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- SUPPLEMENT: RBI Awards 2016
- MOBILE: Simple
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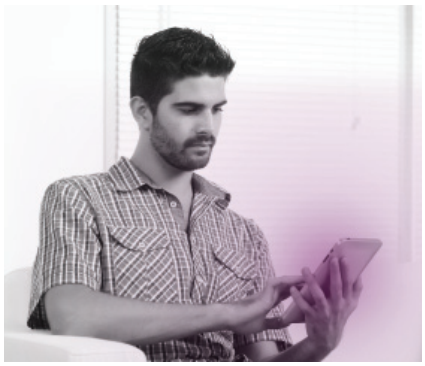

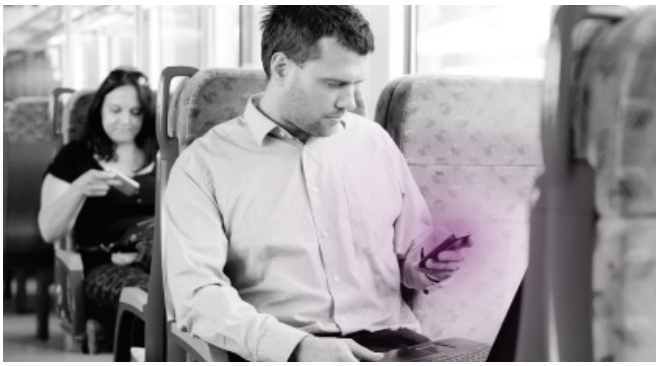

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Intelligent Environments is an international provider of innovative mobile and online solutions for financial services providers. Our mission is to enable our clients to always stay close to their own customers.

We do this through Interact®, our single software platform, which enables secure customer acquisition, engagement, transactions and servicing across any mobile and online channel and device. Today these are predominantly focused on smartphones, PCs and tablets. However Interact® will support other devices, if and when they become mainstream.

We provide a more viable option to internally developed technology, enabling our clients with a fast route to market whilst providing the expertise to manage the complexity of multiple channels, devices and operating systems. Interact® is a continuously evolving technology that ensures our clients keep pace with the fast moving digital landscape.

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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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Pretty bad – but packaged accounts are not the new PPI

At first glance, the figures are pretty damning. Complaints to the UK Financial Ombudsman Service about packaged current accounts -0r value added accounts as certain banks prefer to term them – soared by 107% year-on-year to 44,244.

Cue a wave of hysterical headlines and exaggerated copy from elements of the press – both popular and quality – that packaged accounts complaints represent 'the new PPI'.

It is of course pure bunkum.

According to the Ombudsman, most of the complaints come from customers who allege that they were mis-sold current accounts or magically and mysteriously signed up to accounts without their knowledge.

A fair chunk of the complaints come from customers who allege that they were not made aware of the existence of alternative 'free-in-credit' accounts.

Bluntly, that stretches credibility into the land of make believe. About 86% of current account customers in the UK hold 'free-in-credit' accounts.

The existence of such accounts is not exactly a well kept secret.

Never before have consumers been better equipped to shop around and compared and contrast the various current accounts on offer from financial services comparison websites.

Instead, what we have is a large chunk of customers – the Ombudsman estimates the figure to be about 60% of complainants – who have chucked in a claim.

When it comes to PPI, the banks have been correctly pilloried, not only for the original mis-selling but for their lamentable and dilatory administration of consumer complaints.

To out the packaged accounts figures into some context: in the year to the end of March, the Ombudsman received 1.6 million PPI enquiries; it took on one in five of these as a new case– a total of 340,899 new complaints, up 3.5% on the year before.

The Ombudsman resolved 438,802 complaints in the same period.

In the past year alone, the Ombudsman sorted out almost 400,000 PPI complaints.

While the majority of cases overall determined by the Ombudsman found in favour of the consumer (51%) –the figure for packaged accounts was an altogether more modest 14%.

That figure suggests two things. Firstly, the banks' internal procedures for considering customer complaints about packaged accounts are working pretty well.

Secondly, a large majority of the customers complaining about packaged accounts are 'at it'; pure and utter chancers.

It is a pity that the newspapers have generally not quite picked up on that fact.

Whatever else one might say about packaged accounts, and they are certainly not suitable for all segments of the market, they contribute almost £2bn in fees for the sector a year. They are here to stay. The banks are generally conscious of the need not to mis-sell the product. And they are very definitely not the new PPI.

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"Who you bank with is going to become less relevant"

In its annual London conference at the glamorous Waldorf Hilton hotel in London, *Retail Banker International* hosted expert speakers and delegates discussed the current financial situation worldwide. Trends included the rise of startups and the shifts in banking culture. **Patrick Brusnahan** reports

The Retail Banking Conference 2016, sponsored by Vocalink, kicked off with a keynote speech from Vocalink's own market development director, Chris Dunne.

Dunne highlighted a key theme of the conference: service was the way forward for banks, not necessarily just technology.

He said: "If you only focus on technology, you're missing the point. People can get very attached to particular payment types. The biggest failing in getting rid of cheques was forgetting about certain demographics.

"In the UK alone, there are millions of people without appropriate broadband. Two-thirds of adults have a smartphone, but that leaves a third of adults who do not. Branches remain significantly important. Do not forget the humans that use technology."

Dunne also reminded a captive audience that the country is seeing 'a massive growth in faster payments' and there was 'a queue out the door of people wanting to join the faster payments infrastructure'.

Maciej Jakubowski, head of design at Alior Bank in Poland, followed on a similar thread.

He explained: "Everybody understands innovation in a different way. Banking is more than culture, innovation or payments. There's a human factor. You need to look at it through your customers' eyes."

Winston Kassim, special products advisor at Royal Bank of Canada (RBC), explained that the personal factor was crucial, not only with customers, but with staff as well.

He said: "If a bank is going to succeed, it needs a significant story. A number of people said we needed to cut staff; we disagreed. We decided that we were not going to shrink ourselves to greatness, and RBC ignited the passions of 40,000 employees.

"Trust is the foundation of our industry, and our success and RBC continues to benefit from its investment in employees. From 2008 to 2015, our efficiency improved by an average of 500 points [in their performance metrics]. If I was to change anything, we would have started this sooner."

In the following panel, Jakubowski said that Alior 'didn't look for inspiration from other banks' when working to improve his model.

Dunne agreed with this, and expanded: "Fundamentally, who you bank with is going to become less relevant. A lot of people are happy with their bank as it's a secure place to store their money."

The Future of Banking

Catherine McGrath, managing director of transactional products and commercial banking at Barclays, described the role of the bank not only to change, but to help its customers change alongside.

She said: "[Banking] is undergoing change similar to the industrial revolution. As a society, we are going through big changes. The pace of customer adoption is accelerating and this pace is far beyond financial services. Every limit or restriction is an opportunity for a newcomer.

"If we see one thing in a part of our lives, we expect it in every part. If I can Facetime my friends, why can't I Facetime my bank? Ordering currency should be as easy as ordering a pizza. We are fragmenting in how we use digital and choice is crucial. Seamless transition between channels is critical.

"Part of our role in society is helping customers move into the digital age. We recognise that it can be an emotional shift to digital. The importance of human contact is fundamental through combining first class technology with first class interaction."

John Mahon, head of product research and strategy at EdgeVerve, further highlighted the focus on digital had to be parallel with the focus on customer service.

Mahon said: "The customer-centric mindset is becoming more and more popular. Disruption isn't driven by technology but by customer experience. And [according to EdgeVerve's research], 72% of banks see significant industry disruption ahead. Banks are broadly acknowledging disruption.

"41% of banks see start-ups as an evolving threat. Previously, it was higher than 70%. Now, it's much more tech and [telecommunication] companies."

He went on to describe the digital adaptation that banks need to undergo.

"Digital banking strategy means so many different things to different people. Yet, 69% of banks do not have a systematic digital strategy," he explained.

Terry Cordeiro, head of product management – transformation at Lloyds Banking Group, believed that 'customer experience is the next frontier'.

He said: "We are literally addicted to our smartphones. This has driven fundamental changes to our behaviour. "

"Disruption is about the experience and not the technology. In that regards, customer experience is more about being end-to-end with a brand.

"Transformation is a significant investment and we have a responsibility to use data to help our customers be financially responsible."

"We're fooling ourselves if we think expectations are changing. They've already changed," he concluded.


Maciej Jakubowski, Alior Bank

Challenging the Status Quo of the Retail Banking Landscape

Chaired by John Smith, managing director of EMEA at Fiserv, the next session of the day focused on the new entries in the market determined to shake things up as 'traditional institutions are being put under pressure'.

Ricky Knox, the founder of Tandem Bank, purported that disruption was all about offering something different and something wanted.

"I do think there will be significant change and a tipping point in three to five years. However, is it really disruption or a gradual evolution?" he asked.

Knox continued: "I have huge confidence in banks in the UK to improve their customer experience, but you need a quantum leap in what we're offering. The challenge is finding the additional pool of value and, currently, banks aren't set up very well to offer something different.

"People expect a different level of service from their customers now. 25% of the market is being taken up by innovation."

However, Knox also highlighted the difficulties of being a startup bank. "When building a bank, there is a challenge with the balance sheet.

"We only need small percentages of the market. There is quite a lot of interest in this area, but I think there will be consolidation and some start-ups will go away," he concluded.

Norris Koppel, Monese's CEO and founder, discussed the importance of 'building from scratch', as banks were 'approaching from an outdated angle'.

He said: "Opening a current account can be painful. We have a unique ability to onboard the previously unbankable."

With regards to building something from scratch, Mondo Bank follows a similar formula. Jason Bates, co-founder of Mondo, believed that it was the 'perfect time' to start a new bank. This was due to three reasons: legacy banks, regulatory change and the digital shift.

He said: "I found out early on that executives don't get digital. People think they already have digital banks. Product thinking isn't there anymore. It's not banking as a service, but digitised products are not digital services."

On this point, Alex Letts, founder and chief unbanking officer of Ffrees, said: "This perception is not being helped by behaviour."

Keeping up with competition

Karina McTeague, director of retail banking supervision at the Financial Conduct Authority, kicked off the last session by discussing the role of the regulator in financial services.

She conveyed that this included creating a competitive marketplace, but banks had possibly become more distracted by digital than by regulation.

McTeague said: "Changes present real benefits to customers, but how do we support change without sacrificing consumer protection?

"Innovation promotes competition and our innovation hub has had 515 applications from firms. There's some interesting stuff coming up. Digital capability is core to many strategies and big data is having an ever-growing impact."

One bank focusing on the digital experience is Russia-based Touch Bank, a fully digital offering which received 70,000 clients in its first year.

Alexey Maklakov, chief digital officer at Touch bank, said: "If you want to keep your client base today, you need to understand the customer journey. From the beginning, we understood that you must focus on current requirements.

"The change is about culture; the culture to serve and interact with your clients."

