Issue No. 103

ASIAN BANKING & FINANCE

DISPLAY TO 30 SEMPTEMBER 2021

IS BUY NOW, PAY LATER A THREAT TO BANKS?

BANKS' HIRING SPREE AMIDST WEALTH FEE AMBITIONS

WHY LENDERS SHOULD CONSIDER THE HYBRID WORK SET-UP

PHILIPPINES' NEWEST NEOBANK AIMS TO CHARM WITH HUMOR

Sanjiv Vohra
President & CEO,
Security Bank
p. 14

SURVEY
TOP 50 APAC BANKS BY ASSETS

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Asian Banking & Finance

ASIAN BANKING & FINANCE

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FROM THE EDITOR

We chatted with Sanjiv Vohra, president and CEO of Security Bank Corporation, to find out more about his thoughts regarding the future of banking in the Philippines as well as lessons learned as leader of the bank.

As Security Bank celebrates its 70th anniversary, Vohra shared with us his outlook regarding the future of banking, thoughts about the entrance of digital-only lenders in the country, as well as a look at how Security Bank transformed its operations amidst the crisis. Head over to page 14 to learn more.

This issue also features our annual bank rankings for Singapore and Hong Kong! Curious to see which banks saw their headcounts rise and which ones had their staff numbers fall? Head over to pages 28 and 32, respectively.

We also have a list of the biggest banks in the Asia Pacific by assets, courtesy of S&P Market Intelligence. Flip over to page 22 to see the full list.

Asian Banking & Finance recently held its annual retail banking conference last May, where the banking and finance industry's leaders and experts talked about the latest trends in the region. If you missed the event, don't fret—we've got you the full event coverage on page 36.

Enjoy the issue!

Tim Charlton

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CONTENTS

FIRST

INTERVIEW

RETAIL BANKING

FINTECH WATCH

RANKINGS

EVENT COVERAGE

OPINION

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Understanding the benefits of a robust intraday liquidity management system

Managing an effective intraday liquidity system doesn't have to be a tedious and drawn-out process.

Nadeem Shamim, SmartStream's head of cash and liquidity management

The COVID-19 pandemic has not only disrupted the workplace but has magnified the strength or weakness of a bank's liquidity management amidst the economic challenges that followed the crisis. And with social distancing and lockdowns significantly impacting Asian economies, the immediate aftermath was for many Asian banks to preserve capital and stockpile cash as well as provide credit to businesses–thus, leading to a host of liquidity risks that can jeopardise their operations and affect their long-term sustainability.

Liquidity risk refers to a bank's inability to cover a payment or obligation at an expected time due to inadequate cash on hand. One prime example of this was the 2008 financial crisis, where, despite having enough capital on hand, many U.S. banks went bankrupt because they weren't able to raise the needed funds to meet their obligations in due time.

This problem could have been averted if the banks had an effective way of managing their liquidity risk. Liquidity risk management, which also includes managing intraday liquidity, is important for banks because having little or no liquidity means banks lack money to fund their day-to-day business as well as any new business venture. Moreover, it can also lead to a liquidity crisis if new commitments don't push through due to a lack of funds.

Firms that can manage their intraday liquidity well during the business day enable them to make payments and settle security obligations day in, day out, and at any time of the day. Payment delays until the end of the day can severely be detrimental to the smooth operation of a bank's payment and settlement systems. Moreover, it can also increase the amount of credit risk and settlement risk in the financial system.

Features of an effective intraday liquidity management system

Currently, the problem in managing intraday liquidity is that many Asian banks still rely on manual techniques. Research made by advanced technologies solution expert SmartStream revealed that many financial institutions still rely on a combination of spreadsheets, emails, phone calls, and manual gathering of information needed from various accounting, treasury and risk software, and core banking applications to manage cash and liquidity.

This process is highly ineffective. Aside from being a time-consuming process, it's complex to operate.

Banks with enhanced liquidity management systems in place will not only have a clearer, up-to-date picture of their liquidity, but they can also protect themselves more effectively. For example, these systems can issue automated early warnings on excessive changes in liquidity, or assist firms to stay within internal policy guidelines and alert them of any breaches.

This is an ambitious undertaking that requires the help of technology. Upgrading to an effective intraday liquidity management requires four important features: a single global platform, extensive real-time reporting, regulatory alignment, and stress testing results in minutes

Single Global Platform

Automation simply means having the process or system operate automatically, thereby replacing human labour—and errors.

Developed to deliver real-time cash and liquidity automation and reporting, SmartStream's Cash and Liquidity Management solution creates a single, global view of balances across all currencies and accounts – allowing an accurate understanding of data that includes funding, borrowing, and lending requirements. Furthermore, the solution uses artificial intelligence and machine learning to predict settlement times of projections that have yet to be cleared through the account, for example. This allows for better decision-making.

"If we look at it, having an automated data gathering capability, having the ability to get the liquidity position as it happens, knowing where that liquidity crunch point is and being alerted if you go beyond the guidelines—it's all in part and parcel of being able to automate that process and have data in as much as real-time as possible," said Nadeem Shamim, SmartStream's head of cash and liquidity management. "So effectively, you need to have the right level of data at the actionable time to make an informed and right decision," he said.

Extensive Real-Time Reporting

Real-time refers to data or information that is communicated or passed along at the time it happens, or with only a brief delay.

Applying this in managing intraday liquidity is important since it allows financial institutions to understand funding, borrowing, and lending requirements as they happen—from the highest level down to the individual transaction.

Real-time updated positions deliver up-to-date information, enabling firms to optimise their use of all available liquidity. Consequently, the treasurer has greater confidence in making funding decisions.

"I think the expression that I used earlier on is quality information, actionable timeframe. It helps a treasurer or cash manager monitor their liquidity in real-time," said Shamim.

"It integrates with internal systems to create an automated process to gather not only once a day updates on the liquidity demand, but regular updates as they come in, and then compare this with the automation on the external side. As the SWIFT messages come in, it then creates an updated position to say what I was expecting to settle and what has settled on the account," he added.

Financial Regulatory Alignment

Financial regulatory alignment allows clients to respond to industry regulations, ensuring they have the necessary risk controls in place to assist with compliance rules.

SmartStream's cash and liquidity management solution delivers the tools to actively manage a bank's liquidity as well as producing regulatory reports. Its TLM Cash & Liquidity Management solution supports banks to comply with BCBS 248 intraday liquidity management directives, delivering reporting within the BCBS 248 framework. It also facilitates the active management of intraday liquidity, enabling banks to better meet several central banks' guidelines relating to internal capital and liquidity assessment processes.

