the market in the near future.

He purported: "The best camera you can have is the one you always have with you, i.e. your phone. The best bank is the one you have in your pocket, once again, your phone."

However, Simon Cadbury was not as convinced. He replied: "I'm not so sure. 50% of iPhone users actually struggle to read their screen. In addition, only 20% of the UK population is prepared to bank only on their mobile."

Another emerging service is blockchain, something quickly shut down by Grzechnik. He said: "I would compare blockchain to QR codes. There is simply no unified customer experience. Being digital is not good enough to be successful in the market." ■

The future of retail banking in Asia

The *RBI Asia Trailblazer Summit 2016* – hosted in Singapore – featured panellists from start-ups and banks operating across the region, who discussed the banking model of the future in Asia. **Xiou Ann Lim** reports on their thoughts regarding the region and how it is moving forward and what needs to be improved

The increasing popularity of fintech players that are more agile and experimental has altered the landscape of retail banking in a major way. Often regarded as agents of disruption and change, there is mounting pressure for banks to keep up as consumers expect to receive the same experience when they deal with their banks. How will banks evolve to meet these expectations? What does the banking model of the future look like for Asia? More importantly, why aren't we there yet?

The new economy

The viability of the neo-bank model was heavily discussed at the RBI Asia Trailblazer Summit 2016. Its low cost of operations – relative to traditional banks – and ability to reach more consumers through its mobile model might prove to be successful in Asia, where there remains a large unbanked population. But John Hogue – head of Consumer Innovation Labs at Citi FinTech – doesn't think bank branches are going to go away anytime soon: "People will always need that physical connection. But how branches operate and the technology that drives them will change."

"Also, physical interaction is what banks have as a strength when compared to fintech companies. We have a physical network that we can leverage on," added Ryan Jonghoon Kim, head of digital and alliance, retail banking at Standard Chartered Bank Korea. So, perhaps bank branches are really here to stay.

With so many examples of challenger banks and fintech start-ups operating at half the cost and twice the agility, why aren't banks replicating their models to get ahead? According to Sanjoy Sen, managing director of retail banking Asia Pacific at ANZ: "The banking industry is highly regulated, which is why the development or the Uberfication of banking is not happening as quickly as other industries. Banks are also trying to revolutionise themselves to be technology companies and that is not easy."

Apart from regulation, chief fintech officer at the Monetary Authority of Singapore Sopnendu Mohanty added that new banks do not have the burden of legacy infrastructure. "The technology that existing banks are carrying are outdated – they're heavy and they're not agile – which takes them a long time to change." He pointed out that new banks can source for open API platforms and build functionalities more quickly.

Meanwhile, Hal Bosher – CEO of Yoma Bank – pointed out the challenges of keeping up in emerging economies such as Myanmar by adding that the plumbing is often not in place and that national borders remain one of the biggest constraints to achieving great cross-border reach in an industry that's highly regulated by supervisory bodies that are working independently of each other.

How can banks then respond to disruption? Mohanty believed that focusing on being banking-driven rather than bank-driven is the way forward: "Banks used to build loyalty through pricing. The new loyalty is built through experience – if you provide a good experience, customers tend to stick with you." Similarly, Sen added that banks are very introspective about what they can give to their customers and that consumers should be allowed to decide what they want instead.

Apart from that, Bosher weighed in by suggesting that banks should learn to share: "Perhaps that's not in a banker's DNA ... but we're going to have to share with a telco, another bank or a third party." Yoma Bank itself is partnering with Myanmar-based telco Telenor to develop Wave Money, which allows users to receive and transfer money using their mobile phones – without necessarily opening an account with Yoma Bank.

On the same note, Reynold Wijaya – co-founder of lending platforms Modalku and Funding Societies – also highlighted the importance of creating a partnership between fintech start-ups and banks as this can leverage off the reach and ease-of-use offered by fintech start-ups as well as the advantage of customers' trust that banks have built.

Speaking on this culture of collaboration, Mohanty pointed out that 'there's a bit of a myth out there that's slowly being corrected because when we looked at fintech growth in 2015, we saw fintech companies out there trying to disrupt'. But recent times have indicated that fintech companies realise that they can't be out on their own because they need customers and trust, he added. "Trust is something that banks have built for many years ... and they are opening up to bring the outside in through collaboration with fintech companies and opening of innovation labs," he concluded.