McTeague concluded: "There is currently an enormous change in retail banking globally." ■

RBC CLASS LEADING PERFORMANCE

Key Digital Metric	RBC	Average Across the US and Canada
% of customers using branches	38.90%	50.30%
Total Digital Sales penetration	18.20%	9%
Digital Sales Presentation – Credit Cards	24.70%	15.20%
Digital Sales Presentation – Deposits	23.20%	6.40%
Digital Bill Pay Adoption	80.50%	34.30%

Source: Royal Bank of Canada

Simple expansion in the BBVA family

Founded in 2009 and launched commercially in July 2012, Portland, Oregon-based mobile banking services provider Simple is looking to demonstrate just how many services direct banks can offer with only a smartphone and no branches. **Robin Arnfield** finds out more about this purely digital offering

Portland, Oregon-based fintech firm Simple Finance Technology was acquired in February 2014 by BBVA Group as a digital pacesetter for the Madrid-based bank's global operations. The deal valued Simple at $117m.

BBVA's Chairman and CEO, Francisco González, wants to turn BBVA into a totally digital business, with over 100,000 employees working digitally.

"We're aiming to build a better customer experience and are betting heavily on digital transformation," he told BBVA's 2015 AGM in Madrid

"Simple will reinforce our global digital transformation," González said at the time of Simple's acquisition.

BBVA owns leading Mexican bank BBVA Bancomer, BBVA Compass in the US, and has a 39.9% stake in Turkey's Garanti Bank. It also has operations in Argentina, Bolivia, Brazil, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela.

Fintech

Simple is one of a clutch of investments in US fintech startups made by San Francisco-based BBVA Ventures, which included a January 2015 investment in US Bitcoin firm Coinbase.

BBVA considers the US a market ripe for growth through technology. "The US is the most digitised country in the world, but its banking services remain obsolete," President and COO Ángel Cano said at BBVA's 2015 AGM.

By the time of Simple's acquisition, BBVA already offered mobile and online banking services in the US through BBVA Compass, which operates 673 branches in Texas, Alabama, Arizona, Colorado and New Mexico. But Simple represents BBVA's first US departure into branchless banking.

The BBVA acquisition was heralded by Simple's co-founder, Joshua Reich as a means of expanding Simple beyond the US to create a global footprint. BBVA said the acquisition was in line with its strategy of investing in the new technologies and 'disruptive' initiatives transforming the financial services industry. The group is geared toward high-growth markets, and relies on technology as a key sustainable competitive advantage.

History

Simple was founded in 2009 and launched commercially in July 2012. "Simple was born out of frustration with the realisation that most US banks make money by keeping their customers confused," says Simple spokesperson Lauren Berg.

"Our customers are at the heart of all we do, and our mission is to help people feel confident with their money."

Reich and co-founder Shamir Karkal started offering mobile banking with Wilmington, Delaware-based The Bancorp Bank as their bank partner and platform provider. This makes Simple a 'neo-bank', a fintech company without a banking charter of its own.

Karkal recently joined BBVA Group in a newly created role as Head of Open APIs (Application Programme Interfaces). Using its open API, "BBVA has a huge opportunity to open up our core platform and services, in turn enabling others to build companies on top of these and thereby helping us build a new business," Karkal said in a statement.

Moving its banking platform away from Bancorp has been part of Simple's roadmap post-acquisition.

"By joining forces with BBVA, we'll be able to jointly gain complete end-to-end ownership of the customer experience, from our mobile apps all the way through the core banking stack," Reich said in February 2014. "This will give us a phenomenal degree of flexibility and control that will enable entirely new innovations."

Simple plans to move its customer accounts to BBVA Compass's real-time banking platform to enable Simple to offer a broader product portfolio. The development will make Simple the first actual user of BBVA's Open API in the US.

"Our technical teams are actively working with BBVA in preparation to replace our current partner bank, Bancorp, with BBVA Compass," explains Berg.

By February 2014, Simple had 100,000 customers across the US, but does not disclose its current customer numbers.

"A team of just under 300 is fuelling monthly customer growth that's on a par with a bank that would have 50 branches or 5,600 branch employees," says Berg.

Simple continues to operate as a separate business within BBVA, led by Reich as CEO.

Account features

The Simple account has been designed primarily for use with smartphones, giving customers immediate access to their money wherever they are. However, all features except Photo Check Deposits are accessible on the web. The Simple app runs on iOS and Android devices.

Simple customers receive prepaid Visa debit cards issued by its partner bank, which pays Simple a share of its interest margin on deposits plus a share of debit card transaction interchange fees.

To increase its revenues, Simple encourages customers to use their accounts by providing a range of personal finance tools and no-fee services. Transactions that exceed the customer's available balance are declined, so there are no overdraft fees or interest.

Simple's approach does not impress Ron Shevlin, director of research at US-based Cornerstone Advisors. "Simple has really

become just a prepaid debit card," he says. "Yes, the online account opening process is very easy, which is a differentiator, but it really isn't a replacement for a chequeing account."

Nevertheless, while it does not offer cheque books, Simple is doing a lot to make its debit cards work more like chequeing accounts.

In September 2015, Simple said it would eliminate all fees and absorb the cost of pass-through fees including treasurer's cheque fees, over-the-counter cash withdrawal fees, and expedited delivery fees.

Simple's no-fee banking model is disruptive in the US.

In 2011, non-sufficient funds (NSF) and overdraft fees (OD) generated an estimated $12.6bn for the US banking industry, according to a 2013 report by the Consumer Financial Protection Bureau entitled *CFPB Study of Overdraft Programmes*. On average customers paid between $147 and $29 in NSF/OD fees.

Workarounds

Simple uses workarounds to deliver services similar to those provided by bricks-and-mortar banks. Its customers can pay bills free of charge to almost any business or individual in the US. Larger businesses are paid electronically, while other payees are mailed cheques.

Customers can request treasurer's cheques drawn from their Simple account and mailed to them. If they need cheques quickly, they are advised to buy a US Postal Service money order from a USPS branch with their Simple card.

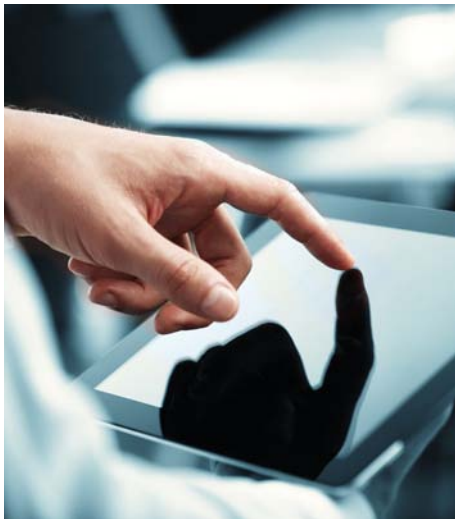
There is a roundabout way of getting cash into Simple accounts. Customers are instructed to pick up a money order from a convenience store or USPS branch and deposit it into their account via Photo Check Deposit or by mail.

If customers have an account with another bank, they can deposit cash at this bank's branches and do bank-to-bank transfers between that account and their Simple account. They can also link their Simple accounts with services such as PayPal and Mint.

Customers send and receive funds instantly to accounts held by other Simple customers by adding the recipient's email address and phone number to their Instant contacts.

Customers can withdraw up to $500 a day from 55,000 ATMs in the Star surcharge-free network. An ATM finder enables customers to find the nearest Star ATM.

They can also get fee-free cash advances of up to $5,000 a day on their Simple card by showing photo ID to tellers at branches of



most major banks.

Safe-to-Spend

To help customers stay out of financial trouble and continue using their debit cards, Simple offers the Safe-to-Spend feature that tells them how much money they can spend safely.

"Instead of designing for how banks work, we design for how people think," Reich says. "When people log into their account, they don't want to do accounting mathematics to calculate how much money is available. They want to know if they're living within their limits. So the first thing you see when you log into Simple is Safe-to-Spend."

"Whenever you do a transaction on Simple, you'll receive a push notification, and the activity will immediately appear in your transaction feed," says Simple spokesperson Amy Dunn.

"Your Safe-to-Spend – our improvement on the standard account balance – will immediately update as well. This means you always have an accurate picture of how much money is in your account, and what you can spend without dipping into your savings goals.

"It is typical that, when you're paying your bill, the notification and transaction will hit your Simple app before the cashier has handed you your receipt."

A planning aid that works in tandem with Safe-to-Spend is Simple's Goal feature.

"A customer could be at a store, see a jacket they want to buy, but see that their Safe-to-Spend is low, and say 'rather than buy this today, I'll set up a Goal right now and I'll save up responsibly over three months,'" Reich explains.

"If you present finance in language that customers understand, they can do the things they want to do."

Data

Data analytics is a keystone of BBVA's vision for Simple. "We're witnessing the dawn of Big Data technology," BBVA's González told Harvard Business School's November 2015 Strategy Research Conference.

González said banks should maximise their most important and competitive advantage data. They should become data-driven organisations to deliver knowledge-based banking, and provide financial products and services that fulfil each customer's needs and expectations.

"Our Big Data teams in Spain and in the US are working in areas such as customer analytics, processes, risk and fraud, and new data products," he explained.

In early 2014, Simple was a mid-stage start-up with only a single analytics-focused employee, wrote Jeff Klukas, a Data Engineer at Simple, in a blog titled *Building Analytics at Simple*. After two years of BBVA partnership, Simple has a Director of Data leading a team of five engineers and five analysts, he wrote.

Klukas says Simple has developed near real-time analytics that its staff use to improve Simple's banking app by understanding how customers interact with it; control risk and fraud; improve customer relations; and provide metrics to guide the company's direction.

Customer service

Simple relies on a combination of qualitative and quantitative customer data to develop products, says Berg.

"On the one hand, our team of data scientists provides on-going reporting and key insights into how our customers use Simple," she says. "At the same time, we gauge how our customers feel about Simple with a monthly Net Promoter Score survey."

"This is a modern alternative to traditional customer surveys, that gauges a customer's brand loyalty by asking how likely they are to recommend Simple to their friends.

"Our core measure of success is that of our customers and how happy they are using Simple."

Simple doesn't pigeon-hole people according to their age, Berg says. "Millennials aged 18–35 may be our largest demographic, but our customers range from ages 18 to 82," she explains.

"We prefer to think of these individuals as sharing a psychographic, the desire for intuitive, on-demand, mobile banking. We constantly work to deliver a customer-centric product by listening and responding to their wants and needs regardless of their demographic."

Simple has integrated in-app support messaging, as well as Twitter and Facebook agent responders to help maximise customer support. ■

Digital investment soars at Fifth Third

Fifth Third is expanding its IT division to increase its digital banking and data analytics capabilities. The measures are all part of a digital transformation project designed to optimise the customer experience. **Robin Arnfield** investigates the bank's new strategy and its free current account, a rarity in the region

Cinncinati, Ohio-based $154bn asset Fifth Third is hiring over 200 developers, business systems analysts and project managers to add to its current team of 750 IT staff. By the end of 2016, the bank plans to employ over 1,000 IT experts, up 27% in less than four years.

Sid Deloatch, Fifth Third's CIO, told *RBI* that the new hires will be tasked with projects ranging 'from improving our mobile app to improving our back-end operations that provide better experiences in our financial centres, call centres and for all our products and services'.

Head of innovation

In April 2016, Fifth Third appointed Steve D'Amico, most recently Procter & Gamble's Director of Design Innovation, as Senior Vice-President and head of innovation.

"D'Amico will be responsible for creating an embedded innovation capability – including human-centered design, rapid prototyping and deep customer research, so that the bank can rapidly develop useful products for customers," the bank said.