Banks need to demonstrate to the regulators that they have intraday liquidity metrics at their fingertips. This means knowing exactly what their liquidity position is at any given time of the day. Coupled with the real-time information, having detailed analytics comparing point-in-time liquidity metrics with averages over a period is key to this control.

Stress Testing Results in Minutes

The COVID-19 pandemic has made intraday liquidity stress testing more essential than ever. However, carrying out a stress test – defining its scope, gathering data, and running the test – currently can take up to eight weeks. Moreover, it also requires a large team and a good deal of manual effort. The cumbersome nature of the process makes running ad hoc scenarios virtually impossible, preventing a more proactive, dynamic approach to risk analysis.

According to Shamim, most Asian banks have been doing intraday liquidity stress testing, but they use a manual process in getting the information and changing the leavers.

"It takes a long time. So you need to have a more flexible tool for that," he added.

Stress testing moving beyond the regulatory tick box exercise. This is now being seen as a central pillar in a sound risk management framework. Financial institutions need to be proactive in their risk analysis to be better prepared to counter liquidity crunches. A flexible stress testing capability to generate risk reports quickly and accurately also facilitates more informed and timely decision-making. Importantly, through powerful analytical capabilities, quantifiable data, and metrics it provides, it can help banks understand whether they can reduce regulatory liquidity buffers—or not.

SmartStream's Intraday Liquidity Stress Testing module allows banks to define and run stress tests on-demand, utilising existing data. On-demand test execution means that results are available in a matter of minutes, rather than days or even weeks. The module provides extensive, real-time reporting, as well as sophisticated analytical capabilities and liquidity risk metrics.

Upgrading to a more powerful intraday liquidity management system

Creating a more robust intraday liquidity management that uses advanced technology like AI and ML may be a challenge to attain for some banks, but Asia is ready for it.

"I think the Asian market is ripe for expanding into these intraday liquidities as the Asian banks are becoming prominent on the global stage. Many are now more advanced in their use of new technologies," explained Shamim. One of these is the use of machine learning and artificial intelligence.

"We use machine learning and artificial intelligence to start predicting the liquidity needs going forward," explained Shamim.

"So let's say that at noon, I have a certain number of payments and receipts that are still outstanding. Do I know what time they will settle, i.e. can I predict the settlement time of those payments and receipts? Does that create a potential liquidity crunch point? If not, does that mean some of the receipts that are coming in are too late? In that case, what payments am I obliged to make, and are they going to be delayed or missed for that matter? That has a significant impact not only on operational risk but with reputational risk as well." he added.

Moreover, Asian regulators are increasingly concerned about banks' ability to manage liquidity risks. Asian banks need to demonstrate that they have sufficient controls, framework, and management actions in place to address any changes in liquidity demands.

"Most of the Asian markets are ready for that right now. Still, what is becoming clear is that having an additional liquidity buffer sitting on top is no longer a viable option. Asian banks need to be actively managing it. And central banks are saying: 'Yes, I know you manage liquidity actively, but I need you to tell me exactly what liquidity you have at X point in time of the day. And that is becoming more critical than ever," he added.

Asian regulators are increasingly concerned about banks' ability to manage liquidity risks. Asian banks need to demonstrate that they have sufficient controls, framework, and management actions in place to address any changes in liquidity demands.

Offices services firm IWG expects an increase in demand for office spaces outside of Singapore's Central Business District (CBD).

Why the hybrid work model is here to stay

Banks stand to lose not just on cost savings, but also in the fierce war for talent, if they stubbornly push for the return of pre-pandemic work set-ups in the new normal.

Banks could no longer kid themselves that having all their staff work from an office is the right work set-up moving forward. Whilst offices will always be a mainstay of the working life, the pandemic has proven that working remotely does not necessarily hit employees' productivity—and it would be more damaging for leaders to insist otherwise.

"Office life, along with the "old" ways of working and workplace setting, has not completely changed, but will also never return to the way it was pre-COVID-19," said **Paul MacAndrew**, country manager for office services company IWG in Singapore and Hong Kong. "Instead, at IWG, we believe that the future of (professional) work is the hybrid office."

The pandemic has helped shift the way all companies, including banks, see working and office use, MacAndrew told Asian Banking & Finance in an interview. Not only did it spark a revolution in the work-from-home (WFH) initiative, it also brought about a radical change in employee behaviour and mindsets – a trend that will have a long-lasting and profound impact in the way we work from now onwards, even after the pandemic situation is over, he noted.

But some banking leaders remained tethered to the pre-pandemic way of working. JP Morgan CEO Jamie Damon had been widely reported to harbour a form of antagonism against work from home, commenting in a media-sponsored conference in May that "it doesn't work for those who want to hustle. It doesn't work for spontaneous idea generation. It doesn't work for culture."

After over a year of working from home, many staff see a mandated return to the office as less desirable

He's not alone in this regard. During a conference in February, Goldman Sachs chief David Solomon called the work from home an "aberration," treating it as though it's a mistake to be corrected, and insisting that it is not the new normal. Like Damon, Solomon said that work from home is against the investment banking giant's culture.

In North America, 80% of 400 banking leaders said that they want employees to remain working in the office 4-5 days a week, according to a survey by Accenture. They reportedly claim that remote working is "hurting company culture" and is making it harder to train new hires.

The problem is, the vast majority of the workforce or those who belong in the middle—employees who are neither senior executives in their offices, or newbies yearning for more guidance to learn the tools of the trade—want to stay working at home, according to professional services firm Accenture.

Staff could not really be blamed if they prefer a hybrid set-up: it means being able to better balance work-life priorities, have greater control over their daily schedules, and cut down on commuting time and related employment expenses, MacAndrew said.

Citi Hong Kong

“After over a year of working from home – which has seen multiple benefits including greater control over their daily schedules, cutting down on commute times and costs, having to adhere to a mandated return to the office may be seen as a less desirable arrangement,” he warned.


Paul MacAndrew

Companies who fail to adapt may find themselves losing out in the war on talent. IWG’s recent research found that in the long term, six in 10 office workers would like the office to be closer to home, and 77% consider a conveniently located office as a must-have for their next change of employment.

Employers must listen to their workforce and consider the satisfaction levels and well-being of their employees before pushing for such an arrangement – or risk being perceived as backward and oblivious to the current state of work in the eyes of existing and potential employees, MacAndrew added.

