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THE BEST OF THE BEST

THE RESULTS ARE IN: THE RBI AWARDS 2017

- TECHNOLOGY: Gamification
- DBC DEBATE: Biometric Security
- ANALYSIS: Post-Brexit London
- GUEST COMMENT: GFT

VERDICT

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UK retail banks still have work to do to meet consumers' digital banking needs

Good, and improving, but work remains to be done: the summary of multinational technology vendor FIS's annual PACE (Performance Against Customer Expectations) index for UK banks.

The index is an in-depth analysis of what is important to users of consumer banking services, and their ratings of the quality of those services. The findings come ahead of the introduction of Open Banking standards in January 2018, which will open up the industry and set universal standards for connectivity options through open APIs.

The PACE score indicates how well aligned financial institution performance is to customer expectations. Taking the UK positives first: UK banks saw their PACE score rise six points from 2016 to 88, reflecting collective progress in meeting consumer expectations. The UK PACE score now trails the top-rated US and Germany (tied at 90) by only two points. The UK also scores way ahead of the 2017 global PACE average of 82.

Where UK banks are falling woefully short, says FIS, is in the basics of how they run, as consumers said they are not meeting expectations except in simplicity. UK consumers believe their primary banking provider is not reliable or fair.

In terms of how banks connect with consumers, it is clear that investments in digital banking are paying off. However, UK banks are performing far below consumer expectations for recognition, suggesting work needs to be done to acknowledge customer loyalty.

In areas where UK banks can grow, they are not meeting customer expectations in terms of the Control, Aspirations, Advice and Customised KPIs.

Unsurprisingly, the report finds that millennials are leading the way, with Gen-Xers and baby boomers fast followers. Nearly 75% of all users have gone online to check balances, view transactions, pay bills, transfer funds between accounts or receive notifications.

FIS' PACE data clearly shows that millennials, especially young millennials, are the most active users of digital banking solutions. This includes digital payments, which they use to pay bills and, increasingly, individuals. High street banks may be capturing the majority of millennial consumers, but that does not mean they are delivering in terms of digital.

The importance of providing digital payment options – including mobile wallets, P2P and contactless – has increased significantly in the past year. This highlights the need for UK banks to create truly feature-rich applications that allow customers to carry out a variety of transactions, including real-time payments.

This is especially true with P2P payments, where use is highest among millennials. FIS data shows that millennials appear untethered to their primary banking provider's mobile app when making P2P payments; adding or improving this feature is critical to winning the battle for 'top of phone'.

However, senior millennials (aged 26-35) are taking out loans and mortgages and signing up for investment services more frequently than younger ones (18-25). In short, many of behaviours line up with Gen-Xers (36-51).

Not being recognised and rewarded for their business is a common complaint among consumers. However, digging into the PACE data, it is clear that consumers who use their primary bank's credit card exclusively have much less negative views around recognition.

Nearly one-half of UK consumers do not currently have a credit card at all, up dramatically from prior years. Primary banking providers are not getting as much of their older consumers' credit card business as they are from their younger consumers, suggesting that over time and as consumers age, the primary bank loses top-of-wallet status.

Credit card loyalty programmes are an efficient and effective way to reward customers for business, and build goodwill, argues the report. Consumers who use their primary bank's credit card exclusively are also much more likely to rate the bank favourably in helping achieve aspirations, as credit cards power most large purchases.

While UK bank scores are generally rising against expectations, the report concludes there is rising demand for a new level of digital service. Consumers in all generations want to better connect with their banks at their convenience, at any time and from anywhere

Financial institutions have long recognised the importance of knowing your customer. Digital disruption now makes it more important than ever before. Banks should consider using data analytics to anticipate when significant consumer life events, such as buying a car or house, are likely to occur.

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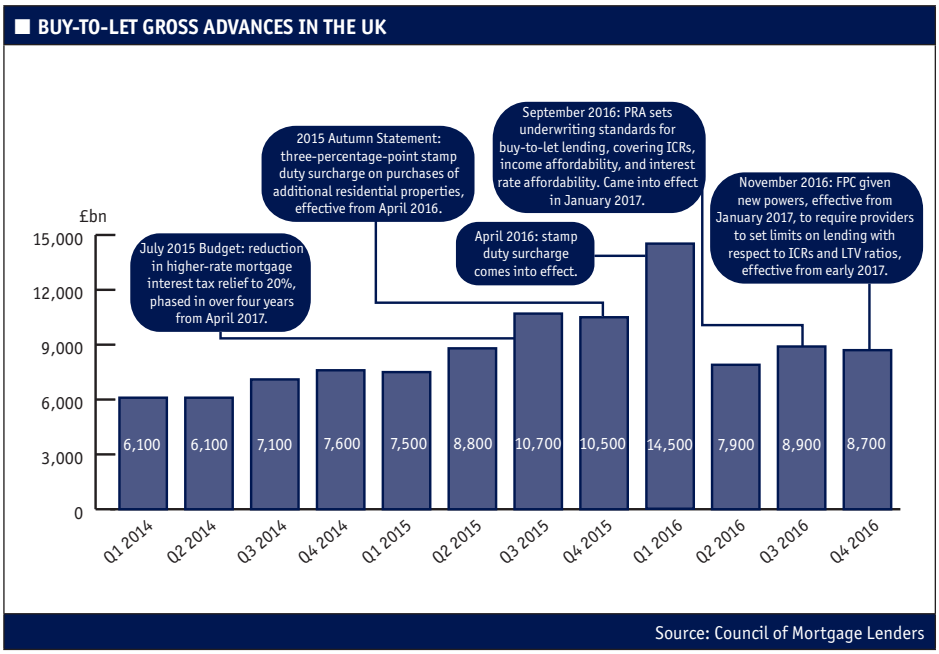
Buy-to-let lending buffeted by the winds of change



The buy-to-let sector, for so long the star performer in the UK mortgage market, has fallen victim to its own success. Legislators worried by the rapid growth in buy-to-let lending have taken decisive action to reduce its size.

Since the financial crisis, the buy-to-let market has seen astonishing growth, with gross lending rising from a low of £7.9bn ($10.2bn) in 2009 to £40.0bn in 2016, equating to an increase of more than 400%. This compares to growth in mortgage lending relating to primary residences of just 60% over the same period.

However, this massive growth raised concerns among policymakers. The Bank of England's Financial Policy Committee has noted that buy-to-let activity may amplify housing market cycles and adversely affect the resilience of the banking system. Political opposition to the buy-to-let sector has also emerged, with several critics claiming it is pricing first-time buyers out of the market.

As a result, several new pieces of legislation have been announced, some of which are already in force, aimed at reducing demand for, and controlling the supply of, buy-to-let finance. These are:

- Reducing tax relief on buy-to-let mortgage interest payments;
- A three percentage point surcharge on stamp duty levied on purchases of additional homes;
- Requiring lenders to set minimum standards for underwriting buy-to-let mortgages, in respect of interest coverage ratios (ICRs) and affordability tests, and
- Requiring lenders to set limits on buy-to-let lending with respect to LTVs and ICRs.

These measures have already had a significant impact on the market. Following a spike in the first quarter of 2016 as investors aimed to beat the stamp duty rise, activity dropped off during the rest of the year, and figures for January 2017 show that the decline has continued.

The glory days of buy-to-let lending may be over, but in their place is a more sustainable market that should prove more stable in the longer term. ■

OCC's national fintech charter plans in doubt

The departure of the US Office of the Comptroller of the Currency (OCC)'s head in the midst of a heated battle with state regulators has significantly increased the probability that its plans to grant special-purpose national bank charters to fintech firms will fail in their current form

In December 2016, GlobalData wrote about the OCC's plans to make it simpler for fintech firms to operate across the US by allowing them to apply for special-purpose national bank charters. If the proposal is enacted, fintechs will have to comply with just one set of regulations to offer their services nationally, rather than a different set of laws for each of the 50 states.

However, the OCC's seemingly straightforward proposal has sparked a hostile response from several parties, including state regulators and politicians, on the grounds that it will undermine state-level efforts to regulate financial services.

The New York State Department of Financial Services has been particularly vocal, stating that such plans are "irresponsible" as they disregard state-level legislative expertise and experience. It has also asserted that the imposition of a new federal regulatory regime will undermine state laws preventing usury, discourage small business innovation, and lead to the creation of non-bank institutions that are too big to fail.

The Conference of State Bank Supervisors has also weighed in, claiming that the OCC's plans amount to an unlawful expansion of its chartering activity. In April 2017, it filed a complaint with the US District Court for the District of Columbia, asserting that the OCC has exceeded its authority by extending regulatory approval to non-deposit-taking providers. The filing adds that the proposal will weaken state consumer-protection measures, harm markets and innovation, and raise the risk of high-profile fintech failures.

Further opposition has been voiced by legislators and consumer advocacy groups, among others. The OCC is therefore fighting a war on multiple fronts, and its position has been weakened by the planned departure of its head, Thomas Curry, who was the main advocate of the plan.

This dispute highlights the political problems that can occur when multiple agencies have overlapping regulatory responsibilities. Both sides can claim justification: The OCC is right that a single, nationally applicable legal framework will make it far easier for fintechs to scale up their operations to a US-wide level, while the state regulators are right to worry that an inadequately designed framework could lead to consumer detriment and greater risk.

Although the strength of opposition to the OCC's plan is likely to kill it off, in the longer term it is highly likely that some form of federal regulation will be enabled. The current, fragmented system is unsuited to the needs of non-bank firms that want to operate across state borders, and given the increasing size and influence of the fintech sector, it is only a matter of time before they are fully integrated into a national regulatory regime. ■

Put your money where your mobile is

It would not take long to find an article or a comment on how the banking industry is embracing the digital realm, but is this actually true? Are digital services an opportunity or a burden for banks?

While every bank has made efforts with mobile and digital services, the levels of success widely differ.

According to PwC, only 22% of UK financial services firms interact with their customer on mobile. In addition, Avoka's *State of Digital Sales in Banking* study suggests there is a lot of work to be done.

The report states that a poor experience, for example an application process designed for a desktop rather than a mobile, could lead to the current 70-90% abandonment rates for new product applications. While marketing may be working, the digital sales experience was not adequate, resulting in the loss of a potential new customer.

Only nine of the 32 banks surveyed across Europe, North America, and Australia, were getting serious in terms of readiness for digital sales of personal banking products.

Progress and opportunity

Luckily for banks, Avoka states there are plenty of opportunities for improvements to digital sales capabilities.

While most banks are struggling to create both a superior online customer experience and offer digital account opening across their broad product line, mobile experiences are improving. Some 43% of personal banking products can be opened on a mobile device, up from 31% in 2016.

However, banks are still not taking action on the chances offered by digital sales. Less than 30% of all products can be applied for using digital channels.

In 2017, 28% of banks' accounts and loans can be opened via a mobile device, up from 20% in 2016. Europe and Australia were had the largest rises, while North America showed only a 6% increase over the year.