"He will also develop an 'open innovation' capability and work to connect Fifth Third with the best external companies and tech incubators."

"Our customers are at the centre of everything we do," said Greg Carmichael, Fifth Third's President and CEO.

"To accomplish this, we need to invest in digitisation and data."

Carmichael joined Fifth Third in 2003 as CIO, was named president in September 2012, and became CEO in November 2015.

Chief digital officer

Melissa Stevens, a former Citigroup executive, has joined Fifth Third as Senior Vice-President, Chief Digital Officer and Head of Omnichannel Banking.

She will report directly to Chad Borton, executive vice-president and head of consumer banking.

Stevens most recently served as MD and chief operating officer for Citi FinTech, a unit charged with creating a smartphone-centric business mode. She was also head of Citi's Consumer Innovation Labs.

Prior to that, she was Head of Global Consumer Digital Banking responsibile for all digital properties and apps in Citi's markets throughout North America, Latin America, Europe and Asia.

At Fifth Third she will be responsible for creating the strategic plan for an integrated omnichannel customer experience, including both sales and service, for all lines of business. She will also direct tactical execution in implementing new functionality, processes and systems to deliver superior experiences for Fifth Third's customers.

Consumer behaviour

Fifth Third is investing in technology in response to changes in consumer behaviour. "Our customers' digital expectations continue to evolve, and many of these expectations are set by using non-bank apps such as shopping and games," said Chad Borton, Executive vice-president and head of the consumer bank at Fifth Third.

THE APP ALLOWS CUSTOMERS TO:

- Access their balance without logging in, using Now Balance;
- Make payments;
- Transfer money with a few taps;
- Deposit a cheque with just a hover;
- Set up alerts with the swipe of a thumb
- Check the past 24 months' statements, and
- Log in with Touch ID for iOS

Source: Fifth Third

"Our mobile app is the product that our customers notice first when they think of tech and the bank," said Deloatch.

Recent enhancements include adding Touch ID authentication to Fifth Third's iOS app in February 2016, letting customers log-in with their fingerprint instead of passwords. Within eight weeks, almost half of customers eligible to enroll for Touch ID had done so, said Jason Kammer, senior channel manager for mobile banking for Fifth Third.

Fifth Third's total mobile customers increased by 28% from 2014 to 2015, while mobile usage was up 21%. The number of 'mobile-only' customers jumped 58% from 2014 to 2015.

Last year, Fifth Third had 19 million mobile banking logins, and sent 13.9 million mobile banking alerts, up 144% from 2014 to 2015. The most frequently used Fifth Third mobile services are checking balances and activity, transferring money, and depositing cheques.

Fifth Third said that during the first two months of 2016 nearly 18% of its total deposits took place via mobile, up 40% year-on-year. In addition, 57% of its new customer households use mobile banking services, while 39% of all of its customer households also use such services.

"In 2015, our growth in mobile users exceeded the industry average," Carmichael said in an April 2016 earnings call. "It accelerated while the rest of our industry experienced a slowdown. In addition, we've doubled the number of chequeing accounts that were opened online from a year ago."

Branch closures

In June 2015, in response to the growth of digital banking, Fifth Third said it would close or sell 107 branches by mid-2016, representing around 8% of its total network. Carmichael said in the April 2016 call that

Fifth Third 'is on track to deliver $60m in annual expense savings related to these reductions'.

As at 31 March 2016, Fifth Third operated 1,241 full-service banking centres, including 95 Bank Mart locations inside grocery stores and 2,556 ATMs in Ohio, Kentucky, Indiana, Michigan, Illinois, Florida, Tennessee, West Virginia, Pennsylvania, Georgia and North Carolina.

In its fourth-quarter 2015 earnings presentation, Fifth Third said it is building an omnichannel infrastructure to combine physical (ATM, branch), virtual (call centre, remote specialist) and digital (mobile, website) channels at a cost of $73m. This includes investing in image-based systems to reduce workload and speed-up processing in branches. It also plans to roll this out across its technology to increase the digital resolution of customer service enquiries.

"People want answers in real time and expect their bank to be open 24-7," said Deloatch. "They also expect real-time account balances and alerts if their accounts drop below a certain amount."

"Our mobile enhancements help, but the real-time responses take place on social media, through Facebook and Twitter."

According to Kevin Sullivan, Fifth Third's managing director for distribution strategy, the bank wants 'customers to have the option to have a voice or video meeting with a specialist without having to visit the bank'.

Analyst comments

"For all the hype about mobile banking, most US banks surveyed see less than a third of their retail and business clients using the channel, and annual growth rates are beginning to decline," said Bob Meara, senior analyst at US-based consultancy Celent

"And that's a transaction view. Our survey also looked into where US banks are closing new product sales, and the results are stark; mobile accounts for just a few percent of total sales production, while the branch channel still accounts for 80% to 85%."

"Branches are where the sales are today," Meara said. "But digital is where sales are going. How far and how fast this will happen, varies dramatically among market segments and from institution to institution.

"Many FIs underestimate the importance of the mobile banking channel because of its relatively low contribution to today's transaction and sales mix. However, the future will bring a very different result. FIs need to be planning for this outcome – indeed influence it. The large banks already are, and it shows, particularly at Fifth Third," Meara continued.

"When IDC Financial Insights talks about digital transformation in financial services, we use five dimensions for measuring this: leadership, omni-experience, operating model, information, IT and worksource," Jerry Silva, IDC Financial Insights' Global Banking Research Director told *RBI*.

Silva said Fifth Third's IT announcement shows it is touching most of the bases IDC has outlined as critical for digital transformation, starting with leadership.

"Greg Carmichael was CIO and is now CEO. This tells me Fifth Third is very invested in the digital transformation journey right from the get go. The most successful banks going down that path such as Santander and BBVA all have one thing in common: they start with leadership and this transforms their entire culture."

Silva noted that Fifth Third's branch closures frees up money to hire people, which covers the worksource dimension.

"I've talked to bank CTOs and CIOs over the last two years and they say worksource is one of the most challenging areas of digital transformation for them," he said.

"It's not just about finding the right people, because the executives tell me today's generation doesn't want to work for banks or even for Google or Apple.

"They want to start their own fintech and do their own apps. So finding and keeping the right people is a challenge – how do you engage them and adapt to their lifestyle as opposed to the traditional nine to five?"

Outsourcing

"IT staff's skillset has to change, as it is no longer about coding," added Silva. "It's about governance of the external partners you've hired to do the coding.

"Over the last 12 months, I have seen executives like Carmichael focusing on infrastructure and data analytics, and looking at cloud-based or outsourced systems. The thinking is that there are experts whom you can outsource to and who are better than people you can hire yourself."

"The massive explosion in data is creating unprecedented manageability issues for FIs that can be linked to factors such as the rapid expansion in customer touch-points; emerging types of structured and unstructured data associated with new customer engagement platforms and social media content; real-time data processing and analysis necessary to provide timely insights to improve decision-making and customer experience; and rising data security concerns that continue to plague banks both internally and externally," David Albertazzi, senior analyst at Aite Group told *RBI*.

"The fact that Fifth Third is closing branches to fund digital falls into the omni-experience dimension," adds Silva.

"But it will have closed just the right branches rather than picking them out of a hat, as it will have looked at its branches from a geographic and neighbourhood presence perspective to ensure it maintains its touch with consumers.

"Last year, IDC ran a US consumer survey and found that fewer than 30% of millennials preferred to open accounts via online or mobile channels, and over 60% still want branches or contact centres."

Fifth Third is on the right track, as it is looking at digital transformation from the perspective of back-office infrastructure, Silva said.

"Too many banks think digital transformation is about focusing on the front office and that this is strictly a mobile initiative.

"So you have front office teams doing digital transformation exercises the CIO knows nothing about, spending money on technology to fulfil digital transformation from the consumer perspective. But this leads to a lot of inefficiencies when it gets to the back office."

Millennials and unbanked/underbanked

In November 2015, Fifth Third launched the Express Banking product for unbanked/underbanked customers and millennials. The account responds to millennials' requirement for an account that is not a traditional chequing account but a banking product that is simple, transparent, convenient and affordable.

In 2013, the Federal Deposit Insurance Corporation, reported that one in four US households was either unbanked or underbanked, while KPMG's 2014 *Banking Industry Outlook Survey* found that the underbanked are growing at a faster rate than the overall population.

Fifth Third has acknowledged that its footprint includes some of the highest underbanked markets in the US including Kentucky, Florida and North Carolina.

In February 2016, the Consumer Financial Protection Bureau (CFPB) announced an initiative to improve chequeing account access. The US government agency sent letters to the 25 largest retail banks encouraging them to make available lower-risk deposit accounts that prevent customers from getting into overdrafts they cannot pay off.

In the bank's first quarter earnings, Carmichael told analysts: "Since we launched this product in November 2015, we have opened over 65,000 new customer accounts."

Express Banking has no monthly service fee, no minimum deposit for new accounts, no overdraft and no monthly balance requirements. ■

Digital lending gaps for retail banks

While lending is the key driver of core banking revenues, more stringent capital requirements and increased origination costs from greater regulation have led banks to reduce – or in some cases withdraw – lending to groups such as SMEs. SAP's **Bernard Kenny** considers the possible solutions to this problem

Incumbent banks face challenges to adapt while more nimble, digitally native fintech lenders are able to target underserved customers quickly and efficiently. Their market share remains small, but the rate of growth does concern legacy banks.

These banks recognise the urgency with which they need to act to protect their most lucrative profit streams from well-funded and rapidly growing competitors. They understand the necessity of digital transformation to enable the agility that will help them meet the new demands of customers and regulators. But, as original early adopters of technology themselves, they have retained technology from each successive generation, leaving often complex IT landscapes that are not easily integrated.

To understand the progress incumbent banks are making to overcome these challenges, SAP undertook a joint study with strategy consultant Bain & Company to benchmark the maturity of banks' digital capabilities.

The study found the median level of digital adoption across all lending classes is low. Only 14% of loan applications are submitted through digital channels and fewer still (7%) are being processed digitally. The study also found that only 7% of banks were able to handle lending products digitally end-to-end, with 14% of simple loans and 36% of complex loans requiring rework.

The picture is more encouraging for card and personal lending, where some banks not only take 100% of applications on digital channels, but also handle these digitally end-to-end. In contrast, for home or business loans only 8–10% were able to do this.

What the study highlighted was the extent that banks are struggling to adapt to new digital realities. Where some parts of their organisations are making great strides others are lagging behind. And this lack of end-to-end integration is ultimately limiting their ability to truly realise the potential of digital models and meet the needs of customers.

Although banks are focussed on having relevant, simple and easy-to-buy products, there still have severe limitations in their ability to bundle products. Another key challenge faced by incumbent banks is the lack of a smart and singular view of the customer – for instance being able to see a customer's personal loans alongside their saving or investment products.

While some banks have a single view of the customer, it is largely limited to internal data being used for static analysis rather than a real-time view enriched with preferences and sentiment that would enable tailored offers. And despite the investment in digital channels, most are far behind their aspirations in terms of the self-service advice, product selection and origination.

So how should banks move forward?