Innovation and design in banking

While banks have never been traditionally

regarded as frontrunners of innovation and design in creating cutting-edge user experience, they are beginning to pick up the pace.

Customarily dismissed as being somewhat inconsequential – the importance of designing a seamless and intuitive user experience to attract, retain and engage customers is gaining traction within the industry. But how do they recognise a successful design and how is the return-on-investment measured? "No one knows until a quality product is actually produced," said Steve Monaghan, regional director and head of Edge (Group Innovation) at AIA. "Now, you've got the same people who believed it to be a waste of time saying they wished they executed it sooner," he added.

Jurgen Meerschaege – head of Business Analytics and Decision Support at DBS Bank – believes that successful design can be measured financially through sales of individual products. Other forms of measurement such as net promoter score, repeat customer rate, retention rates and qualitative data can also be put in place, said Todd Kurie – vice president of marketing at RedMart.

But beyond exploring what it means to have created good design, Monaghan also believes that there is a sizeable difference between what banks think their customers want versus what their customers actually want. "Our ability to start assimilating that information and utilising it correctly is really the challenge," he said. Dr Koson Sapprasert – head of innovation at Siam Commercial Bank – concurs: "We've simply stopped listening to bank executives because they're not our target customers."

So, the industry really has shifted gears in recent years to catch up in this space. But Rana Peries – director of Innovation & Digital Services at Barclays – cautioned against mistaking action for success:

"Falsely, we assume that just because we set up an innovation team in the bank we instantly become the most innovative organisation tomorrow."

Keeping up with a new generation

Although the theme of the summit revolved around catching up with emerging trends and enabling technologies, one important aspect to bear in mind was the people the industry serves – especially the emerging affluent, which is an increasingly important segment in fast-growing Asia.

However, the cost to serve this particular segment has long been a consideration for retail banks. Moving away from the high-volume and low-cost model of the average retail segment but also falling short of the high returns banks can reap from private banking clients, Choong Wai Hong – head of Regional Premier & Affluent Banking, Group Community Financial Services at Maybank – said that many of these relationships are managed by relationship managers (RMs). This is a challenge in itself as banks struggle with the competency, consistency and attrition of RMs.

"I think the affluent segment is a very interesting and profitable segment, but the cost to serve is an important concern," he added.

Can this conundrum be remedied with the introduction of robo-advisors? "I think this particular segment is definitely ready to look into robo-advisory for certain products, but the future is going to be a combination of both," said Matthew Read – head of Affluent Banking & Branch Network, Retail Banking (Asia-Pacific) at ANZ.

Thomas Martin – WW lead of Wealth & Asset Management Investment Analytics at IBM – agreed. "People see technology as a distribution channel, but they don't want to take away the face of relationship managers either," he concluded.

The face of retail banking has probably changed considerably over the last five years or so. Allowing customers to determine the type of services and experiences they want from banks is going to ensure that the industry is kept on its toes.

From bank branches to mobile banking and robo-advisory, the need for innovation and an intuitive understanding of what customers want is real. But as long as the industry is able to keep up, there is no reason why banks will lose out to other players.

As Mohanty said: "The construct may change, but banking is here to stay." ■

Payment Services Directive should be a timely spur

Banks might wake up to the need to leverage their data just in time to embrace an EU move that requires they share customer information with third parties. Ben Robinson, the chief marketing and strategy officer at Temenos, writes on how banks could be motivated onto the right path by PSDII

The digital revolution has moved from existential threat to potential survival strategy for the world's retail banks.

The observation, revealed in our third annual study into retail banking *Retail Banking; in tech we trust*, suggests that banks have finally woken up to the opportunities that technology offers them when it comes to exploiting one of their biggest assets – customer data.

Some 25% of respondents said data management was the main focus of their digital investment, followed by cross selling capabilities, which are linked to using data well, and delivery capabilities.

What is interesting, though, is that while our study found banks more aware than ever of the opportunities to use this data, they showed no concern about the threat posed by the Payment Services Directive II (PSDII), which opens up the prospect of them being forced to share this highly valuable customer data with competing third parties.

Fintechs have already shaken up the banking sector by seizing profitable areas such as forex, wealth management and payment services. They have been able to do so by leveraging data better than the banks and have taken advantage of new technology, digitisation and analytics to automate tasks many of the banks are still trying to do manually.

A saving grace for the banks has been the quality of the data they hold compared with the data collected to date by the fintechs. But once the fintechs can access the banks' data thanks to PSDII and fully exploit it, I expect them to out-manoeuvre the banks in one fell swoop.