Larger banks, according to the report, were actually the most dedicated to improvements in this area. Two large US banks showed an improvement of over 30% versus the previous year in terms of the percentage of personal accounts that were ready for mobile sales. Three European banks and two Australian banks surveyed also made significant improvements.

Omnichannel efforts need to improve. Starting on one platform and finishing it on another can be crucial. Starting an application on mobile can be easy, but consumers may need more documents and would prefer to finish the application on a desktop with little to no extra effort.

Save-and-resume is an essential feature, but results from Avoka's survey show that not much has changed over the past year. All three geographies show low availability of the feature across product lines. The highest was Australia at 31% in 2017, the same level as 2016. ■

Why Brexit probably won't diminish London's fintech status

London is unlikely to lose its unofficial status as the pre-eminent fintech hub. The primary reasons for this are over-riding commercial advantages, relatively minor disruption to the status quo, and the government's emphasis on industrial policy.

London's fintech status is unlikely to be diminished by Brexit, yet it is a matter of fact that investment into London-based fintech has decreased since the referendum vote. Uncertainty over the UK's links to the EU single market is clearly a primary concern. However, a period of normalisation will soon begin as investors, market players, fintech startups, and the talent that has driven London's fintech scene are pulled back into its competitive dynamic.

This competitive dynamic is driven by the cluster of fintech start-ups in and around London. Businesses gravitate towards clusters because of their commercial benefits, which include cheaper and bigger labour pools supporting soft and hard infrastructure, and cheaper suppliers. Therefore, any dispersion of business activity from a cluster is likely to be more costly and less efficient, resulting in the dispersed activity being kept to an absolute minimum.

Fintech hubs are stronger than other business clusters because they are more nebulous. With fintech being the intersection of two broad sectors – financial services and technology – its centre of gravity is less clear, making it less dependent on the fortunes of any one industry. With London ranked the number one fintech hub globally, according to the Global Fintech Hub Federation in 2016, it is in the best position possible to overcome any challenges to its status.

The commercial advantages of London's fintech cluster are important to note, since commentary on this topic is written with an underlying assumption that membership of the single market has granted this status.

This assumption has led many commentators to believe that London's fintech hub will soon be in demise once the UK has left the EU. They commonly cite the loss of EU funding and financial 'passporting' to support their assertion.

The importance of the loss of passporting rights has also been overstated by proponents of London's fintech demise. In a report by Open Europe, an EU-funded think tank, it was stated that access to the single market is not essential to the City of London's success. It also noted that large EU-based banks made a significant proportion of their income through passporting into London.

Funding and government support is another area that is claimed will be withdrawn after Brexit. According to fnlondon, the European Investment Fund invested £2.3bn ($2.9bn) in 144 UK private equity and venture capital funds, supporting over 27,000 SMEs in the UK between 2011 and 2015. However, since the UK government is a net contributor to the EU, any money it receives back is its own money at a reduced rate. Moreover, Chancellor Phillip Hammond has publicly guaranteed to replace existing EU funding streams.

Given that the current government is the only one to seriously look at implementing an industrial policy in decades, it is likely that the UK government will replace and probably further fund a proven and successful sector. The government's Patient Capital Review also demonstrates that there is a significant push in government to take a more active role in supporting the growth of innovative businesses.

It is inevitable that an unexpected political decision with a binary outcome has caused market participants to pause and consider the implications. However, it is unjustified to claim that London's inherent commercial advantages, compliance with EU regulations, and UK government support will not counter the negative aspects of Brexit. ■

The best of the best

Retail Banker International is delighted to announce the recipients of the 2017 Global Retail Banking Awards, sponsored by Fiserv. The winners were honoured at a gala dinner after the annual Retail Banking Conference in London's Waldorf Hilton Hotel on 11 May. **Douglas Blakey** reports on the glamourous affair

Celebrating the best of the best in retail banking globally, the *RBI* global awards again showcase pioneering initiatives that have gained ground in the last year, and reflect the shifting trends in the industry. This year's *RBI* awards covered a total of 25 categories.

MIDDLE EAST RETAIL BANK OF THE YEAR

Shortlisted: • Ahli United • Blom Bank • Emirates NBD • Mashreq Bank

Winner: Emirates NBD

Where to start? Emirates NBD has enjoyed an outstanding year, including the launch of digital bank Liv, assistance chatbot Eva, and Pepper, a humanoid artificial intelligence robot for customer engagement. Other highlights include a new Future Lab in Dubai to expand its multichannel operations, and an enhanced mePAY cash transfer service. All have worked wonders, and now it is the deserving winner of best retail bank, Middle East at *RBI*'s awards.

Emirates NBD has been among the world's most innovative leading retail banks, with particular emphasis on optimising its digital and multichannel offerings.

Liv has attracted global attention. Users are able to open bank accounts instantly from a smartphone by scanning an Emirates ID card. Customers also receive a Liv debit card to withdraw cash and shop online. The new offering includes a range of features including a curated daily feed of events and selected deals, as well as insights on users' transaction histories and spending patterns.

Liv was designed to offer customers a unique experience, allowing them to access lifestyle opportunities while better managing their finances – and it is already delivering. According to the bank, Liv combines the "seemingly incongruent modules of banking and lifestyle to offer a fun, social and intelligent banking experience for a self-reliant and digital-native generation".

The launch of Emirates NBD's stunning Future Lab within Dubai's Emirates Towers – showcasing the bank's ongoing drive towards digital innovation and multichannel transformation – was another highlight of the past year. It was described by *RBI* editorial panel adviser Michael Allen, founder and CEO of allen international, as "quite fantastic – the best thing we have done, and the reaction has been amazing".

The branch is designed to accelerate the development of next-generation digital and mobile banking services, with the aim of increasing digital banking adoption in the UAE. It incorporates a Digital Banking Zone offering self-service facilities where customers can use intelligent teller machines providing video connections to remote service staff against a backdrop of a large digital wall.

The Future Banking Zone is the first of its kind in the UAE, and showcases digital innovations developed with technology partners such as the Visa Connected Car, MasterCard's Virtual Shopping Experience, and SAP's Augmented Reality Real Estate and Mortgage Digital Solutions.

Emirates NBD is also the first bank in the UAE to link its interest rates and customer eligibility for personal lending and credit cards by utilising the Al Etihad Credit Bureau Consumer Retail Banking Score. The move brings a number of benefits, including optimisation of credit scoring, improved customer experience as a result of quicker decision making by the bank and greater transparency.

AFRICAN RETAIL BANK OF THE YEAR

Shortlisted: • Absa • Access Bank • Ecobank Transnational Incorporated • Standard Bank

Winner: Standard Bank

Africa's largest lender maintained impressive growth during a challenging economic environment in its core markets.

Earnings rose by 4% in fiscal 2016 – beating analysts' estimates – boosted by an increase in net interest income and a reduction in loan losses in mortgages, home loans and asset finance.

EUROPEAN RETAIL BANK OF THE YEAR

Shortlisted: • Alior Bank • BBVA • Caixabank • ING

Winner: Caixabank

Caixabank posted a 29% rise in net profit in fiscal 2016 and has kicked off 2017 strongly.

Its drive for digital excellence has resulted in online and mobile active customers rising to 5.4 million and 3.7 million respectively.

Its mobile brand, Imagin, has also successfully launched the first chatbot in the Spanish financial sector, allowing it to chat with customers and help them choose the best offers and promotions.

ASIA-PACIFIC RETAIL BANK OF THE YEAR

Shortlisted: • Bangkok Bank • DBS • Maybank • Ping An Bank • UOB

Winner: DBS

DBS has successfully launched Digibank in India, an entirely mobile-centric banking service; accounts can be opened at 500 cafes across the sub-continent. Since launching last April, it has attracted over 1m new customers.

It has invested S$5m ($3.6m) in digital strategies, and now some 70% of all transactions in its Singapore operations are digital.

It has kicked off 2017 strongly with impressive first-quarter results, and last month initiated a Digibank service in Indonesia.

LATIN AMERICAN RETAIL BANK OF THE YEAR

Shortlisted: • Banamex • Banco do Brasil • Scotiabank • UniBanco

Winner: Scotiabank

In a number of the 25 *RBI* global award categories, it was a close-run thing. Not so for the category of best retail bank, Latin America: Take a bow, Scotiabank.

Scotiabank has invested heavily in Latin America, where it has 1,500 branches in 29 countries. It has launched a new version of its online and mobile banking platform in Mexico and the Caribbean. Four digital-ready branch prototypes have already opened in Mexico. Over the last five years, Scotia's mobile banking penetration has grown by a staggering 700%.

The judges also commended the winning bank's partnership with boutique venture capital firm QED Investors to promote fintech startups in Latin America.

In addition to its own branches, Scotiabank partners with correspondent banking agent networks in Mexico and Peru. In Mexico, customers have access to 18,000 non-bank locations through relationships with retailers Oxxo, Soriana and City Club. In Peru, customers can access 5,000 non-bank locations through the Agente Scotiabank and Cajero Express correspondent agent networks.

Scotiabank's branch redesign programme is taking place in tandem with a major digital investment in Canada, Latin America and the Caribbean. This includes the launch of a new version of Scotiabank's online and mobile banking platform in Mexico and 21 Caribbean countries, with Chile and Panama due to go live shortly.

Katherine Hayward, vice-president of customer experience and retail banking at Scotiabank International, collected the award.

NORTH AMERICAN RETAIL BANK OF THE YEAR

Shortlisted: • BoA • CIBC • Citibank • Union Bank MUFG

Winner: CIBC

CIBC has been one of the most digitally innovative banks in the world, allowing customers to open accounts on their phone, and use voice commands for basic transactions.

It has also taken impressive steps to digitise the mortgage application process, and customers who engage with the bank using a digital channel have relationships twice as deep as those who do not.

Highlights include the successful launch of its SecureKey Concierge service delivered through a secure cloud service. Its full fiscal earnings for 2016 rose by 20% to C$4.3bn ($3.2bn), while first-quarter fiscal 2017 included a 30% rise in retail banking profits.

IT INNOVATION OF THE YEAR

Shortlisted: • Bank of Bhutan • IDFC Bank • Nordea • Gesa Credit Union – Verifast Palm Authentication

Winner: Nordea

Nordea is undergoing the largest tech-modernisation project European banking.

It is investing €1bn ($1.1bn) in its banking and payments software overhaul, and is looking to automate its largely manual processing, which at present requires input from 5,000 staff.

Other innovations include the launch of an equity-based crowdfunding service.

DISRUPTIVE INNOVATION OF THE YEAR

Shortlisted: • Barclays • BTPN • ICICI Bank • Monzo

Winner: Barclays

Barclays has created Europe's largest fintech site in London, and in the past 18 months has completed over 70 deals with fintech companies to solve challenges and open new markets.

In September last year the bank also ran the largest ever 'hackathon' in financial services, across two continents, as part of a continued drive to identify new and innovative products and services for the banking industry.