I believe there are six ways banks can overcome the hurdles:

- Banks should adopt an approach that allows much of the enterprise data to be virtually combined and remain in its original place. Consumers of the data see it as though it existed centrally and can use business intelligence (BI) tools or structured query language (SQL) to access the information. Not only is this approach quicker and cheaper, the data is more accurate;
- Banks should accelerate progress by adopting practices already deployed in other industries further down the digital transformation path where customer experience is often the only real differentiator. This means leveraging consumers' interaction patterns to improve service but also mirroring the way these industries generate targeted offers;
- To deploy new digital lending capabilities, banks should introduce a less complex omnichannel customer engagement platform. This can extend beyond needs of the lending lifecycle in advice, origination and servicing to cover all facets of a customer's banking relationship;
- Banks ought to use a product configurator that allows foundation products to be modelled on multiple dimensions and composite products to be configured from simpler base ones. The capability to isolate sales products from more functional products also allows banks to differentiate their customer proposition across multiple segments, while maintaining scale and simplicity in the back office;
- Banks need to move beyond project-driven analysis to a closed loop between customer insights and customer activation. Banks need a platform that combines structured and unstructured data to build a complete customer profile, including tools for text, language and relationship analysis and predictive analytics. These technologies enable more contextual and targeted marketing that's the norm in other fields and expected by customers, and
- Especially in lending, banks need to think in terms of a 'Digital Operating Model' where automation is king. Boundaries between systems need to be eliminated by making better use of business process management software to ensure the process spans front, mid and back office. Lending products, policies and processes must also be refined until there are no exceptions to the automated flow. This improves loan turnaround times and can help increase the capture rates and credit quality.

A good example of a bank that has been able to deliver on the digital promise is Commonwealth Bank in Australia which decided to completely replace its channel and core banking platforms. This allowed it to lower its cost-income ratio while improving the customer experience to become the market leader in customer satisfaction. The bank's support for the home buying process, for example, allows buyers to 'point and shoot' at potential homes and display affordability details, mortgage limits and pre-approvals.

Another bank making good progress is Spanish bank BBVA. In 2014, BBVA was just below our measured median for personal loans, but recently report a doubling of the number of consumer loans made through digital channels.

So, while it's uncertain if all banks can succeed in making this transformation, there is enough evidence that with the right combination of urgency, leadership, reskilling, partnering and technology platforms, banks can make the leap. And with fintech companies pushing new boundaries there's never been a greater need to innovate and build on the opportunities that digitalisation offers. ■

Bernard Kenny is a vice-president with SAP Financial Services Value Engineering

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RBI rewards the best of the best

I applaud the winning banks in the 2016 Retail Banker International global retail banking awards – the 31st annual RBI Awards.

These awards recognise outstanding achievements by retail banks across the world and celebrate the most resilient, creative and innovative banks that have produced outstanding results in the past year.

Another year – and another set of records.

We had a record number of categories and received a record of nominations.

A full house at the ceremony at the Waldorf Hilton topped off excellent Awards, where a good time was had by all.

I want to thank all those banks who participated by submitting nominations.

Thanks also to my fellow judges with special thanks again to the Awards' exclusive sponsors, Fiserv.

Their continued support is invaluable and much appreciated.

Douglas Blakey
Editor, Retail Banker International

The 2016 RBI Awards praise the exemplary

In an exuberant affair, the winners of the RBI Awards 2016 collected their prizes. **Douglas Blakey** discusses the winners and why each of them, ranging from various exotic locations, deserved their acclaim. From regional awards to more specific titles for innovation and security, there was certainly much to behold

GLOBAL RETAIL BANK OF THE YEAR:

Bank of America

Bank of America enjoyed a stellar 2015 in terms of retail banking market share gains, profitibility, successful cost-cutting, channel successes and digital innovation.

In fiscal 2015, the bank's retail and wealth management businesses delivered $9.3bn in net income. Average deposits in consumer banking grew by 7% year-on-year.

The bank invested $3bn in technology-related growth initiatives, especially in areas of digital practice which has resulted in a number of industry-leading digital successes such as:

- Mobile banking users increased by 13% to 18.7 million by the end of 2015 and deposit transactions from these devices now represent 15% of deposit transactions.
- By the end of the first quarter of 2016, the bank now has nearly 20 million active users and deposit transactions from mobile devices now represent 16% of deposit transactions.
- Digital ambassadors in branch, digital sales, digital appointments, and customer digital satisfaction have achieved new highs.
- Bank of America is growing its online customer base by a net one million year-on-year.
- Remote cheque deposit capture has grown to such an extent that the bank processes 250,000 cheques a day this way.
- Visa Checkout: Bank of America holds 14% of all spending at Visa Checkouts with 1m-plus cards enrolled and growing.

In terms of rightsizing the branch network Bank of America is leading the industry in the US with branch numbers down from a peak of 6,100 branches to 4,600 today. At the same time its customer base has increased by 10%.

In the last year, Bank of America checking deposits are up by almost 10%

Successful cost-cutting has included a 3% fall in FTEs but sales specialists are up almost 900 year-on-year. US card credit quality was strong as net charge-offs remained at decade low levels of 2.5%.

AFRICAN RETAIL BANK OF THE YEAR:

Nedbank

Despite a challenging economy, Nedbank enjoyed a stellar 2015 with headline earnings rising by 9.6% for the full fiscal and produced a return on equity of 17%.

Main banked retail clients rose by 8.5% in 2015. In the main banked middle market, customer numbers grew by more than 7% during 2015. Channel successes included:

- 36% of Nedbank outlets (255 outlets in 2015, up from 170) are now in 'branch of the future' format with plans on track for 77% of units to be branch of the future by 2018. Digitally enabled clients increased by 40% to 3.1 million. Nedbank App Suite users increased by 43% in 2015.
- Nedbank has accelerated digital innovation with a Go Mobile drive at the heart of its retail focus, accelerating time to market, new features on its Nedbank AppSuite.
- Nedbank also rolled out its new nedbank.co.za website, which leverages world-class technology to enhance the client experience and integrates product applications to enable seamless delivery across all mobile devices.

Nedbank's acquisition of a 20% stake in 2014 in Ecobank is already paying off; customers now have access to a branch network of 2,350 outlets across 39 markets.

BEST IT TRANSFORMATION:

Santander Poland

Following the merger of Bank Zachodni WBK (BZWBK) with Belgian bank KBC's Polish operations to form Poland's third-largest lender with 867 branches and 4.3m active customers. The bank undertook a major IT project to bring the banks together.

To meet an ambitious 18-month timeline (2014–2015) BZWBK needed an agile and aggressive approach. The bank used the merger as an opportunity to optimise and transform business processes, and as a consequence existing systems, to ensure that current and migrated customers receive better quality service.

To complete the business and IT transformation, BZWBK spent over 23,000 man-days and launched over 100 operational changes. Notable IT and business transformation changes included:

- Unified the customer journey via digital channels for retail customers and SMEs by launching a single BZWBK24 internet and mobile platform. It also centralised its call centre service
- Centralised the card management processes related to the issuance of payment cards and transaction processing, including authorisations and reconciliations
- Unified and optimised the most complex processes
- Introduced a single back office for the amalgamated institutions
- Unified the customer experience by rebranding outlets and bank literature.

ASIA-PACIFIC RETAIL BANK OF THE YEAR:

DBS

Singapore's biggest bank made record full-year earnings – 10% growth from $3.67bn in fiscal 2014 to a record $4.05bn in FY2015.

At the heart of the bank's current retail banking strategy is a huge emphasis on digital investment. In 2015, it took a 10% stake in a voice recognition company spun out from Stanford University's research hub.

It has also begun a project in India that it hopes will attract five million online customers within the next five years.

The largest retail bank in Singapore – serving over 4.6 million customers – DBS expanded its online services during 2015 to 130 and has also expanded its suite of mobile banking services to more than 40. Its mobile banking customer base grew 13% to almost 2.5 milion users.

It enjoyed further digital success in 2015. In February it launched a new series of gamification modules while its DBS i-Banking Fresh project – on which the bank invested S$4.2m ($3m) – produced a 5% increase in log ins folowing its the September 2015 launch, and a 10% increase in transaction numbers.

Other 2015 highlights included Apple Touch ID with DBS' PayLah! This service offers Touch ID finger print recognition log ins to provide users to with both security and convenience.

BEST MOBILE BANKING STRATEGY:

Caixabank

In a highly competitive category Caixabank is a deserved winner for a mobile offering that represents the gold standard in global mobile banking.

In terms of onboarding, log-in, account information, service features, marketing, sales and user experience, Caixa's mobile services excel at providing both basic and next generation banking services.

More than 2.5 million customers are regularly using the bank's mobile services with more than 25% of the bank's transactions already being made from mobile accounts. By the end of 2015, it passed two billion mobile banking operations. The firm's mobile banking channel already registers four banking operations per minute.

The judges were impressed with the bank's drive to optimise the customer experience, with more than 70 apps offering new services and functionality, such as predictive tools for future spending based on customers' past history and behaviour rather than payments they have set up manually.

In addition, Caixa has enjoyed success with CaixaMóvil Store, the first mobile app store to be run by a bank.

Finally, Caixa has led the way with mobile-first services initiated from mobiles such as P2P payments or biometrics-based developments. Caixa was the first bank in Europe to offer a basic app that enables customers to log in via voice command. It has also pioneered developments in wearable technology along with the integration of financial services into 'smart' car systems.

PRODUCT INNOVATION OF THE YEAR:

Touch Bank

The Touch Bank Card from Touch Bank, Russia's first digital only bank – a subsidiary of Hungary's OTP – is a personal financial assistant which gives and supports access to all banking services in real-time, via an online application run on desktops or mobile devices.

The card incorporates a suite of products and services and offers customers a range of tools that can be personalised. In the 11-month period since it was rolled out in April 2015, the bank acquired over 60,000 customers and €30m ($33m) in deposits.

BEST DIGITAL STRATEGY:

Scotiabank International

With a record nubmer of nominations this year, it was a tightly fought contest for best digital strategy.

In 2015-2016, Scotiabank International has been rolling out a state-of-the-art digital platform in Mexico, Panama and 21 Caribbean countries in one of the largest digital transformation programmes in global retail banking.

The first phase is already successfully driving transactional growth and channel adoption, with a consistent look and feel both across markets and channels as well as increasing speed to market and reducing costs for the bank.

The bank invested heavily in optimising the Customer Experience Design so that it is screen and device-agnostic; it provides web analytics to understand customer journeys and provides targeted, timely content and offers on the channel of choice at the most relevant time.

The judges were also impressed by Scotia's use of account and money management tools. The bank's 'help' feature provides task-specific content while its virtual assistant technology from IntelliResponse makes it easy for customers to find and use.

The bank's recent digital investment encompasses digitally equipped branch models, initially piloted in Mexico, and then in Canada.

Other digital projects include a new lending platform, iPad tools and improved scanning and imaging, as well as an accelerated onboarding process for mortgages, credit cards, day-to-day accounts, and small-to-medium companies.

EUROPEAN RETAIL BANK OF THE YEAR:

ING

The judges were impressed with ING's innovative Smart Banking app. It is available on smartwatches and its 'balance offline' feature enables clients to check their balance in real-time without having to log on.