It continues to surprise me that the banks didn't put up more of a fight against PSDII. If Google were being forced to share what has essentially made it the powerful company it is today – its contextual data such as cookies and meta data – to increase competition, Google's lawyers would be getting rich on fees as the US giant tried to protect what it would see as part of its intellectual property.

Still, PSDII could prove to be a spur to banks to innovate and operate more like their fintech rivals. Countries within Europe have until January 2018 to incorporate the directive into their domestic legislation, giving the banks plenty of time to position themselves. Perhaps this is why data management has become more of a focus as they examine digitising their own core platforms. Or perhaps they just haven't woken up to the threat, which is why it didn't come up in our study. It does seem as if much of the sector is sleepwalking towards its implementation.

The more canny banks are digitising and some are even looking to partner a fintech solution provider. Deutsche Bank, for example, recently announced it was looking for new fintech start-ups to partner on a blockchain solution, rather than come up with one on its own. It is doing this despite the fact that it is part of the R3CEV consortium of banks that is developing a blockchain protocol for the whole sector.

Meanwhile, newer digital banks such as mBank and Alior Bank in Poland are teaming up with companies to white label projects or set up joint ventures. The Polish banks are working with Orange and T-Mobile respectively to target mobile phone customers. The banks manage the balance sheet and loans; the telcos bring the distribution and new customers, to whom the banks can cross sell.

These co-operation/partnering projects help banks in the war for talent. Competition from other industries for the best graduates was cited by 39% of banks in the study as a problem, and the fight for talent is hindered too by banking's poor reputation, cited by 41%. Fintech might not be top of the graduate career list, but is probably higher than banking, and it is entrepreneurial.

While the quality and quantity of the banks' data is a huge advantage it must be remembered that it isn't their only advantage. They also are streets ahead of the fintechs when it comes to brand recognition and distribution channels. The fact that no fintech company has become a household name in spite of reams of comment devoted to their rise speaks volumes about how banks still have the edge.

Banks still have a very powerful proposition, with their data, brand recognition and distribution. PSDII should therefore be a call to action to get to grips with their data. ■

MOBILE

MasterCard partners with buddybank to offer secure payment options

MasterCard has teamed up with buddybank, the Italian digital bank of UniCredit Group, to offer cardholders access to latest technologies and make secure payments through their mobile phones.

Beginning January 2017, users can directly manage payments through smartphones using the dedicated buddybank app.

The partnership will also offer cardholders benefit of additional MasterCard services such as InControl, to personalise their payments, ID Protection, to prevent risk of theft of personal and financial information, and Pin Change to easily change pin codes.

In addition, MasterCard Instalments will enable users to control and split payments before, during or after their purchases.

User will also get the benefit of MasterCard advanced debit and credit cards for their online and offline shopping. They can also use MasterCard digital services such as MasterPass and MasterCard Digital Enablement Service (MDES) that enables every commerce device to make payments through industry-standard tokenisation.

Under the terms of the agreement, MasterCard Payment Transaction Services Europe will act as the buddybank's fully-integrated technology partner to process debit and credit card transactions.

MasterCard division president Italy and Greece Paolo Battiston said: "I am delighted that buddybank has chosen to partner with MasterCard and believe our shared vision of driving payment innovation in new ways through mobile devices will enable Italians to manage their money in new, simple and secure ways.

"This partnership is a new step into the future of payments, to offer an easier and more secure shopping experience to our customers and to allow them to pay, control and manage via a simple click on their smartphone their personal finance and payments."

DIGITAL

Deutsche Bank launches innovation lab in Silicon Valley

German banking major Deutsche Bank has set up a new innovation lab in Palo Alto, Silicon Valley.

The new lab will help the bank assess and apply emerging technologies from Silicon Valley to empower its products, services and internal processes.

The lab, which follows the launch of similar facilities in Berlin and London last year, will enhance its ability to innovate and will facilitate its relationships with start-ups, the German lender said in a statement.

The three labs, dubbed Deutsche Bank Labs, are the digital element of the Bank's Strategy 2020.

Deutsche Bank group COO Kim Hammonds said: "The Silicon Valley lab will help Deutsche Bank offer clients new and improved products and services, strengthen efficiency and deepen its relationships with the Valley's innovation and investor communities."