BEST PAYMENT INNOVATION

Shortlisted: • CEPTETEB from TEB Turkey • ICICI Bank • Ecobank Transnational Incorporated • Mashreq Bank • Nationwide Building Society

Winner: CEPTETEB from TEB Turkey

Revolutionising mobile payments, this winning solution maximises the convenience of the mobile phone, enabling cash withdrawals and contactless payments as well as free-of-charge foreign currency withdrawals – all from the handset.

Already downloaded 3.5 million times, this was a clear winner.

PRODUCT INNOVATION OF THE YEAR

Shortlisted: • Agiliti • Ecobank • Immediate Funds • TSB

Winner: Ecobank

Ecobank, a Pan-African bank with operations in 33 countries, collected *RBI*'s award for product innovation.

Recognising that a larger percentage of the population have phones than bank accounts, Ecobank has leveraged mobile technology and successfully launched a range of new products in the past year.

Ecobank's mobile banking app – the only unified app in 33 countries, 18 currencies and four languages – has been especially successful. It offers 24-hour banking services via smartphone, but the bank has also developed similar functionality for feature phones.

Other notable highlights include measures to tackle financial exclusion:

- The "KYC-lite" **Ecobank Xpress Account** leverages the authentication already carried out by mobile network operators on customers, and provides an account instantly, subject to local regulatory approval. So far, the Ecobank Xpress account has been approved by 23 of the 33 regulators in countries where the bank operates; the others are currently reviewing applications. There are already over 2m Ecobank Xpress account holders.
- Ecobank was the first retail bank to launch innovative **MasterPass QR** technology in Sub-Saharan Africa, in partnership with MasterCard. The Merchant QR product removes reliance on electricity and expensive POS machinery, uses push technology to reduce the risk of repudiation, and offers greater safety and security. Ecobank Merchant QR is revolutionising Africa's payments ecosystem, and the bank is successfully targeting large and small retailers and service providers with the product.
- Ecobank has also created its own **Instant Funds Transfer** payment platform, replacing SWIFT, for immediate transfer of funds in 33 African countries. This eliminates the high tariffs on small cross-border transactions that were cost-prohibitive for some customers.

As Ecobank strives towards a goal of serving 100m customers, the bank is committed to an omnichannel approach. While it has one of the largest branch networks in sub-Saharan Africa, it is rapidly expanding its agency network from 10,000 to 500,000 by 2020, to place itself at the doorsteps of customers in urban, rural and remote locations.

BEST NON-BANK COMPETITOR

Shortlisted: • Circle • Money Box • U

Winner: Circle

The winner received the first e-money licence for cross-border payments to be issued by the Bank of England in 2016, and since then has expanded in Europe, the US and parts of Asia-Pacific, including China. It offers four currencies, now embedded in iMessage.

It started by using bitcoin, and has since developed blockchain technology to create its own digital wallet. It has raised in the region of $140m since inception.

Its vision is that money should work in the way that the internet works: instant, global, free and fun.

RETAIL BANKING SECURITY INNOVATION OF THE YEAR

Shortlisted: • Citi Malaysia • HSBC • Royal Bank of Canada • Santander • Gesa Credit Union – Verifast Palm Authentication

Winner: Gesa Credit Union – Verifast Palm Authentication

Customer identification is an increasingly pertinent topic in the fast-evolving fraud landscape, but US credit union Gesa has successfully utilised Verifast Palm authentication to enhance security and improve the customer experience.

Reducing branch authentication from 15 seconds to one and achieving a 99.9% high score satisfaction rating by users has helped Gesa to snap up *RBI*'s global award for security innovation.

Verifast Palm Authentication technology enabled Gesa to eliminate the need for customers to present photo ID or enter an account number and, enabling tellers to serve customers quickly and personally. It is contactless, hygienic, easy to use, virtually forgery-proof and highly accurate, with more than five million unique reference points in a palm vein pattern.

Fiserv worked with several financial institution clients during 2015 and 2016 to introduce Verifast. The solution leverages Fujitsu's proven PalmSecure scanning technology and matches the customer's palm scan pattern against an encrypted digital signature from a database of registered users. Once a match is confirmed, the customer's profile is automatically presented to the teller. The entire process takes just one or two seconds.

A 2016 National Consumer Research study by Raddon reported huge consumer appetite for palm scanning, with 83% of consumers rating palm vein authentication "somewhat" to "extremely" valuable.

The initial Verifast implementation was the first instance in the US of a financial institution integrating palm vein biometric authentication with a core account-processing system. Fiserv also extended the system to Gesa employees, providing a simple and secure way for staff to log into networks, applications or websites without having to remember or enter multiple passwords.

Gesa Credit Union is the fifth-largest credit union in Washington state, serving over 100,000 members. It has over $1.5bn in assets.

EXCELLENCE IN CUSTOMER-CENTRICITY

Shortlisted: • Bank of Ireland • IDFC Bank • Toronto Dominion • Gesa Credit Union – Verifast Palm Authentication

Winner: Toronto Dominion

From P2P payments and wearables to the Internet of Things and the blockchain, Toronto Dominion is trailblazing emerging payment technologies while keeping customers at the heart of its proposition.

Toronto Dominion is embedding mobile ATM access into its mobile app, and last year became the first Canadian bank to use host card emulation-based Visa Tokenisation Service in its new Android mobile payments app.

BEST SERVICE INNOVATION

Shortlisted: • Alior Bank • Bank of Ireland • Royal Bank of Canada • Ziraat Bank

Winner: Alior Bank

Poland's Alior Bank has successfully targeted the most technically aware segment of the market with its app, Haiz, and the highly successful initiative was a deserved recipient of the *RBI* award for best service innovation.

Alior has enhanced its reputation for innovation with Haiz, which was designed to support communication between users and allow them preferential access to services offered by the bank's partners. Alior also describes Haiz as "not merely another banking app", but a communication tool for its users, backed by financial services. During a single virtual conversation, users can check account balances, make fast P2P money transfers or top up phones simply by typing the amount into a chat window.

The app also enables host card emulation payments for those who no longer want to use a traditional bank card; users can carry out all transactions with just a smartphone.

A current account feature is available to all customers, regardless of age, with an option for parents to share accounts with children, with no minimum age limit. Children can also access to their own personal accounts via the app, which is tailored to the age and preferences of 'Generation Z', providing simple language and gamification features.

Alior worked on the project with fintech vendor One Way, an exclusive partnership agreement between the two institutions. The fintech developed the app and the bank delivered financial solutions and the infrastructure necessary to execute banking operations. Haiz is a key example of how fintechs and banks can build mutually beneficial partnerships.

Future plans include Alior expanding partners' offers via the app, to make it a comprehensive e-commerce platform. Alior will also launch a group chat feature to allow fundraising and cost-sharing between multiple users. It is also launching Zuza, a mobile artificial intelligence assistant that will automatically answer client enquiries submitted through the app.

BEST USE OF DATA ANALYTICS

Shortlisted: • ICICI Bank • RBS • Yes Bank India • Ziraat Bank

Winner: Ziraat Bank

Another tough category and another win for Turkey. Ziraat wins the award for best use of data analytics at *RBI*'s annual global awards sponsored by Fiserv.

Ziraat's successful use of data analytics has cut waiting times for branch customers. While close to 90% of all customer transactions are performed digitally, the branch remains a key channel for Turkey's Ziraat Bankasi, and with a network of 1,819 outlets – up from 1,514 as recently as five years ago – it is easy to see why. Growing customer numbers and increased market share meant Ziraat branches were busy, despite the growing popularity of digital channels.

Average customer branch waiting time measured an eye-watering 35 minutes in 2012; by 2016 this waiting time was down to an average of four minutes, but Ziraat had ambitions to reduce it further. The reality was that the figure was an average,and that while the waiting period was less than a minute during off-peak hours, it was around 30 minutes during peak hours – not acceptable, either to customers or the bank.

Data analysis was used by Ziraat for operational segmentation of its branches. Cue number-crunching with a focus on number of clients by value segment, number of client by salary and payment type, number of transactions, transaction periods and local rival banks' offerings. Deeper granularity was obtained through further segmentation into five sub-segments.

All Ziraat branches were separated into six different operational segments, for each of which waiting period standards were formulated. The standards were then integrated with performance-measurement systems for the branch and counter personnel. Dashboards showing client intensity at all national branches, and the number of clients kept waiting more than the standard period ensured instant monitoring of these standards, and allowing intervention whenever necessary.

The project to optimise waiting periods was commissioned in September 2016, and a 21% decrease was observed in standard waiting time within three months. After integrating client waiting periods with branch performance, a 67% improvement was achieved in waiting periods for prioritised clients, exceeding the standard period within just a month. While the level of clients waiting more than the standard period was 8.5% in December 2016, the figure had been slashed to 2.8% by January 2017.

RETAIL BANKING LAUNCH OF THE YEAR

Shortlisted: • Bankaool • Ecobank • Transnational Incorporated • Imagin Bank Spain • Neon

Winner: Ecobank

Ecobank launched a subsidiary covering six countries, with a focus on serving the unbanked and financially excluded. In doing so, it has demonstrated that banking low-income consumers can be profitable.

It is a multi-award winning subsidiary with a full digital offering, another first of its kind.

Its Ghana Microfinance subsidiary, launched in September 2016, is a full digital financial services offering where telephone users are able to open accounts, make payments and transfer, and request microloans entirely on by mobile phone, without any physical interaction with the bank.

This digital innovation for banking the unbanked is the first of its kind in Ghana.

BEST USE OF DIGITAL MARKETING AND SOCIAL MEDIA

Shortlisted: • Citibank Bhd • KasikornBank • Lloyds • Nationwide Building Society

Winner: Nationwide Building Society

Nationwide's innovative use of social media to drive customer adoption and use of contactless technology helped the UK's largest mutual to win *RBI*'s annual global award for best use of digital marketing and social media.

For the UK's largest building society, the key challenge was to develop an innovative campaign that would achieve levels of engagement that would have a measurable bottom-line impact, reinvigorating interest in technology first launched a decade ago. The campaign also had to be underpinned by Nationwide's wider objectives, including attracting a younger demographic using innovative products and services, while driving use of digital services to reduce the cost of cash servicing and allowing rich customer data to be captured.

Nationwide's marketing team looked to push the boundaries externally, with a high-profile and innovative campaign idea that would connect the society with a younger demographic and tap into the UK public's obsession with space travel.

With extensive publicity around UK astronaut Tim Peake, Nationwide aimed to make the first contactless payment in space. Making a payment at an altitude more than three times higher than Mount Everest and as cold as the Antarctic presented unique challenges for Nationwide, which sought financial and technical assistance from a number of partners. First Data technicians were tasked with developing a specially designed Clover mobile terminal to process a transaction at altitude. Engineers also designed a system to make the payment, with casing to protect the terminal from the elements. Testing in pressure chambers ensured the terminal would work in temperatures well below freezing.