‘Hub-and-spoke’ model

In order to not lose out in the talent wars, banks and financial firms should consider adopting a hybrid ‘hub-and-spoke’ work model, where flexible working arrangements are incorporated into the structure.

Flexible work isn’t new to banks and the financial industry. Even before the pandemic, the idea of flexible work has long been in the works even before the onset of the pandemic given the growing need to work across time zones. The pandemic has simply accelerated this already-present trend, MacAndrew said.

Asian businesses are already ahead in this trend. IWG’s Asia Occupier Flash Poll also found that 84% of businesses plan to increase their investment in technology in order to support remote working and business continuity planning going forward – signalling that flexible work arrangements will continue to stay for the foreseeable future.

In Hong Kong, Citibank will adopt three new models of working for when it becomes safe for everyone to work together once more: hybrid, resident, and remote.

Speaking to Asian Banking & Finance, Citi spokesperson **James Griffiths** said that post-pandemic, the majority of global roles in the bank will be specifically designated as “hybrid.”

“The majority of roles globally will be designated as Hybrid.These colleagues will work in the office at least three days per week and from home up to two days per week,” Griffiths said. “This is not just a scheduling exercise; we will be thoughtful about when we ask colleagues to be in the office together, using four principles: belonging, collaboration, apprenticeship and learning, competitive and performance.”

Roles who cannot be performed offsite—branch-based roles or those who work at data centres—will be designated resident, whilst the bank will also make remote working available to roles who can be done outside a Citi location. However, apart from roles that were already remote before the pandemic, Griffiths said that new remote roles will be somewhat rare.

IWG themselves are part of the movement. The office services firm recently signed an agreement with global bank Standard Chartered to offer flexible work options to all of its employees over three years—enabling its employees to just drop in and work at IWG’s locations at any given period.

The bank’s transition to a hybrid model of working is also well underway, with recent announcements reporting that its senior staff have been clearing out their offices to make way for meeting rooms to be set in its place, IWG’s MacAndrew shared.

It’s not just Standard Chartered. Other banks and businesses in Asia are expected to join the remote working trend soon, particularly in financial hubs Singapore and Hong Kong. IWG is anticipating an increase in demand and enquiries for office spaces in locations outside of the traditional Central Business District (CBD) in Singapore.

For instance, the demand for locations such as Tampines, Jurong and Paya Lebar in Singapore have remained strong during the pandemic as compared to workspaces in the CBD, MacAndrew shared.

In Hong Kong, demand for workspaces in Hong Kong’s cost-effective, yet well-connected sub-markets such as Kowloon East, Mong Kok and Tsim Sha Tsui have remained resilient as well in the past year, he said.

Keeping cost savings in mind

Banks who snub the hybrid work model don’t just miss out on possible talent—they are also snubbing the potential to save on costs.

A study reported by EY has found that companies can save as much as a whopping US$11,000 for each employee that works in a hybrid manner. Going by this number, a bank with 50,000 employees that has 20% of their workforce working in a hybrid manner could save as much as US$100m in costs a year.

Apart from that, having their employees work in a hybrid set-up will enable businesses tto rapidly flex up and down in terms of the office space they use, therefore resulting in fewer issues during difficult, busy moments.

“We also note that businesses that take on a fully-equipped workspace often record a significant reduction in their property costs – allowing for more capital to invest in generating stakeholder value,” MacAndrew said. *By Frances Gagua*


Climate change is exposing banks to new risks. (Photo: Sigmund)

APAC banks face time bomb of risks amidst new climate change policies

Asia-Pacific banks must step up their climate change and ESG-compliance policies as climate change and related government policies expose them to an array of new risks, both financial and reputational, according to Moody's Investors Service.

New standards and regulations will increase compliance costs for banks, whilst engaging in or facilitating activities with a significant negative environmental impact can inflict reputational damage on banks and tarnish their brands.

"Asia-Pacific economies with weak infrastructure are particularly vulnerable to physical climate risks, which can hurt banks' asset quality because a natural disaster can damage borrowers' assets or disrupt their cash flow. Many banks in the region also face asset risks from large exposures to sectors susceptible to carbon transition risks," says **Alka Anbarasu**, a Moody's vice president and senior credit officer for the region.

Climate change is altering the cost-benefit analysis of banks' lending and investment options, increasing compliance costs for banks and exposing lenders to the risk of fines or litigation in the event that market players do not comply.

For example, Anbarasu notes a study published in 2017 by International Renewable Energy Association, which estimates that between 25% up to 45% of Chinese and Indian power generators' assets by value could become stranded by 2030. This, in turn, would lead to impairments of banks and financial providers' exposures to such borrowers.

Despite the time bomb of impairments creeping closer towards D-Day, only a few large banks in Australia, Korea, Japan, Singapore and Malaysia, as well as foreign banks with large operations in the region--notably Standard Chartered and HSBC Holdings--currently prohibit financing new coal-fired power plants. Banks in the rest of the region are even more exposed to this time bomb of impairments as they have yet to clearly articulate such policies.

Other carbon-intensive sectors include coal mining; oil and gas; diesel-intensive transportation and logistics; and production of steel, chemicals and building materials. Banks in emerging economies in Asia, such as China, Bangladesh, India, Indonesia, Philippines and Vietnam, have material exposures to these sectors.

Lenders to palm oil plantations in Malaysia and Indonesia also need to seriously rethink their exposure to the sector, as they could face defaults by producers that lose business because of heightened global scrutiny on deforestation by the industry.

Scrutiny in this area is already underway. In 2016, the IOI Corporation Berhad, a large Malaysian palm oil producer, lost several customers because the Roundtable on Sustainable Palm Oil suspended certification of the company. This is in response to complaints filed by environmental organizations, which criticized IOI for clearing peatlands in Indonesia. Whilst the company's certification has since been restored, small producers in Malaysia and Indonesia continue to face similar risks.

Amongst banks in the region, large, diversified banks in the developed economies of Singapore, Australia, and Japan, along with major pan-Asia Pacific banks, are the ones better positioned to cope with climate-related risks and preserve their credit strength.

"Their exposures are more diversified across different countries and industries, reducing their vulnerability to climate risks from a single location or borrower group," Anbarasu said. "What's more, they have started incorporating climate factors into their strategic plans and operations as they face pressure from stakeholders to take steps early."