REGULATION

Kenya's Chase Bank placed under receivership

Kenyan lender Chase Bank has been put under receivership by the central bank of Kenya due to liquidity problems.

The lender recorded difficulties in cash flow amidst inaccurate social media reports and the departure of chairman Zafrullah Khan and group managing director Duncan Kabui.

The company was unable to meet its financial obligations, the central bank said.

Kenya Deposit Insurance has been appointed as receiver of the bank for a year.

"In light of the above, we have appointed the Kenya Deposit Insurance Corporation (KDIC) to assume the management, control and conduct of the affairs and business of the institution and to exercise all the powers of the institution to the exclusion of its Board of Directors and advise CBK of an appropriate resolution strategy as soon as is practicable and not later than twelve months from date of appointment," the central bank said.

PRODUCTS

NatWest rolls out new savings products

NatWest has introduced two new savings products, known as the Savings Builder and the Premium Saver account.

Savings Builder will pay a bonus interest rate of 1.50% Annual Equivalent Rate (AER) every month a customer raises their savings by £100 ($142) on balances up to £5,000, the bank said.

The product allows withdrawals and does not have any limited time period for maturity and closure of accounts.

Premium Saver offers customers with 1% AER every month they do not withdraw.

Users do not require any minimum deposit to open the account and no maximum balance limit.

Both the offerings are available for individuals aged 16 years or more.

NatWest head of products Moray McDonald said: "These products have been designed to help our customers achieve their savings goals by rewarding people for getting into great savings habits and helping those who have already saved significant sums with us make the most from their money."

PAYMENTS

Yes Bank and Uphold partner over remittance service

Indian private sector lender Yes Bank has collaborated with cloud-based financial platform Uphold to help Uphold users move funds directly into or out of any Indian bank.

Users of Uphold will be able to fund their account using bank account, debit or credit card, and can instantly transfer the amount onto an Uphold Rupee card.

When ready to withdraw, users need to provide relevant bank account data, and the funds will be deposited and available on the same or next day, Uphold said.

The service will be available across the country from the second quarter of this year. No conversion fee will be charged for the transaction.

Uphold executive director J. Mehta said: "The Indian landscape is rapidly changing, yet 60% are still underbanked and 90% of SMBs are not serviced by traditional banks. Here at Uphold we encourage innovation, and with our open API, Uphold Connect, anyone can build more accessible financial service applications to help meet the financial service needs of the Indian population.

"We offer developers the tools to deploy transparent, state-of-the-art cloud money applications with built in security and compliance to offer instant, free global money transfers - all for free."

The partnership with Yes Bank marks Uphold's second one in India. Last month, Uphold struck a cross-border remittance pact with India's IDFC Bank.

DISTRIBUTION

UK digital bank Atom Bank starts operations

British digital-only lender Atom Bank has launched banking operations after regulatory restrictions on its licence were lifted.

The bank, which received restricted license in June 2015, has launched its banking app that can be accessed by anyone pre-registering their interest through the bank's website.

The app will be initially supported on iPhone and iPad, with an Android version to follow later.

The bank also introduced

fixed term savings, as well as will offer secured lending to SME businesses.

During the course of 2016, the challenger bank will launch more products and app upgrades, in a phased roll-out.

By the end of this year, it will offer fixed term savings, current accounts, overdrafts, debit and credit cards, instant access savings and residential mortgages, serviced via the app.

CEO Mark Mullen said: "This is the start of a remarkable transformation of the banking landscape for everyone. Atom aims to offer a genuine alternative to the insidious and self-interested banks that dominate the UK banking landscape. Our approach will be to constantly evolve and extend our offering, with monthly updates to our app and a dedication to providing better value, greater transparency and a much more innovative banking experience.

The digital bank, created in April 2014, is led by Mark Mullen and chairman Anthony Thomson. The bank raised over £135m ($192m) in capital since its creation.

In November 2015, BBVA agreed to invest £45m for a 29.5% stake in Atom, becoming the largest shareholder in the challenger bank.

MOBILE

Gemalto and Worldline join forces on mobile wallet onboarding

Worldline, a provider of payments and transactional services, has partnered with Dutch digital security firm Gemalto to work together to make mobile payment deployment fast and easy for bank and card issuers.

The deal will enable the two companies to provide banks an end-to-end ready-to-use and customisable service.

Under the deal, Worldline will provide tokenisation, while Gemalto will ensure the highly secured credential delivery services to embed these tokens into smartphone mobile wallets using its Allynis Trusted Services Hub.