The equipment was connected to a weather balloon and programmed to make the payment once it reached 100,000 feet. After a number of test launches – and having to rescue a terminal that had crash-landed in a forest – the highest ever contactless payment was made on 12 October 2016, taking off in rural Shropshire and reaching a final altitude of 101,050 feet.

The campaign not only tested payment technology to its limits, but also captured the public imagination. The Contactless Payment in Space campaign reached over 100,000 people on Nationwide's social channels through an integrated marketing push, which also had a clear impact on customer adoption, with contactless payments up by 23% on the previous month.

BEST DIGITAL STRATEGY

Shortlisted: • Alior Bank • Bangkok Bank • Bank of Ireland • DBS • ICICI Bank

Winner: ICICI Bank

India's ICICI collected the award for best digital strategy, one of the most competitively fought of the 25 categories. The bank's strategy of 360-degree digitisation is transforming ICICI and producing impressive digital banking results.

ICICI has blazed a trail in India in online, mobile and social banking: Its digital success is now in the world-class category. At the core of its strategy is using technology to provide innovative and advanced digital solutions to customers.

Recent highlights include the introduction of biometric authentication on its flagship mobile banking app, iMobile.

ICICI is also the first bank to launch artificial intelligence-based chatbots, and the first in India – and among a few globally – to execute a pilot transaction using Blockchain.

Online

ICICI's website hosts over 250 services using a customisable dashboard with a relationship view where customers can personalise widgets and set up single-click transactions.

The bank has also launched a first-of-its-kind search feature functionality enabling customers to search and initiate transactions from within the search.

It is also the first bank to offer a comprehensive personal finance management tool in India. Regular users of ICICI's online banking now exceed 16 million, up a whopping 30% for year-end 2016.

Mobile

ICICI's iMobile offering hosts more than 170 features. Innovations in the past year include biometric authentication and AI infused chatbots. ICICI is also the first bank in India to build a mobile-friendly payment gateway to facilitate the shopping experience via mobile. The bank's m-banking investment resulted in the value of its customers mobile banking transactions soaring by 454% in 2016.

ICICI's mobile wallet, Pocket, as been an instant success. In its first year of operation, Pocket has been downloaded 5.5 million times with 80% of users being net new customers for the bank. Pocket is he first app in India to offer UPI, NFC and QR code-based payments.

Other digital highlights include:

- ICICI is the first bank in Asia – and among very few globally – to offer banking and transaction features such as peer-to-peer transfers via social platforms including Facebook and Twitter;
- ICICI was the first bank in India to partner with Twitter for digital customer service;
- ICICI was the first Indian bank – and one of the first globally – to deploy artificial intelligence that emulates human actions to automate and perform repetitive, high-volume and time-consuming tasks;
- The bots have reduced customer-response times by up to 60%, and the bank has already automated over 200 processes using AI;
- ICICI was the first bank in India to offer mobile remittances and also the first bank to provide remittance services via Facebook, and
- It also the only bank to offer online paperless account opening for NRI customers in the US.

Digitisation of account opening has resulted in 80% of all new accounts being opened digitally.

BEST CUSTOMER-FACING TECHNOLOGY

Shortlisted: • Bank of Ireland • Mashreq Bank • NBT Bancorp • Royal Bank of Canada • The Cumberland Building Society

Winner: Bank of Ireland

It is a common challenge at incumbent banks and startups alike – how to optimise the onboarding of new current account customers. But Bank of Ireland has a winning solution, and snapped up the title of best customer-facing technology at the *RBI* Annual Awards, sponsored by Fiserv.

In the old pre-digital world, customers were required to open an account in-branch, using a lot of paper, or take their place in the queue in a call to a contact centre. Cue a 30-40-minute process, and inevitable complaints from a chunk of customers.

That was then. Now, Bank of Ireland has revolutionised its account-opening process. Its One Way online application process allows customers to complete a simplified application form either from the comfort of their own home, or in-branch, in just 10 minutes. The complete removal of paper applications and the multiple account-opening options removed confusion for front-line staff, and ultimately reduced delays in processing applications.

Bank of Ireland's Upload Hub was launched in the first quarter of 2017 and enables the bank to remove paper completely from the process, allowing 100% digital onboarding with customers uploading ID and address verification to meet KYC and AML requirements.

The early results are outstanding.

An impressive 70% of all new Bank of Ireland personal current account applications are now submitted on a self-service basis, compared with 18% as recently as last year.

Other highlights include:

- The Net Promoter Score for the account-opening process increased by 12 to +23 in just six months;
- Four out of five customers are 'very satisfied' with the account-opening journey, and
- Current account complaints are down by 50% year-on-year.

BEST BRANCH STRATEGY

Shortlisted: • BTPN • ICICI Bank • Metro Bank • Royal Bank of Canada

Winner: Royal Bank of Canada

RBC has optimised the branch to deliver a seamless experience to clients, while educating and empowering them to use its digital channels, which offer exceptional ease of use and convenience.

Branches remain an important component of RBC's overall distribution mix, particularly for the delivery of advice and through the integration of digital capabilities. Its successful retail model is based on the largest distribution network of branches in Canada, as well as the industry's largest commissioned sales forces – including the largest proprietary mortgage sales force, and investment and retirement professionals – all of whom build relationships in the community as a trusted source of advice.

In addition, the bank's sales forces are motivated to collaborate and work in partnership to deliver the right advice to the right client in their channel of choice, resulting in deeper relationships.

In contrast with leading banks in the US, UK, and especially in Scandinavia, RBC has not taken an axe to its branch network. Its current estate of branches in Canada totals 1,265, down only a net 10 branches from 1,275 three years ago. But in recognition of the dramatic change in consumer behaviour, RBC has been evolving its branch network through both 'right-sizing' and through the integration of physical, digital and adviser capabilities.

The evolution of the branch network has included the development of different formats, alternative branch format testing, as well as the development of a kit of parts which can be applied to the branch network to address the changing needs of clients and their communities.

RBC formats have evolved to include Retail Stores, Small Retail Stores, and the launch of a Showcase flagship format. More recent examples include a student and university-focused alternative branch format at McMaster University in Hamilton, Ontario, which opened last August.

This small alternative branch format provides the convenience of being on the doorstep of students and the campus community with a focus on promoting and enabling financial wellness, providing broader advice relevant for students, and building long-term relationships as a trusted adviser. Again by contrast, banks in the UK including RBS, Clydesdale Bank and Bank of Scotland have all closed university-based branches in the past 12 months.

In its first few months of operation – September to December, 2016 – the McMaster University branch generated strong results, including

- Student acquisition in the local market increased.
- More than 65% of student clients at McMaster have a multi-product relationships with RBC, compared to 50% nationally.
- Since opening, the McMaster location has been among the top 10% of branches nationally for student acquisition.

Notably, RBC's expertise in branch design allowed it to go from concept to design to doors open in less than 20 weeks.

The bank has increased the proportion of alternative branch formats to approximately 17.5% of the network, and the figure will reach 55% by 2022. The evolution of RBC's branch network also incorporates 'small-footprint' locations, occupying an average of 1,500 square feet compared to a typical branch of 4,500 square feet.

The smaller branch requires five staff, as compared to an average of eight for traditional branches, yet they can provide all the sales and service offerings available at much larger branches.

BEST MOBILE BANKING STRATEGY

Shortlisted: • Alior Bank • Bangkok Bank • Mashreq Bank • Panin Bank

Winner: Bangkok Bank

Strong collaboration between Bangkok Bank and technology partner Fiserv enabled the Thai bank to deliver Bualuang mBanking within a very tight six-month timeframe.

Bangkok Bank is the first Thai bank to provide a service of this type, and it has proved an instant winner, successfully reducing customer reliance on cash, and providing wider economic benefits for Thailand. It also gave the bank victory in one of *RBI*'s toughest award categories.

Fiserv completed a person-to-person (P2P) payment project for Bangkok Bank, allowing customers to check account balances, manage payments and transfer money between accounts. The aim of the new P2P payment functionality was to expand the customer base to both bank and non-bank customers, so funds could be transferred to anyone. Before the project's implementation, many customers said they found account numbers too long and difficult to remember.

The project also enhanced the customer experience, making it easier to pay bills by showing logos of billing companies, and allowing customers to search by category or the billing company's name. This project also stimulated transaction use, boosted bank revenue and supported Thailand's national e-payment initiatives.

Headline successes included:

- A significant increase in customer satisfaction scores;
- A change in customer behaviour with 37% growth in mobile banking usage in 2016, and
- A reduction in the cost of serving the customer.

As of October 2016, the bank experienced:

- A 40% rise in transactions since 2015;
- A 60% rise in the number of registered users;
- A 20% rise in average monthly financial transaction use per user;
- A 350% rise in average monthly payment transaction volume.

Bangkok Bank's mobile banking customers soared from 1.6 million to 2.6 million between October 2015 and 2016, while m-banking downloads increased to 3.7 million. Between August 2015 and October 2016, the average payment transaction volume per month increased by 307%, and revenue increased by 170% from end of 2015.

Delivering feature-rich mobile banking and payment services that are easy for consumers to access and use was a strategic priority for Bangkok Bank. A key local differentiator was its P2P service with a Claim Site, allowing non-bank customers to collect sent funds.

In 2016 Bangkok Bank introduced a new service, mAlert notifications – underpinned by Fiserv's Mobiliti Edge – to keep customers up to date with account movements and remind them of credit card due payments with the innovative 'actionable alerts' feature, another first in Thailand.

Further efforts to accelerate cash displacement included Bangkok Bank's leading role in establishing the Thai Payment Network (TPN), which aims to provide a national payment network that meets international standards in line with the National e-Payment Master Plan; it is Thailand's first card network operating under the local card scheme.

Bangkok Bank issued Thailand's first TPN-UnionPay card, followed by two other lifestyle cards later in the year. By the end of 2016, more than a million of the cards had been issued.

EDITOR'S AWARDS

The winners of the final four categories were hand-picked by *RBI* editor Douglas Blakey.

BEST BUSINESS MODEL INNOVATION

Winner: BTPN

BTPN has successfully targeted affluent 18-35-year-olds who are technically aware and comfortable with non-traditional transaction channels.

The bank's Jenius concept is designed around their lifestyles, and allows customers to split bills, pay by mobile wallet, save instantly, receive rewards, and manage finances in real time.

It is also bringing its branches into the modern age with the Jenius Mobius Hub in Jakarta, specifically designed to be a physical manifestation of its mobile banking channel – a pop-up concept which also acts as a marketing tool for acquisition, awareness, education, and sector disruption.

RETAIL BANKER OF YEAR

Winner: Craig Donaldson, Metro Bank

Metro Bank's chief executive has enjoyed a stellar year.

Assets are up 57%, loans up are 57%, it has recorded record deposit-per-store-per-month growth, and customer numbers have just passed one million – from a standing start seven years ago.

This year the bank moved into profit, with another 10 stores set to open later in 2017.