Legal, reputation risks

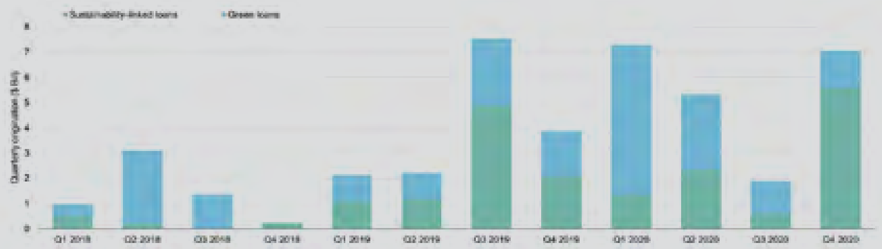
Legal and reputational risks are also on the rise for APAC banks, as governments advance guidelines and regulations for sustainable financing and disclosure requirements related to climate risks.

Banks face the challenge of complying with these regulations as they are expected to be inconsistent and even conflicting from country-to-country, said Anbarasu. And should lenders fail to comply, they risk getting fined or facing litigation.

Investors themselves are increasing

"Climate change is altering the cost-benefit analysis of banks, increasing compliance costs and exposing them to the risk of fines."

Asia Pacific banks' sustainability lending is growing



Source: Climate Bond Initiative

pressure on banks to stop financing carbon-intensive projects.

"At the same time, shareholders and lobbying groups are increasingly pushing businesses toward sustainable growth, and a failure by a company to satisfy their demands can directly lead to legal consequences, hurt its reputation or both. This is a substantial risk for banks," Anbarasu warned.

The new frontier

Despite these new risks, heightened awareness on sustainability and ESG factors have created fresh financing opportunities for financial institutions.

Bank lending will be the largest source of funding for clean energy projects that will require enormous amounts of investment, Moody's said in its report.

"Asia-Pacific countries' pledged commitment to the goals of the Paris Agreement for 2030 and their net zero emissions targets will create opportunities for banks to boost lending because the new government policies will require enormous amounts of investment in clean energy and efficient infrastructure, with bank lending to be the largest source of funding for such projects," the ratings agency said.

Demand for funding will rise as countries amp up their sustainability-related ambitions. In China, policymakers in the country have outlined goals to reduce the share of fossil fuels in its total energy mix to less than 20% by 2060 from the current 80%, as the government seeks to achieve net zero carbon emissions in forty years' time. Whilst banks in the country currently have large exposures to carbon-intensive assets, some have responded to the government's call with ambitious targets to double green loans in the next five years in expectation for increased demand.

In fact, green loans in China grew 24.6% as of 31 March 2021 compared to a year earlier, to make up more than one in 10 or 11.2% of all corporate loans in the country.

Green finance will increase similarly in other countries in Asia as they seek to reduce the use of carbon-based fuels, Moody's added.

India aims to increase the share of non-fossil fuels to 40% of installed electric power capacity by 2030 from 36.8% as of March 2021; whilst Indonesia is committed to using renewable energy sources for at least 23% of primary energy in 2025 from less than 10% in 2020.

Overall, Moody's banks' scenario analysis indicates that physical climate risks and an orderly transition to low-carbon society will result in gradual, manageable increases in loan-loss provisions. While banks can adjust their strategies to avoid or slow the materialization of climate risks, this will entail additional costs as they need to reorganize and acquire specialist expertise to adapt their business models in line with the reality of climate change.

On the other hand,governments' net-zero targets will create opportunities for banks to invest in related projects that will have low credit risks because of government support.

MALAYSIAN BANKS' PROFITS TO RECOVER FASTER THAN ASEAN PEERS: MOODY'S

Compared to regional peers, Malaysia's biggest lenders have the smallest share of loans under relief programs.

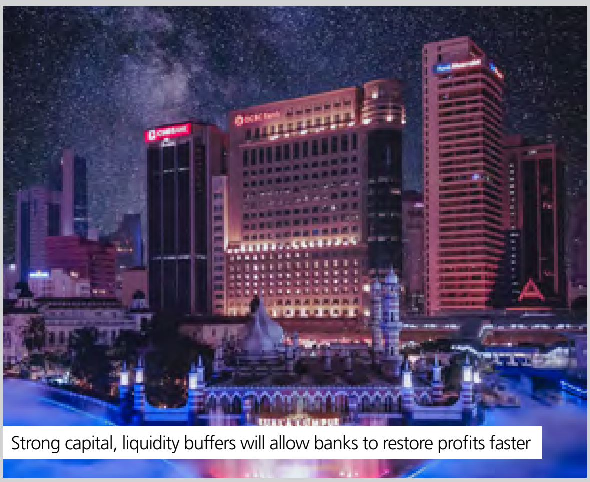
Malaysia's largest banks are expected to restore their profitability faster than their regional peers, thanks to the resilience of their asset quality amidst the coronavirus-induced economic disruption, Moody's Investors Service has reported recently.

"Despite the economic shock triggered by the pandemic, the asset quality of the largest Malaysian banks has remained sound, thanks to their greater focus on retail loans that are largely secured, well-regulated and supported by ample financial assets," said Tengfu Li, a Moody's analyst.

This resiliency, along with their strong capital and liquidity buffers, will enable Malaysian banks to restore profitability faster than their regional peers, Li added.

Malaysia's biggest lenders have the smallest share of loans under regulatory relief programs—most of which are collateralized mortgages and auto loans.

"This stronger asset quality will help Malaysian banks restore profitability faster than their peers, as their relatively lower asset risk will save them the need to keep provisions as high as their peers," Moody's said. "Moreover, the banks' capital and liquidity buffers are still strong and enough to cover any potential financial stress."



Strong capital, liquidity buffers will allow banks to restore profits faster

Noel Quinn, Group Chief Executive, HSBC (Source: HSBC)

Global banks on a hiring spree as they vie to manage rich Asians' assets

The world's biggest banks are all embarking on massive hiring sprees in Asia as part of their strategy to woo the region's high net-worth individuals in entrusting money in the banks' hands.

Three of the world's "too big to fail" banks—HSBC, Goldman Sachs and Citigroup—have been reported to be rapidly expanding their Asian (and in particular, China-based) headcounts as they vie for a piece of the region's trillion-dollar financial market.

Citigroup has already hired almost 650 wealth professionals in APAC during the first quarter of 2021, over 130 being relationship managers (RM) and private bankers (PB). This is part of its plans to add over 2,300 wealth staff—including 1,100 RMs and PBs, whilst it shaves off its commercial banking business in 10 Asian markets, keeping only operations in Singapore and Hong Kong.

It is a testament to the end of the universal banking model in Asia, where local banks have gotten better and fintechs and digitization have sliced business and margins from the foreign banks. But when it comes to having the widest range of international investment products to offer rich clients, the global banks still have the edge.