In 2015, ING delivered a strong commercial and financial performance, and made progress on implementing its Think Forward strategy adding 1.4 million new retail customers in 2015.

In FY2015, ING reported an underlying net profit of €4.2bn ($4.6bn), up 23.2% from 2014. In Poland, the bank introduced a number of digital banking features such as receipt storage, bill splitting and impressive customer uptake of contactless mobile payment solutions.

NORTH AMERICAN BANK OF THE YEAR:

Wells Fargo

Despite a challenging economy, Wells Fargo enjoyed a strong 2015 with impressive sales growth and beat analyst forecasts with a net profit of $23bn.

It continued to lead the sector with stellar cross sales stats of more than six products per household on average.

The bank's focus on optimising the customer experience resulted in its highest ever net promoter score, while sales successes included a near 6% rise in the number of primary checking accounts. Wells Fargo's list of channel successes included 26.4 million active online customers, up 7% year-on-year, and 16.2 million active mobile customers, up 14% year-on-year.

LATIN AMERICAN BANK OF THE YEAR:

Bradesco

A combination of risk management, IT and infrastructure investment – digital and customer service – paid off for Bradesco.

It posted a net income up by an impressive 16.4% in fiscal 2015 while its efficiency ratio fell by 170 basis points to an impressive 39.2%.

In 2015, it controlled loan loss provisions despite the worst recession in Brazil in a quarter century.

In 2015, Bradesco also acquired the local business unit of HSBC in one of the most significant banking M&As of the year, in the process reinforcing Bradesco's presence in the high-end income segment.

BEST CUSTOMER FACING TECHNOLOGY:

Alior Bank

Alior has pioneered the use of Dronn, an artificial intelligence system to support remote customer service, which uses an automatic voice recognition, semantic analysis, speech synthesis, natural language processing and biometrical voice authentication.

The goal in implementing the Dronn system was to increase customer satisfaction, improve the bank's internal processes, and promote the Alior Bank brand as an innovation leader in Polish banking.

Following the implementation, Alior reported an 31% increase in efficiency. The cost of servicing each individual customer case fell by 85% compared to the previous process.

RETAIL BANKING LAUNCH OF THE YEAR:

Number 26

Berlin-based app-only bank, Number 26 has more than doubled its customer numbers over the past 12 months, since launching internationally in France, Greece, Ireland, Italy, Slovakia and Spain.

Having started out with a fairly niche product — an account and a card, Number 26 is developing a fintech hub around its marketplace, with all of its services available from one app.

Growth has been achieved with a minimal marketing spend; over 80% of the bank's growth has been driven organically. Other recent Number 26 innovations include a joint venture with Transferwise enabling Number26 customers to use TransferWise without leaving their banking app.

RETAIL BANKER OF THE YEAR:

Gonzalo Gortazar, Caixa

In a highly competitive category, the winner of the Retail Banker of the Year category delivered an outstanding 2015 with a number of eye-catching achievements including:

- The launch of the digital subsidiary: Imagin Bank;
- The successful integration of Barclays' retail unit in Spain;
- Strong results; profits rose by 31% in fiscal 2015;
- The bank's class-leading digital channels continue to go from strength-to-strength, and
- Already this year it is grabbing headlines with its ambitions such as the proposed acquisition of Bank BPI.

BEST BRANCH STRATEGY:

Bank of Ireland

Bank of Ireland impressed the judges with its innovative and imaginative approach to differentiating its branch offering – in particular its Mainguard branch project.

The branch is an outstanding example of an open, retail outlet, demonstrating a new open-front design, innovative interior design and state-of-the-art digital zones that allow customers to interact with the full range of Bank of Ireland services.

Other notable branch successes in 2015 include Bank of Ireland's start-up incubator in Galway.

The outlet is designed to support technology start-ups and offers a dedicated workspace and education programme as well as a range of support services designed to help tech startups scale their operations.

Bank of Ireland continues to demonstrate branch innovation such as the ongoing success of its bold, retail in-campus branch at Dublin City University.

BEST USE OF DIGITAL MARKETING AND SOCIAL MEDIA:

State Bank of India

In a very young market, many Indian banks are looking to social media as a method of attracting customers. State Bank of India have excelled this year with regards to social media and marketing.

According to *RBI's* research, State Bank of India saw an increase of over 1,000% in terms of its likes on Facebook and has the most subscribers to its YouTube channel of any bank in India.

BEST USE OF DATA ANALYTICS:

Royal Bank of Canada

RBC's data collection, analysis and utilization revolves around three core areas: Performance Media, e-CRM, and RBC Websites.

In 2015, RBC employed cost-effective and targeted digital marketing capabilities combined with integrated social media and advertising campaigns to outperform its banking peers across North America.

RBC produced superior business results across a spectrum of measures, at a much lower cost-per-click, and with a much higher click through rate.

Whether it was transaction migration to self-serve channels, the proportion of the total product sales made in the digital channel, digital sales penetration rate for deposit accounts and credit cards, the adoption rate for digital bill pay, or eStatement enrollment for chequing, savings and credit card customers, RBC led the way.

BEST PAYMENT INNOVATION:

Royal Bank of Canada

RBC Secure Cloud, the bank's patented mobile payment and security process and technology is able to turn most technologies – from smartphones to wearables – into a secure, simple to use payment device. This was the first cloud-based payment solution from a financial institution in the world.

In September of 2015, RBC upgraded RBC Secure Cloud solution to remove the SIM-dependency and meet the network specifications for HCE. This made RBC the first financial institution in North America to introduce a fully cloud-based payment solution. It also made it even easier for clients to use mobile payments with RBC.

The provisioning of payment cards that previously took 60 seconds was now instant, and clients could now use any NFC-enabled Android phone to pay using their RBC Wallet.

RBC is now reimagining its payments loyalty program, RBC Rewards, as a currency that can be used at the point of sale (physical or digital) and is adding 'Pay with Points' to enhance the value of the RBC Mobile app and give clients a compelling reason to use it over competing options.

RBC Rewards cardholders accumulate over $1.2bn worth of points each year and redeem $800m for travel, merchandise and financial rewards.

BEST USE OF ONLINE BANKING:

Sacombank

Sacombank wanted to transform its online banking service by providing new features and products which are highly flexible, scalable, secure and robust.

When the new online platform went live, the bank experienced an increase of over 60% in online users year-on-year in 2015.

The bank also reported an increase of over 80% in revenue as a result of an increase in fees from products sold through the new online banking platform.

MIDDLE EAST RETAIL BANK OF THE YEAR:

Mashreq

Despite the challenging economic environment affecting all the GCC economies, Mashreq delivered strong and stable profits for fiscal 2015.

Lending and deposits grew by 4% and 7.5% respectively, driven especially by impressive gains in Islamic finance.

Channel highlights in 2015 included the launch of i-mashreq – the first fully-automated branch in the region.

The service enables Mashreq customers to access all the services of a regular branch, including applying for bank products and services, ordering cheque books and bank statements, updating customer records, and initiating online video-chats with Mashreq's customer agents.

Also in the last 12 months, Mashreq upgraded its mobile banking app, by introducing new functionality and making it the most comprehensive mobile banking app in the region.

In another first for the region, Mashreq's mobile banking customers can now make mobile-to-mobile (P2P) payments to other Mashreq customers and non-customers.

SECURITY INNOVATION OF THE YEAR:

Nationwide

UK mutual institution Nationwide Building Society, the largest building society in the world, has developed a prototype within its mobile banking app designed to provide an extra layer of what it describes as 'behavioural biometrics' security.

The initiative recognises unique patterns from people's natural interactions with their tablet or smartphone.

The aim is to offer an additional level of security for more traditional methods such as PINs and passwords, while using biometric features such as voice recognition and fingerprint scans.

Nationwide's Innovation Team has developed the feature in partnership with tech firms BehavioSec and Unisys.

Research from Nationwide found that the average UK adult now has to remember six different passwords – with one in four people having more than 10 passwords to remember.

Seven in 10 people surveyed for Nationwide said they struggle to remember their passwords and end up clicking 'forgotten password' links twice a month on average.

BEST NON-BANK COMPETITOR:

Alipay

China's leading third-party online payment platform provides online, mobile, cross border e-commerce payments, payment collections, payment transactions, auto debit services, recurring payments and secure payment services.

According to research from Timetric, Alipay is the world's largest digital and mobile wallet in terms of billing volume.

As of December 2014, 42.3 billion transactions went through its system, with around 10 million merchant accounts.

Sebastian Siemiatkowski, CEO of Klarna, at Money 20/20 Europe, commented: "I would never go to China because Alipay is one of the most impressive companies I've ever met. They're amazing, so impressive, so smart, so dedicated, and so hard-working, that there's just nothing [for Klarna] to do in China."

Alipay accounts for 69.7% of China's total third-party online and mobile payment market.

In 2015, Alipay extended its mobile wallet services to South Korea and Taiwan and in Spring 2016 announced service expansion into Europe.

MOST DISRUPTIVE INNOVATION OF THE YEAR:

Apple Pay

In the last year Apple Pay has negotiated with banks everywhere, forging further into global markets such as the UK, where it finally got Barclays on board.

More recently, ANZ Australia signed up, then in Canada Amex, RBC, CIBC and ATB Financial. The *Toronto Star* hailed it as 'a wake-up call to Canada's banks'.

Biometric security gives retailers peace of mind and enables high-value contactless purchases.

Adoption figures show this is a slow burn, but it has already done its work in disrupting the mobile payments market.

RISING STAR:

Tom Blomfield, Mondo

Mondo CEO Tom Blomfield has had a stunning 12 months.

Mondo, his third startup venture, raised £1m ($1.4m) from investors in just 96 seconds. Mondo saw 1,861 individuals invest on average £542 at over £10,000 per second.

Mondo now has a pre-launch valuation of over £30m. Demand exceeded supply of the initial Mondo 2,000 alpha-cards in circulation.

The Mondo launch is one of the most eagerly awaited banking events of the next 12 months.

IT INNOVATION OF THE YEAR:

Royal Bank of Scotland

After a rough year in terms of back-office function, Royal Bank of Scotland has bounced back, and recently pledged to spend £750m ($1.08bn) on upgrading its systems.

Part of this has included SAS Visual Analytics, enabling the analysis of large data sets to deliver tangible benefits to customers.

In addition, DigiDocs from Vizolution streamlines various processes regarding loan origination and verification, reducing the timeline to less than 48 hours.

A race to secure customers

Between 2014 and 2015, consumer logins to internet banking increased by 10%, while there was 6% decline in branch transactions. The revised Payment Services Directive (PSD2) is bringing about significant changes to payments; affecting all players and improving the user experience. **David Poole** of myPINpad comments

The new regulation issued by the European Commission has high expectations. It aims to put the customer and their security at the centre of the electronic payments process. However, many financial institutions will need to invest heavily in system and process upgrades to adhere to the modernised approach.

In a 2015 press release, Commissioner Jonathan Hill, responsible for Financial Stability, Financial Services and Capital Markets Union, said: "European consumers want to know that their payments are safe when they shop or make a payment online.

"The new Payment Services Directive will ensure that electronic payments in Europe become more secure and convenient for European shoppers. This legislation is a step towards a digital single market; it will benefit consumers and businesses, and help the economy grow."