EMPLOYMENT INVESTMENT

Winner: ING

ING has demonstrated a more-than-progressive approach to improving its sales operations, by focusing on the wellbeing of its employees.

It has enlisted a team of stress-management academics, professional athletes and nutritionists to deliver a programme aimed at increasing employee wellbeing by tracking metrics using TomTom fitness bands.

GLOBAL RETAIL BANK OF THE YEAR

Winner: Royal Bank of Canada

Pick a retail banking metric – any metric – and RBC has posted another blinding year. It is a fully deserved winner of the 2017 *RBI* global retail bank of the year – the third time it has scooped the award.

A highly impressive cost-income ratio of 42.5%, revenue growth of 9%, two dividend increases during 2016 for a total of 5% growth and increased loyalty scores: just some of the reasons why RBC scooped *RBI*'s accolade.

RBC shareholders have reaped the benefits: RBC stock has outperformed its peers for annualised return over the past three-year, five-year and 10-year periods.

RBC is Canada's largest bank by assets and market capitalisation, and the fifth-largest in North America and the 11th-largest globally by market capitalisation.

RBC's retail-focused Personal & Commercial Banking division contributed 50% of the bank's C$10.5bn ($7.8bn) of earnings in 2016, with highlights for the year including:

- A best-in-class efficiency ratio of 42.5% for Canadian Banking, improved by 120 basis points on a year-on-year basis. This ratio is the most favorable among RBC's Canadian peers;
- RBC annual revenue growth of 8.7%, and earnings growth of 4.3%;
- Increased loyalty from customers, who gave RBC a Net Promoter Score of 65% for personal banking, up from 62% in 2015, and
- In-branch sales for branch adviser roles were up nearly 10% as compared to 2015, with positive growth recorded in almost all lines of business.

Add-it

Among RBC's most impactful 2016 innovations was the launch of Add It, to enable faster and more convenient access to products and services, and the introduction of Voice Biometrics Authentication in its Advice Centre, each of which reflects the bank's commitment to delivering outstanding customer service.

To deliver on RBC's "digitally enabled relationship bank" strategy, the bank has made it easier than ever for customers to get the products and services that are right for them.

Using timely, relevant data, RBC now offers personalised products and solutions that clients can instantly activate digitally – no traditional applications and no branch visits are required.

Clients log in to their online or mobile banking and are presented with relevant, pre-approved offers: they can choose to 'Add It', and easily and quickly complete the fulfillment process in the same session.

Add It has reduced operating costs while driving incremental sales and an outstanding client experience.

RBC Secure Voice – biometric authentication

In late 2015, RBC became the first organisation in Canada to provide clients with fast and secure identity verification through natural conversation, with the service being fully launched in 2016. RBC Secure Voice verifies a client's identity within seconds through biometrics, without any need for passwords or for the client to respond to a series of authentication questions.

Clients also do not need to memorise and repeat a specific, dictated phrase – a requirement of other voice biometric systems. Instead, when clients call an RBC Advice Centre, their unique voiceprint is matched to their live voice in real time, allowing rapid authentication. As a result, RBC advisers can begin assisting clients right away – a convenience that customers appreciate.

Impressive results

In its first full year of use in 2016, RBC Secure Voice has generated impressive results:

- 1.9 million Canadians have enrolled in RBC Secure Voice.
- 5.1 million total Secure Voice matches have been completed.
- 37 seconds (average) have been saved per call, freeing up handling time for sales and service, and enabling advisors to focus on client needs.

Virtual reality connected loyalty programme

In 2016, RBC introduced virtual reality (VR) technology so customers could interact with the bank's credit card loyalty programme, RBC Rewards. This technology gives RBC Rewards members the ultimate 'try before you buy' experience by taking them on an immersive journey into the world of available rewards, to experience the rewards in a tangible way before making a redemption decision.

This launch marked the first time in the world that a bank had connected its clients to a loyalty programme through VR. Clients can access RBC's VR experience at selected branches, at special holiday boutiques in shopping malls, or via smartphones with Google Cardboard VR glasses, which are available free of charge.

This on-demand video service currently offers 13 languages, with more to follow. The app also supports 200 languages through audio conferencing, a service RBC has offered over the telephone since 2009.

RBC has kicked off 2017 strongly with first-quarter net income of C$3.03bn, up 24% year-on-year and way ahead of analyst forecasts.

Credit quality across its major business units also improved with provisions for bad loans down by 18% year-on-year.

There was one notable change in the bank's leadership: Neil McLaughlin, currently the executive vice-president of business financial services, takes over from Jennifer Tory as group head of personal and commercial banking at RBC.

He has a hard act to follow, but is well regarded by bank insiders: Do not bet against him delivering.

The gamble of turning banking into a game

Very few people have described banking or saving money as fun; some would claim that it is, in fact, the exact opposite. However, businesses are trying to bring gaming into the financial sector in an attempt to improve consumer engagement. Is this move a home run or a strike out? Patrick Brusnahan investigates

There are 2.2 billion gamers across the globe. This is according to Newzoo's *Global Games Market Report*, which expects 2017 to generate $108.9bn in gaming revenues. Mobile gaming will amount to 42% of that total.

Research company Gartner predicts that over 268bn mobile downloads will generate an income of $77bn in 2017. In addition, statistics state that people spend 43% of their mobile app time on games.

While banking looks to become more prevalent on mobile phones, it would be foolish to not look at gamification. Forrester recently revealed that 84% of people's time on their smartphone is spent on just five native apps. Banking needs to become one of those five.

The perfect storm?

Gamification has been touted for a while in the financial sector, but – bar a few examples – it has never materialised wholly. Has the time finally come for gamification to make its mark?

Alex Kwiatkowski, senior strategist, banking and digital Channels at Misys, tells *RBI*: "I don't like the expression 'perfect storm' as it implies something quite negative, but let's say we have more harmonious conditions for gamification.

"We have a global population that is growing. That population is living longer and we live in an increasingly connected world. The challenges that surround financial services, and banking in particular, are that they've stayed static. What we see here is that market dynamics are such that gamification has reached its tipping point."

Colin Weir, CEO at Moruku, the company working with Misys on gamification platforms, says: "Gamification has been in financial services for quite a while. One of the big differences here is that we've seen a major software platform provider embed the capability into their platform.

"This could well mark the first time gamification becomes mainstream, and that's through this collaboration.

"I don't see any of the other top 10 financial services software companies offering companies this. I see them still largely providing what I call spreadsheet-designed, easy-to-use design paradigms, rather than fun-to-use."

Who wants to play the game?

So who is gamification aimed at? The easy – and fairly lazy – answer would be the tech-savvy millennial generation that need everything at their fingertips. However, is this missing a trick?

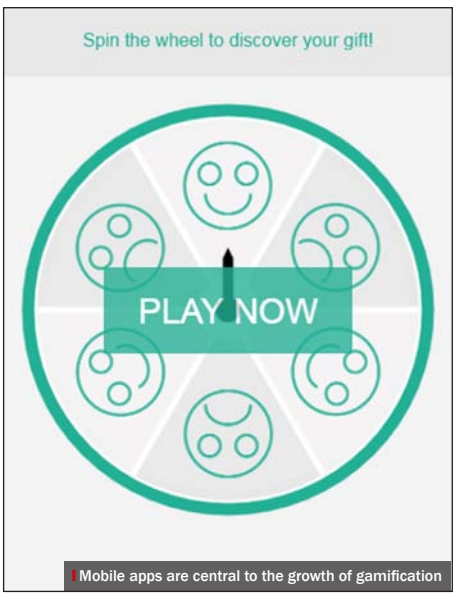
Gertjan Dewaele, product intelligence and innovation manager at Ingenico ePayments, says: "In terms of customers, this goes across the entire customer base."

Ingenico has been working on a variety of gamification offerings for payments to add value when customers buy from retailers. This could be in the form of a scratchcard, a roulette wheel or more.

"It's important that the game is really tailored to the brand of the retailer, so it feels comfortable and not like spam," Dewaele continues.

It can also help retailers fight the diminishing appeal of discounts, the marketing value of which goes down every year. With Ingenico, it can be a refunded basket.

"We saw that, on average, people will convert around 15% more and spend 25% more in their basket because of the idea it could all be refunded," adds Dewaele.



Mobile apps are central to the growth of gamification

"There's a lot of talk about millennials – and whether they really exist is up for debate – but there are some interesting characteristics right now," Weir states.

"One of the most interesting, especially in emerging markets, is the concentration-of-wealth issue. There's an increasing segment of the working and middle class that are struggling to manage their money and do the right things with it. In America, it is said that about half of the country would struggle to find the money for a $400 emergency expense, so they need to sell something or go to a payday lender.

"The heart of the issue would be that it is very boring. Putting your money away and doing good with it is just really hard to do, and doesn't give you any gratification. If you want to get people to pay attention to their money, you've got to find a way in providing some instant gratification for doing that hard work. The best answer we've got is this."

If this is truly the answer, what has taken the banks so long to consider gamification? "It's not the lack of demand from the customer, but a lack of demand from the banks," Weir explains.

"Customer-centricity is moving towards its nirvana, which is customer success. When you get there, the whole thing starts to shift. That's what the fintech movement is all about. All of this is why the time is right for gamification on a much more widely available platform."

Kwiatkowski adds: "Banks have had their hands full for the last eight to ten years. This is either due to challenges that they are still trying to overcome, or their technology challenges through making sure legacy systems are still fit for purpose. In some cases, this means incremental tweaks or full end-to-end transformation.

"For me, this is the ongoing transformation and revolution of the digital world. It's not enough to sit on one's laurels and say 'great, we have a mobile banking platform'. Customers want more, and banks have to deliver more."

Kwiatkowski concludes: "Gamification isn't as standalone as it was four or five years ago. It's hardwired into everything." ■

Can passwords be replaced by the human body?

As banking and payments become increasingly advanced, the security protecting them needs to be more advanced as well. An often-touted solution is biometric security, but can this ever truly replace the tried-and-tested password? **Patrick Brusnahan** reports from the Digital Banking Club's latest debate in London

The first of the Digital Banking Club's debates of 2017 honed in on the topic of biometric security. Hosted at the prestigious Law Society in London, the debate took the traditional form with two teams slugging it out over the motion: *This house believes the password will never be replaced by your body*.

Is the password past its prime?

Simon Cadbury, director of strategy and innovation at Intelligent Environments, opened the debate with admiration for the maligned password.

He stated that while passwords were not perfect, they could be the best, with some improvements.

He said: "The password has become known and understood by everyone, but when the most common password is 123456, surely we can do better. We don't need to replace passwords; we simply need better ones.

"However, authentication via body parts is complicated and expensive. Your body will never replace a password. Body parts do not provide a better counterpart. Body parts cannot be reset. Behavioural biometrics can't help you if they don't know you."

Cadbury added: "Effective passwords rely on randomness – something that we just aren't equipped to generate or remember. Creating and remembering one good password is a serious challenge, but most of us need 25. No wonder, then, that a third of people claim they forget a password at least once a week.