HSBC alone is hiring over 5,000 people in its wealth management business over the next five years, and is shelling out $6b in total investments for its operations in Asia over the same period, according to CEO Noel Quinn in the bank's results announcement last February.

"[We're] going to invest more than $3.5 billion in wealth in Asia in the next five years to achieve three things. We want to serve high net worth and ultra-high net worth clients in Hong Kong, mainland China, Singapore and South-east Asia globally," Quinn had said, later adding that tomorrow's HSBC involves undertaking three pivots: to Asia, to wealth, and to fee income.

Like Citigroup, HSBC has recently pulled out of its mass market business—this time in the US, where it sold 90 of its branches and portfolio in the East and West Coast to Citizen Bank and Cathay Bank, respectively. Both Citi and HSBC cited the inability to scale to compete in the markets they are pulling out.

Meanwhile, Goldman Sachs is reportedly looking to fill in 400 roles in China and Hong Kong as it looks to break through the world's second-largest economy, most of which are newly created. According to media reports, a source shared that the bank is in the process of hiring 320 staff, 70 of which are for its investment banking business.

It is also planning to add another 100 employees throughout the rest of the year, with many filling newly created roles, the source added.

Red Dragon hopes

Foreign banks' interest is particularly focused on China, which recently accelerated moves to open up its trillion-dollar financial market to foreign entities.

China's regulators have allowed some US financial institutions to gain majority ownership of existing joint ventures and licensed other firms to access the Chinese market for the first time.

As an example, Goldman Sachs was notedly allowed to acquire all outstanding shares in its joint venture securities firm Goldman Sachs Gao Hua Securities, making it 100% owned by Goldman Sachs. The agreement paves the way for Goldman to become the first wholly foreign-owned securities firm in China. Earlier in 2020, JP Morgan received approval to operate a new, wholly foreign-owned futures firm.

Given the large size of China's domestic financial industry, if foreign firms can increase their shares in the market, they stand to generate large profits, notes Nicholas Hardy & Tianlei Huang of Peterson Institute for International Economics (PIIE).

"Despite predictions by some observers that the United States and China are headed for a "decoupling," China's integration into global financial markets is accelerating. Regulatory reform has opened China's financial market to many US and other foreign financial institutions," Hardy and Huang wrote in a policy brief discussing the acceleration of China's financial market opening. "Foreign ownership of onshore Chinese stocks and bonds is growing rapidly and is likely to continue to expand in 2021."

Previous restrictions have limited foreign firms' entry in China's financial industry; in 2019, Guo Shuqing, chairman of the

"Given the size of China's financial industry, if foreign firms can increase their shares in the market, they stand to generate large profits."

China Banking and Insurance Regulatory Commission, revealed that foreign entities control less than 2% of banking assets and less than 6% of the insurance market.

Still a struggle

But getting strong profits will be far from automatic, as Chinese financial institutions have built up strong positions in many of these markets, says Hardy and Huang.

Vanguard Group can attest to this struggle. The $7t American investment management group stunned its staff in China with its decision to halt pursuit for a license last March. Instead, it is instead focusing on developing its robo-advisory joint venture with local fintech giant Ant Group, according to an announcement.

But Vanguard is still treated as an exception, not a norm, with global undeterred with the prospect of competition with local players—especially when the potential profits could help push up their dwindling earnings that have plagued them for the past decade.

Pre-COVID, HSBC announced its third restructuring in a decade as it fought to find means to push up profits (FY2019 results were 53% lower than in FY2018). And whilst Citigroup and Goldman Sachs' earnings in 2020 beat analysts' expectations at the time, they reflected challenges faced by other global banks as profits spiralled lower than in past years.

Even local lenders and financial firms from the very market that these foreign banks are pinning their hopes on have faced turbulent times recently. According to media reports, onshore defaults have swelled to exceed $15.5b for four straight years, and is on track for another record annual high in 2021. This will surely be a challenge for local banks' asset qualities.

On the upside, analysts have predicted bright spots on the horizon for China's banking industry in the near term. In a report, Fitch Ratings excluded China from emerging markets in Asia with a "challenging" operating environment in the future. The ratings agency also said that the country is amongst those who will have relative economic stability, alongside Malaysia, South Korea and Taiwan.

The country's recent tightening of regulations for non-bank financial firms could also play to both local and foreign banks' advantage. Regulators want to create an equal environment for banks and non-bank financial institutions alike, S&P Global Ratings Fern Wang noted in a report.

ASIA PACIFIC

Citi to leave consumer banking business in at least 10 Asia Pacific markets

Citibank (Photo: Mikel Parera)

Is the age of universal banking coming to a close? For Citi, it's the end of an era, at least. On 15 April, the banking group announced that they are saying adieu to their consumer banking business in 10 markets across APAC, only notably retaining retail operations in Singapore and Hong Kong.

Instead, Citi is doubling down on its wealth management, institutional banking, and corporate banking businesses, which they said presents "the greatest scale and growth potential." Just a couple of days later, Citi APAC unveiled plans to add 2,300 professionals in their headcount-- 1,100 of which will be relationship managers and private bankers. It has already hired close to 650 wealth professionals as of Mid-May, including at least 130 professional managers and private bankers.

The move underscores how Citi, and other global lenders, are banking on rich Asians to help drive up their profit margins and investor returns in the near future.

If Citigroup thinks that, they really couldn't be blamed: numbers are encouraging, with the bank recording over $20b in net new money inflows across the region in 2020, marking a record year for the franchise. The bank's latest strategy outlined a lofty ambition to have $150b in assets under management across its APAC wealth franchise in four years. Of this, $120b are expected to come from the high-net-worth segment.

Just from the first quarter of 2021 alone, the group's APAC segment has added over US$5b in net new money, marking one of the strongest quarters for the bank on record.

Speaking to *Asian Banking & Finance*, Citi APAC CEO Peter Babej said that the plans are part of Citi's strategy to allocate resources where it could drive profitable growth for the group as a whole.

"The sharpened strategy that Jane announced will redouble Citi's focus on areas where our global network delivers the highest value to clients. This includes our market-leading wealth and institutional franchises in Asia," Babej said.

"We will invest to grow the integrated wealth, payments and banking businesses in our Hong Kong and Singapore hubs. We will also continue expanding our institutional presence, delivering Citi's unique global capabilities across all our regional markets. Asia is critical to our firm's strategy, and we will allocate resources to drive profitable growth for our franchise," he added.

CEO Jane Fraser admitted in the announcement that Citigroup doesn't have the scale they need to compete in these markets.