Legacy technology and practises mean that for many, a large-scale investment is required to make the necessary upgrades, risking existing revenue streams and brand reputation.

In addition, traditional financial institutions are further exposed to the threat of the new competitors less hindered by existing technology.

For newer market entrants, with less cumbersome systems, PSD2 presents an opportunity to gain more ground on less nimble traditional players. For the larger financial institutions, turning to the fast-moving technology vendor community for support, will enable them to react more quickly, bringing legacy systems up to speed.

Technology partnerships can instantly help close the generation gap for many financial institutions, with zero disruption to day-to-day activities.

A smooth identity verification (ID&V) process is an essential part of successful customer interaction online and PSD2 recognises and promotes this. The ID&V process should take place in a way that inspires trust with minimal consumer disruption.

As most ID&V processes rely on the compliance of the consumer, it is vital not to overlook the importance of ease and familiarity in the process. New processes in response to PSD2 need to be future-proof and be combined easily with other authentication technologies like biometrics.

The directive aims to provide faster and easier transactions and increase security. It widens consumer choice and lowers transaction fees. In addition to encouraging slicker and more secure consumer experiences, PSD2 has another extremely worthy cause – opening up the complex European market.

PSD2 introduces Access-to-Accounts, which gives third-party providers (TPPs), direct access to consumers' accounts. This also means that consumers' card details do not need to be shared online when making purchases.

Banks will have to give TPPs direct access to consumer accounts and need to get to grips with APIs. They will also need to ensure that they have the appropriate security measures in place to prevent fraud and to respect consumer confidentiality. In total, 88% of banks agree that security and data protection is a big concern with PSD2.

Overwhelming legacy

In a recent survey, 88% of banks see the challenge of overcoming their legacy systems, and the high cost of implementation as a barrier against their digitisation. Banks also face a technological challenge, a question of performance. Only 14% of banks were confident that on 'day one' they would have APIs in place to support open access.

But banks do not need to tackle these challenges alone.

For example, a customisable, modular client-hosted platform or SaaS solution, which allows consumers to verify themselves via recognisable and friendly interfaces, could be installed rapidly without the need to change these legacy systems by myPINpad.

As well as the technical challenge, there is also a challenge in thinking to be faced. PSD2 will put consumers back at the heart of personal banking, where they belong.

The digital revolution has put power of choice in the hands of consumers. Banks will need to recognise this and react to it.

PSD2 intends to standardise security across a changing landscape, improve consumer security and incorporate emerging payment technologies into the existing standard. However, as a recent Finextra report highlights, this presents a major challenge for long standing banks and PSPs.

PSD2 should not be viewed as a hindrance or even a threat by banks. It should, instead, be viewed as a huge opportunity to rethink, reshape and renew. It provides a foundation and framework for having a customer-centric focus.

In the immediate aftermath of the banking crises of the last decade, commentators, analysts and regulators all agreed that banks had to start putting customers first.

The advantages of PSD2

The extent to which this has happened is a debate that will no doubt continue throughout the introductory years. But PSD2, if embraced, can show the roadmap towards this if banks are ready to follow some key advice:

- Strategise and introduce new services - Banks will have the opportunity to expand their services and become TPPs themselves. There is an opportunity for them to create new business;
- Put customers truly at the heart of the proposition. Challenger banks are producing customer-centric products and services and are winning business. So every step of the customer experience, from applying for new products and accounts to authenticating themselves to accessing their account must have customer needs and desires at their core, and
- Increase consumer protection and take a collaborative approach – prepare IT departments and partner with knowledgeable solution providers that will strengthen security levels required and understand banks' needs and legacy systems.

The future of banking is at a crossroads, and initiatives such as PSD2, and its focus on choice and a level playing field, gives the opportunity for banks to provide the next generation of banking for the millennial customer. ■

David Poole is the business development director at myPINpad

The fintech 'tipping point' is imminent

The retail banking sector is making its way towards a 'tipping point' as, according to Bill Sullivan of Capgemini, '[fintechs] are starting to take small pieces away from the banks and raising expectations, placing more challenges on the bank'. What is causing this shift? **Patrick Brusnahan** reports

According to the World Retail Banking Report 2016, nearly two-thirds of customers across the globe are using products or services from fintech firms. Penetration is particularly high in the emerging markets and among younger customers, but is expected to increase in all geographies and ages, showing a move towards bank disintermediation.

Furthermore, the research, produced by Capgemini and Efma, stated that 87.9% of respondents completely or somewhat trust fintech firms across all regions. This is quite worrying for banks considering that 70.3% of them considered customer trust as their greatest strength.

In addition, customers are more likely to recommend their fintech service provider over their bank (54.9% versus 38.4% worldwide). The highest tendency of this (67.2%) was in Latin America.

Bill Sullivan, head of global financial services market intelligence at Capgemini, told *RBI*: "Historically, banks have been a bit slow to react and they've had a number of factors on their side. They've got scale, regulations and they've generally been able to adapt to change at a slower pace without negative implications. Two factors are changing that now.

"Customer expectations are on the rise due to players like Google and Amazon and customers are translating those expectations to financial services. Technology is accelerating at an advanced pace. Fintech players are getting hold of funding and able to move quickly and while I don't think fintech will take over the world; they are delivering very successful niche pieces across the value chain. They are starting to take small pieces away from the bank slowly and raising expectations, placing more challenges on the bank."

Improving experience, not profits

The Capgemini Customer Experience Index (CEI) showed improvement in 2016 in close to all regions.

More than 85% of countries witnessed an increase in their CEI scores, with Japan, Netherlands, and Sweden recording the largest gains. Latin America, pulled down by the performance of Mexico and Argentina, was the only region to experience a decline in CEI.

However, only 55.1% of customers said they are likely to stay with their bank for the next six months and only 38.4% of respondents said they would referee their bank to a friend or member of their family.

Startlingly, only 15.9% of customers said they are likely to purchase another product from their bank.

Sullivan said: "Customer satisfaction has risen over the last two years, but the bad news is that it is not necessarily happening with the Gen Y, the younger generation still have much lower satisfaction levels.

"More importantly, those increased satisfaction levels aren't necessarily translating into profitable behaviour.

"That increases significantly for fintech as 55% of customers of fintech would refer them to friends or family. The fintechs are finding that magic potion." ■

Transition and turmoil for Tunisia

Following the Arab Spring and the fall of authoritarian president Zine el-Abidine Ben Ali, the country is mid-recovery. The banking sector is recovering by focusing on security, particularly against money laundering. **Patrick Brusnahan** investigates the actions undertaken to secure Tunisia's banking sector

Following the ousting of President Ben Ali, a few crucial facts of Tunisia's financial sector came to light. The most crucial of these was the poor health of the three major state banks: Société Tunisienne de Banque, Banque de l'Habitat and Banque Nationale Agricole.

This led to two of the major banks receiving a bailout of over $440m (TND67m) in August 2015, a move poorly received by the population.

In addition, the IMF and the World Bank both provided emergency loans, valued at $300m and $500m respectively, in the hope of restructuring the state banks.

As a whole, the region was in need of improvement after the Arab Spring. Such a massive amount of upheaval in the area, including in countries such as Algeria and Libya, was mirrored by turbulence in the financial sector. One of the biggest issues was money laundering.

How big is this problem?

SIBTEL, the provider of the interbank electronic clearance system in Tunisia, has partnered with FICO Tonbeller to implement its anti-money laundering (AML) technology at four banks: Stusid bank, Banque Tuniso-Lybienne, Banque de Tunisie et des Emirats and Qatar National Bank.

Following a successful pilot period, the Central Bank of Tunisia and the Tunisian Association of Banks is extending the project across the country.

How necessary was this implementation? As it turns out, it was crucial. Gerhard Hess, regional sales director for compliance solution in the Middle East and Africa at Fico, tells *RBI*: "The [money laundering] problem was big because we have Libya beside us. Libya is in the middle of a war and trying to get a new government.

"Therefore, there was a lot of cash through the borders to Tunisia and Algeria; they brought in a lot of cash which, from my point of view, is laundered money. This has been a problem for the last two years."

Torsten Mayer, vice-president at Fico, explains further: "Before, there was nothing. There was no system implemented and, in Tunisia, after the revolution four years ago, the government began an initiative to catch up with global regulations.

"We did this for many reasons: to become a reliable country for investors and to achieve our banks' acceptance by other banks globally.

"It's one initiative to make Tunisia a reliable and sustainable location for any kind of investment or business."

So this was a much-needed development for security in the Tunisian financial sector, but has it been successful?

Hess certainly believes that to be the case, and everyone in the country has come together to make it happen.

He says: "It's currently with five banks. Historically, they has a poor filtering solution for foreign transactions and, in 2010, they were forced to have something in place. They had no transaction monitoring or KYC and so on. There was a lot of pressure to get systems in place.

"From this point of view, we started working with a banking association and 21 banks in Tunisia to build a community around a solution.

"We found this SIBTEL company that can host for smaller banks. We started with five banks, with more hopefully following."

Moving it to the cloud

One way to bring the solution to the market was to utilise the cloud. This was mainly because, according to Hess, 'smaller banks [were] not able to have their own infrastructure for such a solution'.

Mayer continues: "What we are offering is the technical infrastructure and the installation of our software in the cloud; including any professional services, banks need to understand what the regulation is about.

"The first challenge was to find a trustworthy platform and partner to host the application. Banks always hesitate to transfer data into the cloud or into a service, so the right partner with the right data protection and security was crucial.

"Once that was achieved, from a technical point of view, it was not that difficult. Once you get past the typical IT problems, like bandwidth, it goes pretty well."

Overall, Mayer believes that the standard has been a great success, and it should act as a model that other countries in the region could follow.

He concludes: "At the end of the day, we can say we became a standard for Tunisia. The solution has been checked and approved and there are no more hurdles for new tenants to onboard the system." ■

DISTRIBUTION

Banco Popolare and Banca Popolare di Milano to axe 1,800 jobs

Italian lenders Banco Popolare and Banca Popolare di Milano, which are merging to create the country's third-largest bank, are set to axe 1,800 jobs and shut down numerous branches in a bid to boost profitability.

The affected workforce represents 7% of the staff of the merged entity.

The redundancies will be carried out through voluntary departures and talks with unions, while another 800 staff will be reassigned to other jobs.

The number of branches will be shrunk by 14% to 2,082.

In March 2016, the two Italian lenders agreed to merge with €171bn ($191.7bn) in assets, over 2,400 branches and nearly 25,000 employees.

The banks plan to double their combined net income before extraordinary items to €1.1bn in 2019.

STRATEGY

HSBC reshapes retail business in India

HSBC has decided to wind up nearly half of its retail branches in India following a strategic review of its Retail Banking and Wealth Management (RBWM) business in the country.

The bank's network will consolidate from 50 branches across 29 cities to 26 branches across 14 cities.

"This change reflects changes in customer behaviour, who are increasingly using digital channels for their banking," the bank said in a statement.

The branches being consolidated account for less than 10% of HSBC's retail customer base in India.

The bank added that it does not expect any additional branch consolidation.

HSBC India group general manager and CEO Stuart Milne said: "This move aims to position our RBWM business for the future, with the right mix of digital versus physical branch distribution. Customer expectations are changing rapidly and we need to adapt accordingly.