"Worse still, under Moore's law, passwords are becoming easier to crack with every passing year. Yet, despite decades of user education, we aren't making our passwords any stronger. The time seems ripe for biometrics to take over from passwords as the principle way we authenticate ourselves. But then again, we've been saying that for a very, very long time now."

On the opposing side, Daryl Wilkinson, MD of DWC and former head of innovation at Nationwide, argued that the password was an outdated piece of kit.

"Biometrics not replacing passwords sounds like cars not replacing the horse and cart," Wilkinson explained.

"Passwords are over 50 years old. Even the originator of the password considers them to be a nightmare. Research from Equifax showed that people shopping online actually preferred to use biometrics."

Are biometrics enough?

Ian Bradbury, CTIO financial services at Fujitsu, claimed he had no problem with biometric solutions, but there were flaws that limited its usefulness.

He said: "I'm not here to say biometrics do not have a part to play. My point is that it is not infallible.

"Biometrics can only ever be one factor. If biometrics don't work, what's the backup?

It will be a password or a PIN. If someone breaches my fingerprint, I can't grow another finger," Bradbury pointed out.

"In addition, from an inclusion perspective, not all of us can use biometrics. There are people who are not comfortable using biometrics. That's not going to change."

Paul Trueman, SVP, global enterprise risk and security at MasterCard, started by claiming that all passwords are probably written down somewhere, whether we like it or not. This, in turn, needs to change.

"We're changing our password model, because we have to. Passwords are not a horse; at best, they are a lame donkey," Trueman quipped.

"Now that everything is connected through the internet of things, there's a lot more to steal and passwords are not acceptable. There are a number of good and proven solutions out there that are developing. Passwords are just a lock on the door with its key in sight.

"51% of passwords used today are forgotten within a week. People probably have somewhere between 70 and 80 various accounts. If you only have a couple of different passwords, those are now everywhere. The reason passwords survived so long was because they were cheap and easy to implement."

Trueman added: "There's a need for intelligent friction. There is no one solution, no one perfect lock on the door. You need backups, but the backups do not need to be a password. It's down the list, but there are many options and that's what multilayer is all about.

"More will change in the next five years than in the past 50. You can't put on noise-cancelling headphones and turn off the world."

Are biometrics reliable?

Enza Iannopollo, security and risk analyst at Forrester, stated: "Banks would prefer any other magic tool than something like facial recognition in terms of replacing passwords.

"Passwords are very easy to integrate and are straightforward, whereas body parts have false positives and negatives. The future is not a place where body parts will replace passwords, but enhance them."

However, Chris Gledhill, CEO and co-founder of Secco Aura, was much more positive about biometrics.

He said: "At some point between now and our bodies being replaced, passwords will be replaced. Biometrics can help people gain control on their finances and can greatly aid financial inclusion."

As an example, he explained that customers who are unable to type or remember passwords could be able to use their voices to gain access to their finances.

While there are voice-replication programmes being launched, they cannot yet recreate dialects, and while in the short term there will be problems, as there are with all forms of biometrics, they will improve in the future.

"Behavioural biometrics are truly unique," he continued. "There are fundamental problems with passwords, and there problems with biometrics, but to say they will never replace passwords is impossible." ■

Results of the debate

The motion under discussion was: This house believes the password will never be replaced by your body.

Prior to the debate the first of two polls was taken, with a resounding verdict against the motion.

The audience voted 19% for the motion, with 81% against.

At the conclusion of the debate, the second vote resulted in a dramatic shift of opinion and a win on the day for the team of Simon Cadbury, Enza Iannopollo and Ian Bradbury.

The audience voted 43% for the motion, with 57% against. ■

The panel

Douglas Blakey, group editor, consumer finance, Verdict and chair of The Digital Banking Club

Blakey is group editor, consumer finance at Verdict, chief of judges for the annual Retail Banker International Awards and lead market advisor for Timetric's retail banking research division. This division produces and maintains more than 50 market-leading research reports and has undertaken bespoke consultancy projects for banks, vendors and their advisors.

Blakey practiced as a solicitor in Scotland before moving into business information and analysis. He maintains an editorial advisory board of leading bank executives and is a regular guest banking analyst with the BBC, NBC, New Statesman and other leading media.

FOR THE MOTION

Enza Iannopollo, security and risk analyst, Forrester

Iannopollo is an analyst on the security and risk team at Forrester. Her research focuses on the impact of internet regulations and data privacy issues on digital business models, as well as the technologies that underpin them. Her research coverage includes data protection, privacy in the context of cloud computing, analytics, and the internet of things.

Iannopollo also helps security and risk professionals to build and execute data and privacy protection strategies in line with the requirements of the business technology (BT) agenda. Prior to joining the security and risk team, Iannopollo was a researcher on the CIO team; before that, she was a research associate on the BT Futures team. She collaborated on a variety of research reports, covering cloud computing, analytics, smart cities, and connected business. She has also delivered webinars and presentations to clients.

Iannopollo earned a BA in political science and an MA in public policy, magna cum laude, from the University of Roma; she also earned an MSc with merit in regulation from the London School of Economics. Iannopollo recently completed an intensive course at the London School of Economics focusing on IPRs and the security and privacy of cyberspace. She speaks fluent Italian and English.

Ian Bradbury, CTO financial services, Fujitsu

Bradbury started his working life in the IT department of Friends Provident Life Office over 30 years ago, and has been involved in technology and financial services ever since. It has taken him around the world working with many different organisations, always focused on driving transformational change.

Throughout this time he says has never seen such risk and potential for financial services organisations as there is today – through digital disruption – and he finds it to be the most exciting period of his career so far.

He very passionate about technology, how it works and how it can be used to improve society and the lives of individuals. Bradbury is also a Fujitsu distinguished engineer.

Simon Cadbury, director of strategy and innovation, Intelligent Environments

Cadbury is a product marketer and strategist with 18 years' experience working for a range of major international brands. Cadbury's role is to work with Intelligent Environments' investors to set and deliver the company's mid- and long-term strategy, as well as taking overall responsibility for the product development and management of Interact, the company's core product offering.

Simon joined in 2013 from Lloyds Banking Group where he was responsible for payment technology, and also sat on the CreditCard divisions leadership team. Prior to this he worked on the launch of a number of firsts in new technology – the Blackberry (BT Cellnet), BT Openzone (BT Retail), 3G Live! (Vodafone Australia) and Sky HD (BSkyB).

AGAINST THE MOTION

Chris Gledhill, CEO and co-founder, Secco Aura

Top global fintech influencer, technologist and visionary, Gledhill is on a mission to reinvent currency. Former lead of disruptive innovation labs at Lloyds Banking Group, he is now CEO and co-founder of Secco Aura, a company that monetises data and empowers the consumer. Gledhill regularly speaks and blogs about financial services and is considered a thought leader in fintech.

He is passionate about disruptive technologies such as digital currencies, blockchain, AI, biometrics and the internet of things, and how they can be applied to banking.

Daryl Wilkinson, MD, DWC

Following the launch of DWC, the Financial Conduct Authority invited Daryl to be its strategic advisor to the senior partner of fintech and regtech. His work has produced the first strategy of its kind for regtech innovation from any regulator worldwide, and a published commitment in the FCA's 2016 business plan to enable more efficient and effective regulation and compliance. Wilkinson's ongoing engagement with the FCA contributes to its objectives of promoting innovation, lowering barriers to entry and improving access to financial services.

Prior to DWC, Wilkinson was an executive at the Nationwide Building Society where he established and led its Group Innovation Lab. He created a new model of open and agile innovation for Nationwide while developing key partnerships with Silicon Valley and London fintechs, delivering pioneering innovation in customer experience, channel management, marketing and operations.

Wilkinson regularly speaks as an authority on digital technology and was the first private sector speaker to be invited to address the House of Commons Parliamentary Reception in 2015 when he spoke about industry forces reshaping UK financial services. He has featured in interviews for publications such as the Sunday Times, CIO magazine, Wired and FStech magazine.

Paul Trueman, SVP, global enterprise risk and security, MasterCard

Trueman is responsible for the advancement of global product solutions around safety and security for MasterCard. He works directly with technical teams on fraud solutions and authentication, as well as leadership and consumer experience.

In 2015 he led the development of the biometric narrative enabling the identity check brand Selfie Pay for global rollout. He is also working with partners on digital evolution, the internet of things and the use of artificial intelligence.

He joined MasterCard in 2011 as head of marketing UK & Ireland, successfully leading the launch of Priceless London. He has been consistently named in the list of the 100 most influential marketers 2012-2015. Prior to MasterCard, Trueman held senior positions in marketing, innovation and strategy development in global and regional roles in diverse sectors including electronics with LG Electronics, and FMCG with both Mars and Cadbury Schweppes. ■

SECURITY

Emirates NBD launches blockchain cheque initiative

Emirates NBD has introduced a new initiative, Cheque Chain, to integrate blockchain technology into cheques.

Cheque Chain is currently being trialed with bank employees, and will be launched for customers later in 2017.

During the initial phase, unique Quick Response (QR) codes will be printed on cheque leaves to minimise potential fraud.

In the later phases, the QR code will register each cheque on the bank's blockchain platform to allow employees to validate a cheque's authenticity and access its source at any time.

To ease the cheque-clearance process further, a string of 20 random characters on the magnetic ink character-recognition band of the cheque leaf will be added.

Emirates NBD group CEO Abdulla Qassem said: "Having established our leadership in the UAE banking sector in exploring the potential of blockchain technology, we are delighted to be the first bank in the country to utilise this remarkable new technology to strengthen and upgrade our internal processes.

"The launch of this initiative is also in line with our commitment to customers to prevent fraud and ensure the security and safety of their transactions at all times," Qassem added.

"Cheque Chain will bring an added layer of security to our cheque-clearing system, and ensure that each cheque issued will be verified under the bank's system with its own unique QR code, providing significant improvements in cheque security."

DISTRIBUTION

Ecobank Nigeria to close 74 branches and redeploy staff

Ecobank Nigeria has shut 74 branches as part of its agenda to shift banking activities to digital channels. The closures take Ecobank's branch network in the country to 405.

Ecobank Nigeria MD Charles Kie said the move supports the bank's financial inclusion strategy, and the cashless policy of the Central Bank of Nigeria.

"After a detailed analysis of the physical network of branches needed to serve our customers, the decision was made by the Ecobank Nigeria board, and approved by the Central Bank of Nigeria, to optimise 74 of its 479 branches," Kie said.

The bank said it would move affected employees to other areas of the business.

"We are deploying staff and other resources from the merged branches to other ongoing projects, while also strengthening the existing branches to make them more resourceful and up to speed in their daily activities," Kie explained.

M&A

SoftBank to invest $1.4bn in India's Paytm

Japan-based SoftBank is set to invest nearly $1.4bn in India-based mobile payments and commerce company Paytm. With the investment, Paytm is expected to be valued at between $7bn and $9bn.