"We believe our capital, investment dollars and other resources are better deployed against higher returning opportunities in wealth management and our institutional businesses in Asia," she added.

The announcement also came just a day after Citi APAC appointed two new co-heads of Citi Global Wealth in APAC—signalling the group's pivot to focusing much more on its wealth businesses in Asia Pacific.

Under its wealth business in the region, the bank reportedly has US$300b in assets under management (AUM), making Citi one of APAC's top three wealth managers in 2020.

Earlier in April, Citi appointed Kartik Mani as head of consumer banking in Asia, three months after announcing the exit of former head Gonzalo Lucchetti.

LOW COSTS PUSH AUSSIE BANK PROFITS

AUSTRALIA

Sydney, Australia (Photo: Dan Freeman)

Lower impairment costs will support the profits of Australia's four largest banking groups throughout the current fiscal year, says Fitch Ratings, but pressures will persist as earnings remain subdued amidst the continuing low interest rate environment.

The low impairment costs of the four banks—Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank (NAB), and Westpac—pushed up their combined operating profit in the first half of the year to A$19.3b. This is 46% higher compared to their profits in H1 2020, and 59% higher than that in H2 2020.

However, their profits pre-impairment remains subdued. Combined pre-impairment operating profit was up only 1% YoY compared to a year ago, and 9% from the H2 2020. Pressures are expected to remain in the near-term.

"We expect asset quality metrics to weaken in 2021 as support measures are removed, but the weakening is likely to be less than the banks anticipated when building provisions in 2020," Fitch Ratings said in a published media note recently.

On the upside, impairment charges are protracted to remain below historical levels in H2 2021, which should continue to support the big four banks' earnings.

"Non-performing loans—impaired and more than 90 days past due—generally fell in H1 2021, reflecting the support measures available to borrowers, although NAB reported a rise. This reflected the bank's approach to the loan deferral programme rather [than] indicating greater risk to its asset quality," the report said.

At present, the four banks remained focused at reduce operating expenses given revenue growth pressure, although Fitch expect investment in both technology and compliance to remain high.

Meanwhile, the lenders' net interest margins (NIMs) benefited from reduced funding costs, Fitch added.

Six consortiums have already submitted applications for a license. (Photo: Nathan Dumlao)

India's digital payments scene opens up

INDIA

The approval of new umbrella entities (NUE) licensing by the Reserve Bank of India (RBI) will lead to increased private participation in the local digital payments space, intensify competition and push for more innovation, according to data and analytics firm GlobalData.

The payments space is currently dominated by state-owned National Payments Corporation of India (NPCI) via its UPI payment system. To further develop digital payment infrastructure and increase competition, India's central bank introduced a framework for entry of private players for retail payments in August 2020.

The framework enables private companies to apply for NUE license and create a retail payment system against UPI.

"With rising digital payments, granting NUE license to private players will ease payment settlement burden on NPCI and stimulate competition," Gupta said.

Most importantly, unlike the NPCI, which is a non-profit entity, the NUE will be for profit—enabling entities to charge fees for online and digital transactions.

> **The entry of NUEs will further intensify competition and increase innovation in India's digital payments space.**

This has attracted big Indian businesses like Reliance and Tata, as well as global giants Amazon, Facebook, and Google, notes Shivani Gupta, banking and payments senior analyst at GlobalData.

Already, on 31 March six consortiums led by Reliance Industries, Tata Group, Axis-ICICI Bank, Paytm, India Post, and fintech startup iserveU submitted applications for a NUE license. Notably, Google and Facebook are part of the investment consortium led by Reliance Industries.

"The entry of NUEs will further intensify competition and increase innovation in digital payment space," Gupta said. "However, risks around consumer financial data are something that needs to be addressed to gain trust from customers."

To address the risk concentration of such a large number of transactions on only one platform and to offer options to consumers, the central bank invited private companies to bid for license to set up an a brand new payment platform.

The UPI payment platform pushed the transformation of India's payments system by accelerating digital payments adoption. According to NPCI, UPI transactions grew exponentially from INR69.5bn (US$951.52m) in FY2017 to INR41.0 trillion (US$561.57bn) in FY2021. While transaction volume increased from 17.9 million in FY2017 to 22.3 billion in FY2021.

UPI has been a game changer with a large volume of day-to-day cash transactions now shifting to UPI based payments, according to GlobalData. It allowed Indian consumers to make payments conveniently and quickly from mobile phones using a recipient's mobile number or QR code, without sharing any financial data.

Notably, it helped spur the adoption of digital payment platforms. An estimated 54.7 billion mobile wallet transactions are expected to be carried out annually in 2024, equal to US$1.41t in value.

Security Bank CEO Sanjiv Vohra on future-proofing a bank amidst a crisis

CEO Vohra talks about the future of the banking industry amidst the entrance of digital disruptors.

For Security Bank CEO **Sanjiv Vohra**, the key to thriving in the future is not just in digitisation and realignment of long-term goals: it's in offering a customer-centric banking journey.

"Our goal is to become the most customer-centric bank in the Philippines and that in itself is a big statementI," Vohra told Asian Banking & Finance in an exclusive interview. "In more quantitative terms, our goal is to be the industry leader amongst our chosen customer segments measured by net promoter score (NPS)."

Celebrating its 70th year anniversary this June, Security Bank entered a new decade characterized by a world fraught with massive upheavals. The coronavirus pandemic has altered the future of the banking industry--especially in the Philippines, where even the physically-reliant customers shifted to banking digitally during the three-month long lockdown and amidst ongoing social distancing restrictions.

Vohra is unfazed by these changes. Having been in the banking and finance industry for over 3 decades, he has witnessed two downturns prior to the past year--the 1997 Asian Financial Crisis, and the global recession of 2009.

"Through all these events, the importance of positive relationships in the workplace cannot be underestimated," Vohra said, adding that a service-oriented business like banking is all about relationships.

"To nurture positive interactions means creating an avenue for open and transparent communication at all times. Honesty in communication breeds trust, and trust allows us to earn respect and loyalty over time. When we respect and trust the people we work with, we develop an increased capacity to thrive, innovate, mentally flourish and actively address challenges head on," he added.

The focus on long-term client relationships and communication is reflected in Security Bank's BetterBanking brand promise, which Vohra said is nurtured through three things: humility, empathy and mutual respect.

When we respect and trust the people we work with, we develop an increased capacity to thrive, innovate, mentally flourish and actively address challenges head on.

How has COVID changed the way Filipinos and local businesses bank ?