"India is a priority market for HSBC and we will continue to invest to achieve sustainable growth by supporting the needs of our customers in Retail Banking and Wealth Management, Global Banking and Markets, and Commercial Banking, businesses where we have scale and a highly differentiated proposition."

DISTRIBUTION

Old National announces plans to lay off 140 employees following acquisition

Indiana-based Old National Bancorp is set to axe 140 jobs as part of its recent acquisition of Anchor BanCorp Wisconsin.

The move will affect 13 jobs in Madison, where Anchor Bank is headquartered. One job each will be affected in Janesville and Stevens Point.

A total of 130 jobs will be shed on September 30, while the remaining redundancies will be made in 2017.

The $461m deal, completed in May 2016, will offer Old National an entrance to the Wisconsin market with 46 AnchorBank branches.

The cash-stock deal will add $1.7bn in total loans and $1.8bn in total deposits to Old National's assets, with AnchorBank now a division of Old National Bank.

Conversion and integration of all AnchorBank branches to Old National Bank is expected to complete by Q3 2016.

SECURITY

Citi introduces voice biometrics authentication for clients in Asia-Pacific

American banking giant Citi has launched voice biometrics authentication for its consumer banking customers across Asia-Pacific.

The technology will allow the bank to identify customers through their voice print.

Customers calling into the bank's contact centres have their identity automatically verified within 15 seconds or less compared to the current time of 45 seconds.

The lender said that clients can opt to enrol by recording their voices, which the bank will use to generate and store their voice prints to match subsequent calls.

The voice biometrics authentication service has already been rolled out in Taiwan, with Australia, Hong Kong and Singapore to follow in the coming weeks.

Citi Asia-Pacific head for consumer banking Anand Selva said: "The voice biometrics authentication capability underscores Citi's focus on technology to better serve our customers. We know that remembering different PINs and answering multiple questions can make the process frustrating.

"With this new capability, we offer our customers a faster and more secure authentication for a better customer experience."

Citi has nearly 15m consumer banking customers in Asia-Pacific.

TECHNOLOGY

Germany's Isbank completes migration to Avaloq core banking system

Frankfurt am Main-based Isbank, the European arm of Türkiye Is Bankasi, has deployed the Avaloq Banking Suite as its new core banking system.

Avaloq Banking Suite comprises a fully integrated, modular banking solution with back, middle and front office functionalities. The suite features customisable modules to suit the unique needs of each customer.

Isbank CEO Burak Seyrek said: "Our growth strategy demands a modern, high-quality technology platform. With Avaloq, we benefit from a high innovation rate together with synergies within the Avaloq Community for things like regulatory requirements. We also now have a consistent system across several European countries.

"The resulting improvement in data quality enables us to better anticipate market needs and changes, and therefore respond more fully to the demanding expectations our customers have in terms of quality."

Avaloq general manager Central & Eastern Europe Klaus Rausch said: "The roll-out of the Avaloq Banking Suite will give Isbank simplified, standardised processes. This will help secure Isbank's high quality standards and boost its operating efficiency. We're delighted to have successfully implemented an Avaloq solution for yet another bank in Germany."

REGULATION

Nigeria's Jaiz Bank secures national banking license

The Central Bank of Nigeria has granted Jaiz Bank a banking licence to offer Islamic banking services across the country.

Jaiz Bank chairman Alhaji Umaru Abdul-Mutallab said: "As a regional bank, Jaiz has operated in 12 states in Northern Nigeria, but with the new licence we can now spread to all parts of the country. We will open branches in the 36 states of the federation."

Jaiz Bank was created from the former Jaiz International, which was set up in 2003 as a special-purpose vehicle to establish Nigeria's first full-pledged non-interest bank.

It is an unquoted public company, owned by over 3,000 shareholders spread over the Nigeria's six geographical zones.

It obtained a regional operating license to operate as a non-interest bank from the Central Bank of Nigeria in November 2011, and began full operations as the first non-interest bank in Nigeria in January, 2012 with three branches in Abuja FCT, Kaduna and Kano.

MOBILE

Bangkok Bank taps Fiserv to boost mobile banking service

Thai lender Bangkok Bank Public Company has selected Fiserv's Mobiliti Edge mobile banking and payments platform to launch new mobile banking functionality.

The bank's new Bualuang m-banking application will allow customers to access financial services through a mobile phone, tablet or the Apple Watch.

The app will also support mobile peer-to-peer (P2P) payments, allowing customers to make payments using only the recipient's phone number.

The funds can be sent to anyone with a mobile number and deposit account, and will be deposited into the receiver's designated account, Fiserv said.

Bangkok Bank president Chartsiri Sophonpanich said: "Over the past several years, we have been working on shifting our product set and culture to deliver leading digital experiences, and the mobile channel has been central to our strategy to support more users and new services. Our work with Fiserv has been a great success so far, enabling us to allow our customers to bank where they want and move money with them."

DISTRIBUTION

ANZ to axe 200 jobs due to sluggish economy

The Australia and New Zealand Banking Group (ANZ) has decided to cut 200 jobs from its local workforce in response to sluggish economy.

ANZ spokesperson Stephen Ries said: "The changes are in response to subdued economic conditions, low lending growth and the need to simplify our business and improve productivity."

The job cuts will mostly come from the Melbourne office and mainly target back-office positions in areas such as marketing and project management, the bank said.

Affected employees will be able to apply for other positions within the bank, and can also get ANZ's career retraining fund.

In addition, the bank has imposed an external hiring freeze to increase internal redeployment opportunities.

In order to boost profitability, ANZ earlier announced plans to reduce its Asian and institutional-banking staff. In the year to 31 March, the bank shed the number of overall employees at the institutional banking unit by 6%, as well as reduced the workforce in the Australian arm by 3%.

Earlier this year, the bank also saw several exits including departure of its global head of wealth Joyce Phillips and the head of its institutional bank Andrew Geczy.

Mark Whelan, who took over the role of the head of the institutional banking business in February, said that the bank will make more layoffs within the unit.

REGULATION

UK banking watchdog proposes cap on unarranged overdrafts to protect customers

The UK's Competition and Markets Authority (CMA) has unveiled numerous measures, including a cap on fees for unarranged overdrafts, in a bid to protect customers and boost competition in the banking industry.

The competition watchdog proposed banks to set a monthly maximum charge for unarranged overdrafts on personal current accounts, and alert customers before they have crossed the limit.

The regulator also proposed banks to adopt an open API (application programming interface) banking standard, which will allow customers to share their transaction history with other banks and trusted third parties.

"This will enable bank customers to click on an app, for instance, and get comparisons tailored to their individual circumstances, directing them to the bank account which offers them the best deal," the CMA said.

At the same time, banks need to prompt their customers on a routine basis to ensure that they are receiving good value, the CMA stated.

However, the regulator ruled out the possibility of breaking up the biggest banks as it felt that merely having more and smaller banks with less transparency on fees would not solve the fundamental competition issue.

Chair of the Retail Banking Investigation Alasdair Smith said: "New entrants into a market are an important source of competition and innovation, and we are well aware of the current barriers to challenger banks in UK retail banking.

"What's really holding them back is their ability to highlight to customers how new offerings compare with their current deal.

"Our package of banking reforms will help new competitors get a stronger foothold in a market which is of vital importance to the whole economy."

MOBILE

Telefonica Germany and Fidor partner to launch mobile banking service

Telefonica Germany has teamed up with German lender Fidor Bank to unveil its new mobile banking service, named O2 Banking.

The collaboration will allow Telefonica to leverage Fidor's cloud-based infrastructure for its O2 bank account.

The bank will also offer O2 a banking licence that will be valid across Europe for individual customer, card and transaction services.

The mobile service, due to launch in mid-2016, will sign up customers using a video link for documentation checks through smartphone. It will also enable P2P account transfers using the phone number of the recipient.

Users of the mobile account will also receive a O2 MasterCard, along with a financial planning tool that will help them keep a track on spending.

The app will also users direct access to smaller consumer loans.

Fidor Bank CEO Matthias Kröner said: "This partnership is the first truly disruptive alliance in Germany between a successful digital telecoms company and an innovative digital bank.

"Our collaboration gives customers the best of two digital worlds: quick and easy banking services via a mobile app, combined with innovative additional services from their O2 mobile contract."

The account comes with a O2 MasterCard for cash withdrawals and shopping, and a financial planning tool to provide an overview of spending. ■

DIGITAL

Capgemini partners with ascribe to bring Blockchain to rewards and loyalty systems for banks

Capgemini has formed an alliance with German startup ascribe to develop a blockchain database solution for a rewards and loyalty system for consumer banking that tracks processed transactions in real time.

Built on BigchainDB1, the blockchain database will enable banks to offer consumers the ability to combine loyalty points from various programmes and use them in real time for redemption.

Under the partnership, Capgemini will bring together its financial services, consulting and digital technology expertise in BigchainDB to design and develop a loyalty and rewards system.

Bruce Pon, CEO of BigchainDB, part of ascribe, said: "The world wants prototypes and use cases for blockchain technologies. Working with Capgemini, we're going to develop multiple proof-of-concepts that are immediately applicable to the real-world."

Capgemini Vice-President of financial services Sankar Krishnan said: "The potential of blockchain technology to enable a better customer experience is considerable, and Capgemini and ascribe are excited to be part of this transformation.

"For loyalty rewards programmes, a blockchain-based solution could enable a real-time, localised view of data for both merchants and consumers, providing opportunities for new rewards programmes for consumers as well as the potential for improved management of assets and resources for merchants."

ONLINE

Green Dot launches new online marketplace

Green Dot, a US-based pro-consumer financial technology innovator, has introduced a new online marketplace, Green Dot Money, which will help low- and moderate-income consumers connect with third-party lenders to obtain loans.

The company said that it will not finance the loans using its balance sheet and will also not assume risk of non-repayment.

The service can be accessed by consumers across the nation, and lenders can initially offer loans in 46 states.

Green Dot chairman and CEO Steve Streit said: "The low-income lending segment is in the early stages of unprecedented changes stemming from proposed new regulation putting pressure on the loan product itself, while new technologies and customer acquisition preferences are putting pressure on traditional customer marketing strategies and cost per funded loans.

"Our goal is to capitalise on these fundamental changes in the lending industry to take advantage of Green Dot's natural assets of a large customer base, a rich data stream on that customer base, a collection of market-leading fintech capabilities and assets combined with a deeply valued national brand name to create something special."

TECHNOLOGY

UK and Singapore form first ever 'fintech bridge'

Britain and Singapore have launched the first fintech bridge that will allow fintech firms and investors in the two countries to access each others' markets.

Also, the UK's Financial Conduct Authority (FCA) and Singapore's Monetary Authority of Singapore (MAS) signed a regulatory cooperation agreement to refer fintech firms in their home countries to their counterparts across the globe.

The regulators will also exchange and use data on financial services innovation in their respective markets.

FCA director of strategy and competition Christopher Woolard said: "This will help innovative firms from Singapore that want to bring new ideas to the UK, helping the FCA fulfil our objective of promoting competition in the interests of consumers.

"At the same time, this agreement will give those British firms with new ideas who want to expand into Singapore support, making them potentially more sustainable challengers in the UK."