The move comes at a time when the Japanese bank is looking to merge e-commerce business Snapdeal – its largest investment in India – with Flipkart, and invest further in the combined company.

Last year, Paytm saw a significant surge in money added to customers' wallets after the government of India cancelled the legal tender of the high-denomination INR500 and INR1,000 notes, in a move to curb corruption.

The company received regulatory approval from the Reserve Bank of India to establish a payments bank in January 2017.

MOBILE

HSBC adds Apple Pay support for Visa and MasterCard holders in Australia

HSBC Australia has added Apple Pay support for its Visa and MasterCard credit cardholders, enabling them to make mobile payments through Apple devices.

When customers use a credit or debit card with Apple Pay, neither the device nor Apple servers store the actual card numbers. Instead, a unique Device Account Number is assigned, encrypted and securely stored in the secure element on the user's device. Each transaction is authorised with a one-time unique dynamic security code.

HSBC Australia's head of retail banking and wealth management, Graham Heunis, commented: "Our customers have told us they want to be able to use Apple Pay in Australia, and we're proud to be able to make this service available to them. HSBC has introduced Apple Pay in five other markets, and we're looking forward to another successful launch here.

"The majority of our customers' credit card payments are contactless, and we expect our customers to embrace Apple Pay. We will also be introducing Apple Pay for Visa debit cards in the coming weeks."

Apple Pay users will continue to receive all the rewards and benefits offered by credit and debit cards. Apple Pay is currently compatible with the iPhone SE, iPhone 6 and later models, and the Apple Watch.

DISTRIBUTION

Hamburger Sparkasse extends IT deal with Diebold Nixdorf

German savings bank Hamburger Sparkasse has extended its IT outsourcing deal with Diebold Nixdorf for an additional seven years.

The two companies first entered into an agreement in 2005, under which Hamburger Sparkasse outsourced a significant proportion of its IT operations to Diebold Nixdorf.

The extended partnership will allow Diebold to support the decentralised IT operations for nearly 6,000 of Hamburger Sparkasse's work stations, and the management of its self-service network of over 800 systems.

Diebold also plans to support the bank in the migration of its core platform from SAP to OSPlus by Finanz Informatik, through the establishment of a network infrastructure and new server landscape.

Hamburger Sparkasse's head of information technology and organisation, Rudolf Hoyer, commented: "Drawing on Diebold Nixdorf's expertise, this partnership has enabled us to ensure the consistent availability of our systems. In addition, Diebold Nixdorf has been supporting our efforts to further develop our technologies and infrastructure, as well as in reducing costs."

Hamburger Sparkasse's deputy head of information technology and organisation, Frank Rollenhagen, commented: "We will continue to rely on Diebold Nixdorf's expertise as we plan the migration of our core banking system." ■

STRATEGY

UBS taps Microsoft Azure to power digital transformation

Swiss banking giant UBS has selected Microsoft Azure cloud technology to run its risk-management platform.

The platform runs millions of calculations daily, and the vendor said Azure would accelerate calculation times by 100% and reduce infrastructure costs by 40%.

According to Microsoft, a major factor in the selection of the Azure technology was the bank's focus on regulatory compliance.

The vendor stated that its Financial Services Compliance program offers transparency into Microsoft cloud operations, assuring both the bank and regulators about the authenticity measures taken to secure data.

Microsoft's executive vice-president of worldwide commercial business, Judson Althoff, said: "Tremendous transformation is taking place in the financial services industry, and technology is increasingly providing a competitive advantage to firms.

"UBS is a model of digital transformation in the financial services industry. With Microsoft Azure, the firm receives all the advanced technological and economic benefits of cloud technology. This is underscored by Microsoft's investments in security, transparency and regulatory compliance, which enable UBS to innovate while doing business all over the globe."

UBS is currently collaborating with Microsoft to move more business applications to the Azure cloud.

UBS Group's head of technology services, Paul McEwen, said: "Increasing the agility and scalability of our technology infrastructure is crucial to the bank's strategy.

"With Microsoft Azure, we are building on the industry's leading cloud platform in terms of innovation, technology, security and regulatory compliance, which is very important as a Swiss financial institution."

STRATEGY

JPMorgan Chase exits R3 blockchain consortium

JPMorgan Chase has formally parted ways with distributed ledger technology firm R3, as the blockchain company proceeds with its fundraising plan.

The move comes as the blockchain consortium looks to raise nearly $150m from members and strategic investors in return for a 60% stake. Initially, the bank planned to raise $200m and give investors a 90% share in the new company.

JPMorgan follows other large banks including Goldman Sachs Group, Banco Santander, Morgan Stanley and National Australian Bank, which left the consortium in late 2016.

JPMorgan joined the blockchain syndicate with eight other banks, including Goldman Sachs and Barclays, to develop common standards for blockchain technology. Currently the consortium has around 80 financial institutions as members.

JPMorgan is also a founding member of newly formed blockchain syndicate Enterprise Ethereum Alliance, and an investor in blockchain startups Axoni and Digital Asset Holdings. It also participates in the Hyperledger project.

REGULATION

Janalakshmi Financial receives licence for small-finance bank

Indian microfinance company Janalakshmi Financial Services (JFS), has secured a final licence from the Reserve Bank of India (RBI) to start small-finance banking operations.

The small-finance bank plans to start operations in the second quarter of 2017, with nearly 300 bank branches in the country's major locations.

Janalakshmi Financial Services' MD and CEO, VS Radhakrishnan, commented: "We are excited about this, and this will take us closer to our vision of financial inclusion in its true sense.

"We are fundamentally a unique organisation with key differentiators such as primary focus on inclusion, a significantly advanced technology platform and a top-class management team. We are well capitalised, with investments from world's leading institutions which ensures seamless delivery towards our vision."

JFS was among the 10 entities that secured in-principle approval from the RBI in September 2015 to set up small-finance banks.

The other applicants were Au Financiers, Capital Local Area Bank , Disha Microfin, Equitas Holdings, ESAF Microfinance and Investments, RGVN (North East) Microfinance, Suryoday Micro Finance, Ujjivan Financial Services and Utkarsh Micro Finance.

REGULATION

Dubai Islamic Bank secures licence to operate in Kenya

DIB Bank Kenya, a subsidiary of UAE-based Dubai Islamic Bank (DIB), has secured a licence from the Central Bank of Kenya (CBK) to offer Sharia-compliant banking services in the country.

DIB becomes the third Sharia-compliant lender to secure a licence in Kenya, following Gulf African Bank in 2007 and First Community Bank in 2008.

Commenting on the latest development, CBK said: "DIB's entry will expand the offerings in the market, particularly in the nascent Sharia-compliant banking niche.

"This also signifies the first entry of a UAE bank in Kenya to support the long-standing economic ties between Kenya and the UAE. DIB's choice of Kenya as its entry point into Sub-Saharan Africa signals Kenya's growing stature as a premier regional financial services hub."

As of September 2016, DIB had an asset base of $47.6bn and capital of $7.4bn. The Kenyan lender also has operations in Bosnia, Indonesia, Pakistan, Sudan, Turkey and the UAE.

SECURITY

HSBC launches voice biometric authentication system in US

UK banking group HSBC has introduced its voice biometric authentication system in the US to allow retail clients access their accounts using their own voice.

The new technology, Voice ID, will be available in four languages: English, Spanish, Cantonese and Mandarin.

HSBC said the technology confirms a customer's identity in seconds by asking them to say a simple pass phrase.

The system assesses over 140 behavioural and physical voice characteristics to identify and authenticate users. The technology also incorporates additional layers of security and fraud prevention, the bank added.

HSBC's head of direct channels in the US, LuAnne Kingston, commented: "Remembering passwords and security questions is a common consumer frustration, both from a convenience and security standpoint.

"Voice ID demonstrates our commitment to make banking with HSBC easier, faster and more secure for our customers," Kingston added.

In February 2016, the bank announced plans to launch voice recognition and fingerprint ID security services in the UK. The bank launched the technology in Hong Kong in April. ■

M&A

TowneBank to snap up Paragon Commercial for $323.7m

Virginia-based TowneBank has agreed to acquire North Carolina-based Paragon Commercial, the parent of Paragon Commercial Bank, for $323.7m.

The combined entity will have total assets of $9.7bn, total loans of $7.1bn and total deposits of $7.5bn. The acquisition will expand TowneBank's community banking franchise into North Carolina's Charlotte and Raleigh metro areas. The combined entity will have total assets of $9.7bn, total loans of $7.1bn and total deposits of $7.5bn.

TowneBank said the combined group would have the second-largest deposit market share among community banks in the Raleigh area on a pro-forma basis. TowneBank plans to operate in the Raleigh, Charlotte, and Cary markets as Paragon Bank, a division of TowneBank.

Paragon president and CEO Robert Hatley will continue in his current role, and also become president of TowneBank's North Carolina operations. The deal is expected to complete in the fourth quarter of 2017, subject to regulatory and shareholder approvals.

TowneBank chair and CEO Robert Aston said: "We are really excited to welcome the extraordinarily talented Paragon team into our Towne family. From our humble beginnings in 1999, both Towne and Paragon have prospered through a caring culture of serving others and enriching lives while continuing to build a great community asset for the communities we serve."

Paragon president and CEO Robert Hatley said: "We believe partnering with TowneBank will provide us with a strong foundation and additional capacity to deliver our unique private banking experience business model to businesses, professionals, executives and entrepreneurs in our target markets. We expect this merger will be a truly great outcome for our shareholders, and will position us for continued success."

STRATEGY

Ten banks join Ripple global payments network

Blockchain payments company Ripple has announced that it has signed 10 new banks to its global payments network.

The new members are MUFG, BBVA, SEB, Akbank, Axis Bank, Yes Bank, SBI Remit, Cambridge Global Payments, Star One Credit Union and eZforex.com.

Ripple CEO Brad Garlinghouse commented: "The world's largest banks have been the first to adopt Ripple's technology, and the network effect from our customer base is accelerating.

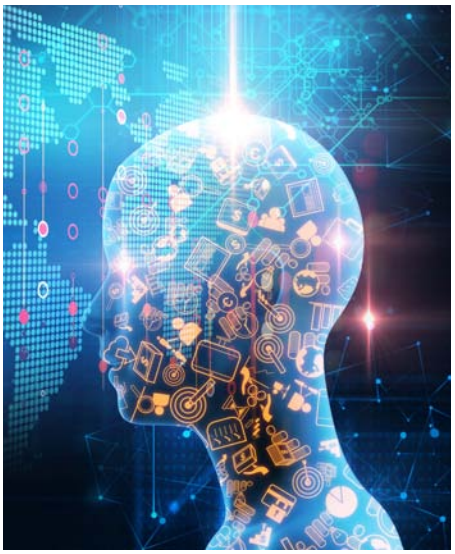
"People know Ripple is the only blockchain solution for payments that is proven in the real world, and it is driving demand from financial institutions of all kinds and sizes because they want to stay ahead of the curve."