The pandemic allowed Cash Management Systems like Security Bank DigiBanker to gain momentum as businesses were forced to operate remotely to prevent the spread of the COVID-19 virus. Cash management used to be more of a value-added service but today it has become a critical core business of banks.

The rise of banking from home has been proven by the uptick in online transactions seen at Security Bank. Year-on-Year growth in the usage of Security Bank Online was at 59% with enrolment increasing by 39% in 2020.

Sanjiv Vohra, President & CEO, Security Bank

Online money transfer also posted a significant increase in 2020, as compared to 2019. EGiveCash, Security Bank's domestic remittance service, grew by 284% while Fund Transfer transactions grew by 51%.

How has the Security Bank overcome these challenges?

Our immediate response was to ensure the safety of our people, our customers and our communities while making Security Bank more agile and resilient. Prior to the implementation of the ECQ, we activated our Business Continuity Plan by rolling out split operations arrangements. When the lockdown was imposed, work-from home was in effect.

For our clients, we made adjustments to our products and services, waived ATM withdrawal and money transfer fees to allow customers to access their funds whenever and wherever is most convenient for them and implemented a 30-day extension on loan payments even before the passing of both Bayanihan to Heal as One Act and Bayanihan to Recover as One Act.

With Filipinos staying at home, we had to make sure that we have the capability to cater to their banking needs. In order to keep up with the increasing demands for online banking, we continue to rollout upgrades and enhancements on our digital banking platforms to improve our clients' overall banking experience.

We recognize that competitive advantage is no longer confined to just product, sales and service differentiation but from capabilities that are aligned with how our customers want to interact with us and how they can interact in a simple and accessible manner.

What do you think the Philippine banking scene needs to upgrade or to invest in the coming years?
I think it is important that the banking scene gets comfortable with the digital space. The pandemic has accelerated the shifting trend towards online banking as a more preferred channel for doing transactions, may it be on the retail or commercial side.

The government has been instrumental in promoting digital banking through the implementation of key projects that enable digitalization. This includes the roll out of PhilSys or the Philippine Identification System that hopes to give Filipinos a single identification card that will serve as the primary ID to be used for all transactions. Once all of the phases of the National Retail Payment System are completed, having cash in your wallet will become a thing of the past and these new technologies will become your new wallet.

The advent of digital banking globally will help bridge the gap between the banked and unbanked Filipinos. Many will be more open to try and experience new banking modalities which in return will help the economy get back on its feet.

With E-signatures considered as a legally recognized method of signing documents Through the e-commerce act of 2002, digital banking will continue to thrive as the need for wet signatures will decrease. The availability of an online holistic credit bureau will also help banks gain access to data, which can allow them to create digital products tailor-fit to the needs of the consumer.

What is your view on the entrance of digital-only banks in the near-future?
The advent of digital banking will go after the easiest of products provisioned through a digital platform. Will this be competition for the banking industry? The short answer is yes and to that end, the banking industry needs to ensure that it is meeting the changing demands of the customers.

While the focus is on digital, it is important to know that the product capability will be centered only through digital channels and so these new entrants to the market need to provide the totality of the vertical capability. Our focus at Security Bank will be on understanding the needs of our customer in product and service and invest in providing a holistic solution.

In what ways is Security Bank future-proofing itself?

The first will be through transformative investments to reshape Security Bank's digital channels for our Retail, Wholesale and Contact Center. For Retail, our goal is to enable customers to use our digital mobile platforms to conduct transactions that they would normally do in a branch.

Competitive advantage is no longer confined to just product, sales and service differentiation but from capabilities that are aligned with how our customers want to interact with us

We also support our wholesale clients by extending new digital capabilities to the business community, particularly to the SMEs, to support growth through a self-service digital channel.

Our second area of focus will be to refresh our Credit and Collections framework. We have seen over the past months that customers' ability to maintain their loan or credit repayments have been hampered by the pandemic. We want to be in a strong position to extend support through a very different approach to collections as the impact of the pandemic unfolds on the Bank's portfolio.

Third is to constantly update our technology stack by focusing on building our capacity and capability for our technology infrastructure, architecture as well as network capacity in order to pre-empt the expected growth and usage in channels once our digital plans are fully rolled out.

We acknowledge that whilst digital banking has become increasingly preferred since the start of the pandemic, there are still customers who wish to visit branches. We will continue to establish branches in locations that we currently do not have any presence especially to address gaps in our target market.

Industry-wise: what is your view of the Philippine banking industry's future? Where is it headed?
There is a positive future for Philippine banking since the economy is on a verge of recovery. The challenge now is to restore confidence without sacrificing safety protocols. If this is done right, we can expect for business confidence to respond positively, this means growth in consumption, economic activity, loan growth and business expansions.

Once more countries are able to roll out mass inoculations and prevent new infections, we will see consumer confidence go up gradually. However, recovery will not be the same for everyone. We will see some industries recover faster than others.

Again, as we look ahead, locally we have low-interest rates, sufficient liquidity, pro-active Central Bank, resilient currency and a strong potential for economic and consumption rebound. We have a good fiscal performance and strong external and financial sector positions providing the country with relative stability amid this pandemic.

Security Bank's Better Banking on the go truck

Balancing regulatory driver and customer experience in financial institutions

Technology innovation is enhancing customer experience, empowering financial institutions to authenticate customers safely and smoothly

David Haynes, Senior Director at LexisNexis Risk Solutions

The dawn of the new decade has seen the banking and financial service industries trading punches with the pandemic's fatal blows, prompting a radical shift that made them more open to technological innovations.

This can be seen in the increase of online users during the pandemic. Social distancing has led users to resort to digital platforms, which prompted banks to extend real-time and mobile banking services to meet the needs of their customers.

In addition to this, various countries in the Asia Pacific region are now imposing different levels of eKYC (Electronic Know Your Customer) requirements and other personal information collections and usages. Open API initiatives have also disrupted the Hong Kong fintech industries, mandating both traditional banks and fintechs to acquire a customer's transaction through a fast and secure online exchange.

Risks involved in the rise of technological innovations

Moreover, mobile channels are increasingly taking center stage, and the rising security concerns in payments and financial services suggest mobile fraud detection has never been more important than ever.

As increasingly sophisticated cybercriminal organisations follow the masses into the mobile channel, four key trends are reshaping the "mobile threat landscape" around the world. These include:

Account Takeovers
Identity is becoming a critical issue for every business, as seen in various incidents of stolen personal identity records, credit card information, social security numbers, and other personal identity credentials that sell for at very attractive prices on the dark web.