Also, Worldline will provide additional identity verification and other issuing-related services.

Wolf Kunisch, head of the global business line financial processing & software licensing and managing director of Germany & CEE at Worldline said: "Our agreement with Gemalto will allow banks to get fast access, through existing connections, to many third party wallet platforms, thanks to our joint expertise's and Allynis Trusted Services Hub, while keeping control and flexibility on the use of the payment data."

PRODUCTS

US digital bank Simple to move accounts to BBVA Compass platform

US-based digital lender Simple has announced plans to transfer all its customer accounts to BBVA Compass platform later in 2016.

The development will make Simple the first actual user of BBVA's API in the US. The move will allow Simple to gain access to BBVA Compass' platform, provide real-time services and a broader portfolio.

The digital bank will, however, retain its managerial autonomy after the integration.

"Simple will continue being Simple, but will now benefit from the strengths of BBVA Compass' platform. The integration will further consolidate the ties that bind both companies, allowing them to join forces while remaining independent," BBVA said in a statement.

Simple was acquired by BBVA in 2014. Among its various services include the Safe-to-Spend that offers customers knowledge on what they can safely spend today without hurting themselves in the future, and a built in savings and budgeting feature known as Goals that helps customers balance regular monthly expenses, lifelong dreams, among others.

DISTRIBUTION

African Bank relaunches in South Africa

African Bank has reopened its doors in South Africa after remaining under curatorship for 20 months.

The bank said that it will retain its previous name and corporate identity, and has started operations with an equity base of ZAR10bn ($665.3m) and a cash position of about ZAR24bn ($1.6bn).

The new lender will shift away from its previous unsecured lending model. It will now offer a range of financial products, while including services such as financial advice.

"About two-thirds of the bank's issued debt is today listed on the Johannesburg Stock Exchange Ltd, the London Stock Exchange and the Swiss Securities Exchange. The remaining third will be held in the form of unlisted corporate bilateral deposits," the bank stated.

The bank was placed under curatorship by the South African Reserve Bank on August 2014, following its collapse due to bad debts. Tom Winterboer was appointed as the curator.

PwC chief restructuring advisor to the African Bank group David Gard said: "The curatorship was an essential tool to create operational stability and time to optimise the resolution plan. The proposed restructuring saw over 95% of the senior creditors accept the proposal in which they agreed to an effective 10% haircut with 90% of their debt being exchanged for similar instruments in the new African Bank.

The structure implemented ring fences new capital from possible historic problems and leaves the new African Bank in a strong position to support growth."

STRATEGY

Barclays concludes sale of retail, wealth, insurance businesses in Portugal

Barclays Bank has wrapped up the sale of its retail banking, wealth and investment management and a part of its corporate banking operations in Portugal to Spain's Bankinter.

It has also closed the sale of its Portuguese insurance business to Bankinter Vida that runs an insurance joint-venture with Mapfre.

As part of the deal, 84 branches along with about 1,000 banking and insurance employees of Barclay have migrated to Bankinter and Bankinter Vida.

Barclays co-head of non-core Harry Harrison said: "Completing the sale of Barclays' retail, wealth, insurance and part of the corporate banking business in Portugal today demonstrates further progress towards our target of managing down Risk Weighted Assets in Barclays Non-Core to around £20bn ($28.4bn) by the end of 2017. The sale is also expected to reduce BNC annualised costs by £72m."

The sale of these Portuguese non-core assets leads to a further reduction in risk weighted assets of about £1.8bn, the British lender said in a statement.

Barclays will however, continue to run its Barclaycard division, as well as investment banking and multinational corporate banking operations in Portugal.

DISTRIBUTION

Banco Santander to shut down 450 branches in Spain

Spanish banking group Banco Santander is set to shed 450 branches in Spain in a bid to cut costs and ramp up its focus on digital banking.

The affected branches represent 13% of the bank's 3,467 branches in Spain.

"Spain's financial sector is confronting a period of great change. The current economic context, greater regulatory requirements and the evolution of client behaviour toward new technology makes it necessary to move more quickly in our commercial transformation," Santander Spain country head Rami Aboukhair said in the memo.

The move will mainly affect smaller branches, most of which employ less than four staff.

Aboukhair said that shrinking its smaller branch network would enable the bank to focus on larger and more efficient branches, adding that plans are on to open 350 such branches in 2016.