MAS deputy MD Jacqueline Loh said: "The fintech Bridge that is forged with the UK today is a significant step forward in our fintech journey. It will support fintech innovators who wish to use Singapore as a base for collaboration and as a gateway to other markets in Asia.

"The agreement between the MAS and FCA will also create opportunities for Singapore-based companies to grow and scale into the UK market," Loh added.

PAYMENTS

Barclays to launch its own contactless alternative to Android Pay

Barclays Bank is set to launch its own mobile payments app for Android phone users in the UK as an Android Pay alternative.

The service, which is expected to go live in June this year, will allow users to 'wave and pay' in shops, restaurants and across the London transport network.

The service can be set up within the Barclays mobile banking app, which is currently used by 5m customers.

The new mobile payments service will allow users to make contactless payments with devices up to £30 ($43). For payments of over £30, users will have to enter their card's PIN into the keypad.

The bank said both credit and debit cards can be used for the new service.

Barclays UK CEO Ashok Vaswani said: "Giving customers the choice about how to make everyday payments while making it really easy for people to use our services is why we've designed this new contactless payment functionality which will sit at the heart of our already popular mobile banking app.

"It's all there, in one place, ready to go with no need to enter card details, delivering a brilliant experience in an instant."

REGULATION

Cayman Islands announces plans to revoke secrecy law

The Cayman Islands government has announced that it will repeal its Confidential Relationships (Preservation) Law, commonly known as the 'secrecy law', by September 2016.

The law will be replaced with The Confidential Information Disclosure Law, which aims to increase levels of clarity in the mechanisms through which confidential information may be shared with appropriate authorities.

Added to this, the Cayman Islands will introduce new data protection legislation in September, which will be on par with what is in place in the European Union.

Also, the Cayman Islands confirmed that it will join the UK's initiative for the development of a global standard for sharing beneficial ownership information.

Alden McLaughlin, premier of the Cayman Islands, stated that Cayman's invitation to participating jurisdictions is one of a number of current, significant measures that it is taking to promote global tax compliance, and also to collaborate with other countries that are engaged in global anti-corruption initiatives.

He said: "For many years Cayman has had in place a strong anti-corruption framework, as evidenced by the extension in 2010 of the OECD Anti-Bribery Convention, and the expected extension of the UN Convention against Corruption, for which Cayman was favourably assessed in 2014."

MOBILE

KCB Bank and GoSwiff launch mobile payments in Rwanda

Kenya-based KCB Bank and GoSwiff, a Singapore-based payment acceptance solutions provider, have launched a mobile payment solution (mPOS) for Rwandan merchants.

The launch, which coincided with the World Economic Forum's Africa meeting in Kigali, follows an earlier launch of a similar mPOS service in Kenya.

The new mobile payment service will enable merchants of any size to accept digital payments in Rwanda, with the use of a mobile application and an mPOS terminal.

GoSwiff said the mPOS system will bring efficiencies in areas like mass collection of insurance premiums, collection of public payments and market purchases.

KCB Bank Rwanda managing director Maurice Toroitich said: "It gives us great pleasure to introduce the mobile payment solution, mPOS, into the Rwandan market. This technology will enable seamless payments at both stationary and mobile locations which gives merchants the competitive advantage of dynamism.

"We are always aiming to provide financial solutions to our customers and with mPOS, payment of goods will be quick, secure and convenient. This initiative emphasises KCB Bank's ambition to digitise payment platforms. We hope this will lead to substantial growth in digital payments across Rwanda."

GoSwiff head of business development in Africa Belinda Aka said: "This launch further demonstrates our commitment to financial inclusion in Africa through merchant digitisation. We are rapidly growing our regional reach in Africa; building the infrastructure to bring the unbanked and under banked to electronic payments in line with one of the core values of our company."

DISTRIBUTION

RBS to close retail banking operations in India

Royal Bank of Scotland (RBS) has decided to wind up its retail banking operations in India, which will result in the shutting down of 10 branches.

The British lender, which has less than 400 employees across operations in India, informed clients that it will start closing its branches in phases.

"After examining a number of options for our banking business in India, we have decided to wind down our corporate, institutional and retail banking businesses in India. We sold the onshore loans portfolio and initiated the corporate and institutional business exit earlier this year," the bank said in a statement.

"We are committed to provide our employees with a range of support and will ensure that they are treated in a fair and transparent manner in line with RBS's principles and local policies," the bank added.

The Global Hub India business that operates across India will continue to provide strategic support to the bank and to its customers, and will continue to deliver vital bank functions for the RBS global network.

The move to close Indian operations is part of the lender's global plan to reduce its international operations to 13 countries from the current three.

STRATEGY

MyState taps Rubik software house for digital banking transformation

MyState, a diversified financial services group, has selected Rubik Financial, a financial services software house, to transform its digital channels and customer experience offerings.

Rubik claims that its technology solution will enable customers to access MyState's products and services from desktop, smartphone and tablet via any operating system be it iOS, Android, or Windows; providing modern banking solutions on platforms customers are familar with.

The technology solution will go live in August 2016. MyState managing director and CEO Melos Sulicich said: "Ensuring MyState continues to give our customers the best possible customer experience is at the heart of our principles.

"Working in partnership with Rubik on our digital transformation, we believe the ability to offer a consistent digital experience will ensure we're able to not only modernise our platform, but more importantly provide better engagement between our people and our customers."

Rubik CEO Iain Dunstan said: Rubik is all about partnering with banking clients, like MyState, to offer world-class products and solutions that enable them to engage their customers in ways they haven't been able to before.

"While these customers continue to demand more from their digital experience, our expertise lies in helping our clients to navigate the complexities and deliver on their digital strategy which in turn drives growth and profitability."

MOBILE

Canada's five major lenders sign up for Apple Pay

Interac Association/Acxsys Corporation (Interac), a domestic debit network in Canada, has announced that the customers with Interac debit cards issued by RBC and CIBC can now make purchases with Apple Pay.

Interac has said that the mobile payment system will support the cards issued by BMO Financial Group, Scotiabank and TD in the coming months.

Apple Pay enables users to upload credit and debit card information to their smartphones and use it at stores and restaurants where contactless payments are accepted to make purchases using supported Apple devices.

To make every transaction secure, each Apple Pay transaction is validated with a one-time unique token – a dynamic security code – using the Interac Token Service Provider (TSP) service.

Interac president and CEO Mark O'Connell said: "Apple Pay is an innovative, secure and convenient mobile payment method that will help further the growth and evolution of digital debit payments in Canada.

"Interac, when paired with Apple Pay, will bring mobile payments into the 'everyday' and allow Canadians to experience enhanced simplicity and ease when paying with Interac." ■

UK Regulator fosters innovative collaboration in financial services

Last month, and after many weeks of planning, we supported the FCA to deliver a highly collaborative two day hackathon focused on improving access to financial services. Many big names attended to contribute and witness the progress. Why has it taken so long for this collaboration? **Daryl Wilkinson** comments

To my knowledge, this was the first event of its kind by any regulator worldwide and saw big-name brands – including KPMG, Visa Europe, Funding Circle, Lloyds Banking Group, the Post Office, iProov, HCL Financial Services, Fidor and the Financial Services Consumer Panel – come together with a shared purpose.

Chris Woolard, Director of Strategy and Competition at the FCA had this to say: "The TechSprint was a new way of working for the FCA. Over the course of two days participants came together to generate solutions and foster innovation at pace.

"The enthusiasm, energy and creativity shown during the event demonstrates that there is huge potential for collaboration between the fintech community and those more established within the industry."

This event was lively; the energy in each room and across Twitter was inspiring. The friendly competition between breakout teams, within the context of everyone being in it together, was a truly unique experience.

Post-event, I remain inspired by how individuals broke down their usual barriers to work together. Could it be that the interaction between companies who may otherwise consider themselves competitors was the genuine innovation?

Collaboration between different organisation types can yield benefits if managed well. Small fintechs are attributed with being agile and more open to taking risks, however they can be held back by the financial complications of such an approach. Small and large working together leverages the best of both, with the small fintechs having the financial backing of the large established organisation to take the chance.

There are great examples of large organisations utilising the benefits of small agile startups to test and grow an idea before sweeping in with the scale and customer base to make it commercially viable.

BBVA Compass announced its strategic partnership with Atom in 2015, to utilise its digital banking services to serve growing demand in the UK. Atom has the right product in the right place, and BBVA the experience and stature to drive growth in line with changing customers' demands.

Early in 2016, JP Morgan announced its new service Chase, which through its partnership with alternative lender OnDeck, enabled it to break into the online lending market.

It is not just finance organisations enjoying the fruits of collaboration to improve customer experience. For instance, I hear of fashion designers working alongside publishers to directly link consumers from the clothes they see in glossy magazines to a retailer with the item in stock. This mutual effort gives the consumer a fantastic experience they will not forget.

When the time is right

Designing collaboration into strategic ventures from day one is where I see innovation actually transcending. Currently, we have cash-rich established firms with the route to market taking quick wins from startups who have developed innovation far enough to get noticed. Innovation labs and accelerators have tried to start these relationships earlier by offering mentoring and support for businesses. Take for example, Lab 126 that enabled Amazon to bring products such as the Kindle and in the US the Amazon Dash Button to market.

Taking this further could potentially see traditional competitors working side by side on developments that will see industry benefit. All parties come to the table with open books and share responsibility and results from their research. Together, these teams develop a solution that is better than would be produced working in isolation. I can think of a few opportunities in financial services where this makes sense.

By collaborating organisations and industries stand a better chance of finding innovative solutions to the issues they face. This is not as easy as putting two groups of people in to a room and letting them get on with it. It requires a shift in attitude by employees who are more comfortable keeping developments closely guarded until they are ready for launch.

The decision to be open needs to filter throughout from board to project team members. Individuals who share make learning faster and better for the teams around them. Individuals on teams created with innovation in mind need to understand their common goal and what they and those around them bring to the table. Teams need to respect each other's contributions and be open to their ideas being developed, dropped, changed, reworked and critiqued. Facilitators employed within teams can help make the interactions happen; they understand who is doing what and who can help them, and bring the two parts together.

Moving from a large corporate machine to managing my own business this year has exposed just how different these environments are. To be effective however, leaders must find a way to merge different organisations to create an environment conducive to stimulating the minds of the team.

The physical space can be an enormous influence. Innovation rarely happens around a conference room table in a boardroom. Space needs to inspire and be flexible enough to encourage and facilitate interaction. Budgets need to be considered, along with the governance and process to draw down funds quickly, it is possible to alienate individuals from smaller organisations by expecting them to have the same processes seen within large companies.

Collaboration, not competition

Finally, having the right tools to enable effective sharing of documents and test ideas safely and seamlessly is essential. There is no bigger barrier to collaboration than systems fighting each other.

If sharing becomes laborious it stops and in turn, collaboration breaks down. Simple systems that can be accessed by all are essential. These may require an adjustment to traditional procedures for some companies, but finding a secure process everybody is comfortable with will make or break collaboration.

All of this assumes the right leadership to begin with and as I reflect back, it strikes me that our real success was the innovation in how things get done. A handful of people wanted to try something new and in communicating this, many others volunteered their time and resources to make it happen. This begins with visionary leadership, pulling your head up to see past today and towards a future more compelling for your customers and employees. ■

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