Ripple said BBVA is using its network to enable real-time payments between Europe and Mexico. Turkish private bank Akbank has adopted blockchain to make faster cross-border payments, while credit union Star One aims to offer Ripple remittances to customers via eZforex.com.

Cambridge Global Payments and Earthport have partnered to enhance the customer experience, increase reach and minimise the cost of real-time cross-border payments, Ripple added.

TECHNOLOGY

Accenture, DFKI collaborate on artificial intelligence



Accenture has formed an alliance with the German Research Centre for Artificial Intelligence (DFKI) to help organisations benefit from artificial intelligence (AI) technologies.

Accenture Analytics, part of Accenture Digital, will work with DFKI's (Deutsches Forschungszentrum für Künstliche Intelligenz) specialised AI research capabilities to boost adoption of the new technologies in Germany and beyond.

As part of the agreement, DFKI will give Accenture access to its research results, AI tools, and Living Labs.

"Simultaneously, DFKI will work closely with Accenture teams to gain new insights on real-world applications of AI within a broad range of industries, developing best practices and fostering the exchange of talent from both organisations for the overall acceleration of AI adoption for the benefit of clients," Accenture said in a statement.

DFKI CEO Wolfgang Wahlster said: "This innovation partnership with Accenture gives DFKI the opportunity to develop disruptive AI solutions for businesses, as well as implement digital business models together with one of the leading management and technology consulting firms.

"In particular, we are seeing a high degree of maturity for applications in the areas of smart data and services, deep learning, human-robot collaboration, and AI-based retail, which we expect to result in profitable solutions for our clients in a very short timeframe."

Accenture's country MD for Germany, Frank Riemensperger, said: "AI empowers people to do things differently and to do different things. By combining DFKI's expert researchers and AI practitioners with the deep insights and assets from Accenture Analytics, we can help clients achieve real benefits from imagining and then building their AI-enabled futures today."

DIGITAL

IBM, National University of Singapore partner to promote blockchain training

The IBM Center for Blockchain Innovation (ICBI), a part of IBM Research, has teamed up with the National University of Singapore (NUS) School of Computing to develop a module on financial technology.

The module, which is expected to launch in January 2018, will focus on blockchain and distributed ledger technologies, helping students to gain insight into applications of blockchain in various areas, including digital currencies, supply chain management, and banking.

The module's curriculum will be jointly developed by NUS faculty members and IBM researchers at ICBI, and will be taught by NUS and ICBI staff. Financial technology software such as Hyperledger Fabric will be used to deliver the course content.

IBM will lend technology support for the modules by offering access to the Hyperledger Fabric blockchain framework through its cloud platform.

IBM Research's vice-president of global labs, Robert Morris, said: "This collaboration with the National University of Singapore School of Computing will help prepare a future workforce that is born on blockchain, ready to implement, improve and innovate: core skills required for Singapore to achieve its vision as a smart financial centre and smart nation." ■

M&A

Crédit Agricole in negotiations to acquire three Italian banks

Crédit Agricole Cariparma, the Italian retail banking arm of Crédit Agricole, is in preliminary talks with the Bank of Italy and the Interbank Deposit Protection Fund to acquire three local savings banks: Cesena, Rimini and San Miniato.

Crédit Agricole said the deal is currently in its "very early stages", and is subject to a positive outcome of the due diligence process and regulatory approval.

The transaction excludes the banks' bad debts, that would be deconsolidated prior to a possible sale.

Crédit Agricole said the deal would boost its Italian customer base by nearly 20%, and reduce its common equity Tier 1 ratio by less than 10 basis points.

"These discussions fit with Crédit Agricole's strategic goals in Italy, as presented when the medium-term plan, *Ambition 2020*, was published and confirmed again recently.

"Organic growth is the priority avenue of development for its retail banking business in Italy," the French bank said.

SECURITY

MAS collaborates to combat money laundering

The Monetary Authority of Singapore (MAS) and the Commercial Affairs Department (CAD) of the Singapore Police Force have joined forces with industry stakeholders to boost the country's efforts in combating money laundering and terrorism financing (ML/TF).

The Anti-Money Laundering and Countering the Financing of Terrorism Industry Partnership aims to identify, evaluate and mitigate Singapore's major ML/TF risks, as well as improve the detection and reduction of transnational risks in the country. It will seek assistance from selected industry participants, regulators, law -enforcement agencies and other government entities to support its objectives.

The partnership will include a steering group, which will be co-chaired by CAD and MAS. It will also include eight banks and the Association of Banks in Singapore.

The steering group will be supported by working groups. Its focus will be to prioritise ML/TF risks, and commission working groups to study the risks further. The working groups will exchange information with the private sector and other stakeholders to gain more insight into the risks.

MAS's assistant MD, banking and insurance, Chua Kim Leng, said: "This collaborative approach enables us to identify and address ML/TF risks from different angles so as to better detect, deter and defend Singapore against financial crimes."

MOBILE

Challenger bank Starling introduces Pay by Bank app

Starling Bank, a UK-based mobile challenger bank, has joined forces with VocaLink's Pay by Bank mobile app to help customers make online payments.

The VocaLink app will allow Starling customers make real-time payments from the existing mobile banking app.

Starling Bank COO Julian Sawyer said: "The Pay by Bank app's token technology means financial data never leaves the customer's banking app during a transaction, staying safe and secure. This is an exciting innovation and we are proud to be part of helping it become a more mainstream form of online payment."

Sawyer stated that the Pay by Bank app "not only allows customers to bank and transact on the go, but also to benefit from a greater range of choice and sense of security".

Last month, Starling Bank partnered with UK fintech startup Transferwise for money transfers. Earlier this month, the bank teamed up with mobile app Moneybox to give customers access to its saving and investment tools.

M&A

BBVA completes acquisition of Mexican startup Openpay

Spanish banking group BBVA has completed the acquisition of Mexican online payments business Openpay for an undisclosed sum.

Openpay processes non-present credit or debit card payments, accepts cash payments through its Paynet web of 15,000 points in Mexico, and supports bank transfers and payments with loyalty points.

The deal, announced in December 2016, will not lead to operational or fee changes for existing Openpay customers.

BBVA's general manager for new digital business, Teppo Paavola, said: "Openpay is one of the principal innovators in Latin America in payments. Its development platform transforms the manner in which companies can do business online.

"By leveraging the synergies between Openpay and BBVA Bancomer, we hope to contribute to the growth of electronic commerce."

The purchase forms part of BBVA's ongoing efforts to accelerate digital transformation. The bank acquired Finnish online banking startup Holvi in March 2016, a 29.5% stake in UK mobile-only bank Atom in November 2015, and San Francisco-based user experience and design agency Spring Studio in April 2015.

In 2014 BBVA completed the acquisitions of big data and cloud computing services startup Madiva Soluciones, and technology business Simple. ■

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How banks can avoid BlackBerry's fate

The mobile smartphone market was once dominated by BlackBerry. However, sales plummeted and it seems unlikely that it will ever regain the dominance and market share it once enjoyed. Banks need to adapt their business models or meet with the same fate, writes **Christian Ball,** head of retail – Atlantic region at GFT

Blackberry has been eclipsed by the likes of Apple, Samsung and Google's Android, which disrupted the market by providing new products, services and customer experience with their own smartphone innovations.

The lesson for retail banks is that BlackBerry provides an example of an incumbent business that is now in decline after it failed to adapt to innovations in technology and changing demands and expectations from consumers. The question being asked of retail bank incumbents is whether they are facing their very own BlackBerry moment.

Incumbents versus challengers

Incumbent banks currently find themselves in a dominant position as a consequence of their size and customer base; however, such a position can quickly lead to complacency and conservatism. New challenger banks such as Monzo, Starling, Atom and Fidor have very different ideas on what the future of banking may look like, and do not share many of the traditional views held by incumbents.

Challenger banks are seeking to do something different in banking, and have been quick to recognise changing consumer behaviour and how technology can provide new services and customer experiences.

Unlike the incumbents, they are starting from a point where their business models and relationships with customers are very different. They understand that millennials are more open to digital banking experimentation. They do not share the same level of brand loyalty as older consumers, and expect very different things when consuming financial services. Incumbents can still rely on the diverse portfolio of products that serve their older customer base, but technological innovation and changing consumer behaviour will ultimately lead to a new business model in the future.

The move to open banking

Alongside this threat from new market entrants, legislation is changing the bank business model. Regulators in the UK and in Europe want to increase competition in the market by pushing towards an 'open banking' model.

Open banking will require banks to share data that they have historically held exclusively, with consumers and third parties. Third parties can access this data by connecting directly to customer bank accounts via a standard application programming interface (API). This access will allow third parties to build products on a bank's infrastructure, enabling new services to be delivered and specifically tailored to the needs of different customers.

With regulation forcing banks to open up their technology to fintech firms, startups and other financial service providers, consumers are becoming less reliant on providers of traditional financial services. The idea that one institution will manage all financial services for one customer will no longer be the most viable, or the expected, model. Open banking creates a new relationship between banks and customers. It requires banks to adopt a customer-centric and data-centric view on how they do business.

In this emerging model, data becomes a valuable commodity. To extract value, banks must have the appropriate core technology and infrastructure in place. This requires a good API governance structure that must include standards, management policies, data access and statistics, and development processes.

For banks to become digitally ready they must understand the data currently available inside their organisations; they must understand the data information flow and where the business sits in terms of existing APIs.

The challenge for incumbents is achieving this while still relying on legacy systems and outdated mainframes. Newer systems and programming languages designed to cope with the shift in consumer behaviour do not interact well enough with older, slower back-office systems. This will ultimately hamper their ability to respond to the digital challenge.

The historic monopoly enjoyed by incumbents within retail banking is very much under threat. If they are to avoid their own BlackBerry moment then they must become digitally ready.

There are some incumbents, such as Spain's BBVA, which are leading the way towards implementing digital transformation strategies. Spain's second-largest bank has explicitly stated that its top strategic priority is digital transformation. It means having the technology and business processes in place that will allow them to meet the digital challenge head on in an agile and nimble way.

Many banks have spoken about becoming digitally ready, but few have embarked on the necessary steps. Too many incumbents continue to believe that digital transformation means creating digital products and services while maintaining existing business models and back-end legacy systems.

If retail banks are to have the future customer-focused business they need to remain relevant, they simply cannot afford any further delays. ■

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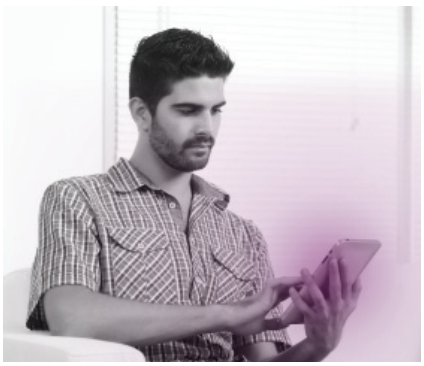

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