Following the closure, some employees will be reassigned while others are expected to be made redundant, the bank stated.

In addition, Banco Santander is set to slash 1,200 jobs in Spain as it shrinks its branch network.

About 950 of the layoffs will affect the bank's branches, while the remaining will affect the central services unit, according to the UGT union.

Half of the redundancies will be made through early retirement and will get 70% of their annual pay. Rest of the employees will be offered incentives to leave.

DISTRIBUTION

ICBC sets up Asia Pacific Business

The Industrial and Commercial Bank of China (ICBC) has launched its Asia Pacific Business to develop its business in Asia, Australia and New Zealand.

The new business encompasses 20 countries and regions, which include the UAE, Qatar, Kazakhstan, Kuwait, Myanmar, Australia, Indonesia, Japan, Pakistan, Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, Vietnam, and the Far East areas of Russia.

The bank said that the new division will look to capitalise on the opportunities offered by various national policies such as Belt and Road initiative, the internationalisation of the Renminbi and the Going-Global of Chinese enterprises.

The bank said that in order to support greater collaboration, ICBC's overseas banking arm ICBC (Asia) has inked cooperative agreements with the State Development and Investment, China XD Group, China Reform Holdings, and PowerChina International Group.

ICBC (Asia) chairman and executive director Chen Aiping said: "Our parent company, ICBC, has previously affirmed ICBC (Asia) as the Group's offshore Renminbi trading centre. Today, we are again acknowledged and supported by our parent company, to establish the Asia-Pacific Business Department specifically responsible for coordinating the development of the Group's related business in Asia, Australia and New Zealand.

"This fully reflects the assurances and expectations from the parent company on us for the development of overseas markets, especially in the Asia Pacific region."

RESEARCH

European banks' overall optimism falls to its lowest level since 2012

Overall optimism among banks in Europe has dropped to its lowest level since 2012, a period considered to be the peak of Eurozone debt crisis, according to a survey by EY.

Only 52% of the respondents anticipated industry performance to improve in the coming year, which is a fall from 56% in the prior year.

"The outlook amongst UK banks, in line with a growing European-wide pessimism about the sector, has fallen over the last year as risk, regulation and cost cutting dominate the agenda," the study stated.

However, 83% of UK bankers have forecast growth in debt and equity market issuance in 2016. Bankers across the UK have also anticipated increase in capital markets activity.

Also, corporate and retail banking are expected to have an improved outlook in 2016, with 68% and 67% of respondents respectively rating their outlook as good or fairly good, the study revealed.

In Europe, bankers anticipate lending policies to the majority of sectors to become less restrictive over the course of 2016, mainly due to banks' stronger capital positions and ongoing monetary easing by the European Central Bank.

Further, 47% of UK bankers have said that they expect to see sales of assets, with 32% expecting that the assets will be purchased, and 21% expecting to see joint ventures across the market.

Also, 23% of respondents believed that collaboration with fintech will be significant for their institution.

Managing reputational risk remained the top priority for UK banks, with over 90% of UK bankers citing the same.

The study also revealed European banks placing greater priority on cybersecurity, with 56% citing it as important compared to 48% last year. Cybersecurity also remained a major concern for over 75% of UK bankers.

Also, 56% of UK bankers predicted headcount reduction to occur, a rise from 34% a year ago.

Banks across Europe predicted ongoing moderation of pay, due to weak business performance, regulatory and shareholder pressure.

EY global banking & capital markets lead analyst Karl Meekings said: "It is clear that banking in Europe remains in a state of adjustment, as regulatory and economic developments continue to take their toll. The UK is an exception, given the more positive outlook in that market, but pressure continues to be evident even in the UK market, especially in terms of remuneration and reputation."

M&A

Poland's Alior Bank to take over Bank BPH's core business from GE

Poland's Alior Bank has agreed to purchase Bank BPH's core bank from General Electric (GE) in a deal worth PLN1.23bn ($331m).

The core bank comprises of the non-mortgage banking assets of Bank BPH and associated employees.

The price paid by Alior Bank for the acquisition will be 0.93 times the book value of BPH. The combined entity will manage PLN60bn in assets.

GE will however, retain BPH's $3.9bn mortgage portfolio and its asset management unit BPH TFI.

Majority of Bank BPH's workforce and branches will join Alior Bank as part of the transaction.

The deal, scheduled to be completed in the fourth quarter of 2016, is subject to regulatory approvals.

Alior Bank CEO Wojciech Sobieraj said: "Signing of the agreement to acquire the Bank BPH's core business confirms earlier announcements that Alior Bank will actively participate in the consolidation of the banking sector. Thanks to the transaction the Bank will acquire an attractive and complementary to its business part of Bank BPH. The merger of the two banks will enable the achievement of significant synergies, as well as a further increase in efficiency." ■

Making high-risk business models successful

Steve Wilson, Managing Director at Allied Wallet Europe

Organisations working within what are termed high-risk business sectors typically find it a particular challenge to secure card acceptance services from the major banks. That's largely because these banks believe that the business models of these companies will lead to fraud and reputational damage.

The term, high-risk, is often applied by banks to businesses in sectors that have historically attracted higher than average problems. More often than not, though, it is not the product or service being offered that is the major issue for the banks, it's the business model. However, if the sales proposition is clear to the consumer, and is supported by the highest quality customer service and distribution, potential risk can be kept to a minimum. However, if it is handled poorly – if the product offering is vague or misleading, for example - it will lead to confusion for customers, complaints and increased risk.

The risk itself could be financial – a higher incidence of fraud or disputed transactions, for example, leading directly to more chargebacks, fines and sanctions. Equally, it could be reputational. This is typically the case where there are groups which have entrenched issues with the products being sold; where there is the possibility of an unforeseen event occurring, or an inability to distribute or make available products already sold to customers.

Banks are likely to shy away from such businesses because of the possibility of being adversely affected by any reputational damage incurred. Fundamentally good businesses that have suffered such issues in the past therefore often struggle to find banks willing to take them on. Sometimes a specific incident, a distributor going bust, for instance, leading to delivery problems and customer complaints can result in rejection by the incumbent bank and make it difficult for the merchant to find an alternative option for their payments processing.

To minimise problems, the sales proposition needs to be clear; the customer should understand what they are paying for, how much, and what to do if they have any questions or issues.

The business may be otherwise sustainable but the reputational damage is such that it may nevertheless struggle to find another payment services provider willing to take it on. So what's the answer - how can these organisations repair the damage caused by incidents like this and find a legitimate means of selling their goods?

An alternative approach

That's where pure play payments processing providers can play a key role. Unlike many of the banks, the most flexible and versatile of these organisations are often prepared to take on high risk businesses and provide them with payment services. But why is this and how exactly do they achieve it?

The short answer is that often they have a clearer focus on and understanding of businesses within the high-risk sector. They understand the factors that raise the risk and that are associated with the business models of these organisations and they have the experience and expertise to help them deliver payment processing to their customer base while at the same time helping to lower that risk.

Enhanced due diligence during the onboarding process will typically be the first step payments processing providers take. Generally, this will involve using both automated and manual systems to analyse the risk history of the merchant in more detail and using a raft of industry data sources to on-board merchants more quickly while boosting their customers' level of reassurance and comfort with the service provided. Enhanced due diligence may be a one-off process but providers will also need to continually refresh their understanding of the merchant's business model and the vertical sectors it operates in and keep fully up to date with best and worst practices in those industries.

They can be still more proactive, of course, helping to further reduce the merchant's risk levels while also increasing customer trust in a range of other ways. This could involve assisting in redesigning the website to ensure that the service and sales proposition offered is as clear and compelling as possible; helping to keep engagement levels high and churn levels low, or it could be about increasing the amount of outbound calls made to customers to ensure that any issues are identified early.

All of this in turn helps to ensure that customers are getting the products or services they have purchased and that they are happy with them, in that way minimising the chances of issues occurring. It also acts as an early warning system, alerting the provider promptly if it does see a problem arising. A good processing partner will use their many years of experience to ensure the merchant has 'best in class' service which reduces risk, increases customer satisfaction and ultimately leads to higher revenue.

This has to be an ongoing monitoring process of course. Risk management has to continuously be aware and keep track of emerging threats. There has to be a balance between understanding and managing the threats so as to safeguard partners and customers, but also maximising the opportunities for a legitimate sustainable organisation to flourish regardless of the sector in which it operates.

If the business is legal, sustainable and transparent, it has a right to trade. At Allied Wallet, before we engage with an organisation, we would typically ask questions like has the company got a genuine market, is it truly transparent and does it have a good customer service model set up? If the answer is consistently yes then we can work with the business to get the right processing solution for them.

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