Account Creations
These accounts take advantage of free trials/streaming bonuses that can be sold for a profit.

Mobile Payment Challenges
Account login/take-overs and fraudulent creations represent the majority of identity-related fraud activities.

Bot Attacks
Fraudsters target mobile devices and use bot attacks to test or exploit stolen customer login credentials in retail and banking accounts.

Risk-Based Authentication: Leveraging technology to prevent fraud

With these trends leading the pack, LexisNexis Risk Solutions' senior director David Haynes advises financial services and fintechs to reexamine their current fraud and risk mitigation procedures that utilise technology—particularly those that use mobile platforms.

"We need to educate consumers or the users on potential risks or new risks that they may not have been exposed to in the past. As we move towards mobile banking, people put a lot of trust in their devices, and it's up to the bank to ensure that these users are protected from fraud," says Haynes.

LexisNexis Risk Solutions' risk-based authentication strategy allows quick and safe onboarding of new customers by providing companies seamless ongoing service access merging user's digital and physical identity footprint. With advanced and innovative fraud mitigation features, it includes four lines of defenses ranging from customer sign-ins to additional identity authentication checks for higher risk scenarios.

Global Shared Intelligence

Financial companies aspiring a more robust fraud protection system can go further by providing their customers frictionless online experiences using LexisNexis Risk Solutions' Global Shared Intelligence intelligence.

At the heart of this technology is a unique customer identifier that provides a 360-degree view of customers by merging offline and online data in near real-time to establish true digital identities.

LexisNexis Risk Solutions offers a more in-depth discussion of Global Shared Intelligences on its "Balancing regulatory drivers and customer experience in financial institutions" webinar on 22 July 2021. *You can visit https://asianbankingandfinance.net/event/balancing-regulatory-drivers-and-customer-experience-in-financial-institutions for more information.*

These days, identity is becoming a critical issue for every business.

INTERVIEW

Philippines' Tonik Digital Bank is a disruptor with a dash of humor

Tonik Bank wants to become the first bank brand in the country with "a sense of humor".

One of Philippines' first neobanks aims to disrupt the local banking sector with two things: one, through their convenient, digital banking services with competitive rates; and two, through their unique and sometimes quirky personality.

Debuting just last 30 March, Tonik Digital Bank kicked off operations with a market-leading deposit rate of 6% per annum (pa), and touted their goal to be known as a bank with a personality—or, as local president Long Pineda said, become the first bank brand with "a sense of humor and personality" in the Philippines.

"Sadly, traditional banks have completely forgotten how to listen to their customers. So, we are on a quest to become the first bank brand in the Philippines with a sense of humor and an actual personality that consumers can relate to," Pineda said.

Numbers are already encouraging, with Tonik bank having secured \$20m (PHP1b) in retail deposits within only a month of going live – a historic record for any new bank launching in the country, **Greg Krasnov**, founder and CEO of Tonik, the parent of Tonik Digital Bank and a Singapore-based fintech company, told *Asian Banking & Finance* in an interview.

"The Philippines is one of the most digital-savvy countries in the world," said Krasnov. "An overwhelming percent of the population are connected online and are avid users of smartphones, around 98.5% according to a 2021 study by We Are Social. That is a considerable number given that there are almost 111 million Filipinos now."

In contrast, 77% of Filipino adults remained unbanked, or 51.2 million of the 72 million local adult population, according to 2020 data from the BSP.

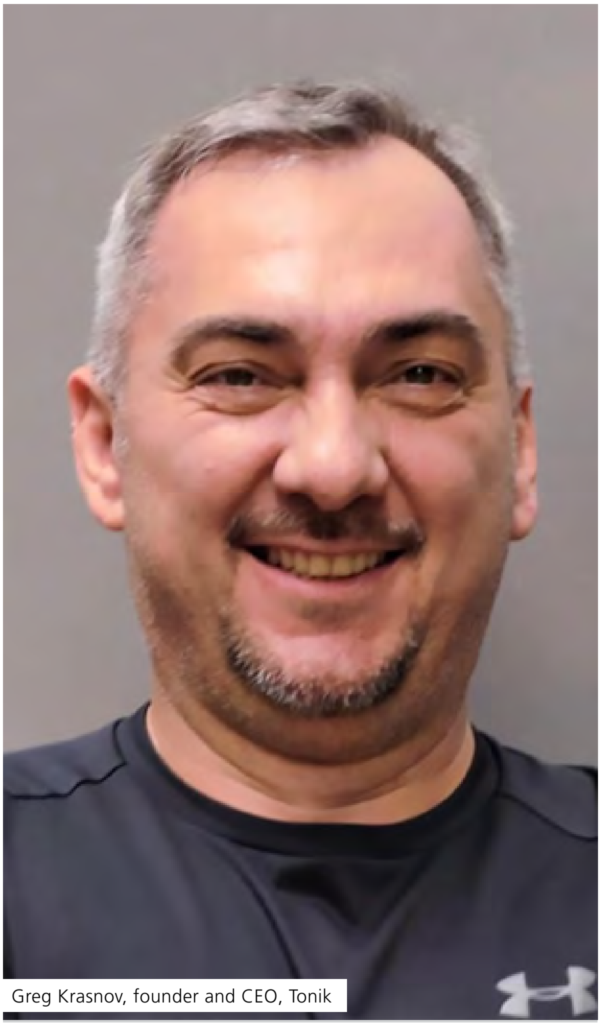
This low banked percentage and high smartphone penetration equals a massive opportunity for digital only banks to fill the gap—a market with potential values of up to \$140b in retail deposits and \$100b in lending.

Asian Banking & Finance caught up with Krasnov, Tonik founder and CEO, to learn more about their plans to break the Philippine banking mold and lead the way for a new era of digital banking in the country.

We want customers to feel welcomed in starting their "neobanking romance" with us

At the announcement of your official launch, president Pineda said that your goal was to become the first bank brand with "a sense of humor and personality." How does the bank and its team aim to do this?

Indeed, one of the things that makes us unique is our humorous and quirky personality. This is evident in all our communication channels, especially in the tone of our app. We take pride in being the only known bank in the country who addresses our customers as "luv" or "hun". Through this, we aim to make customers feel at ease and not intimidated of their banking partner, unlike how most traditional players who speak in more of a "stiff" and "corporate" style. We want to make them feel welcomed in starting their "neobanking romance" with us – a relationship that is warm and built on mutual trust and transparency.



Greg Krasnov, founder and CEO, Tonik

Tell us more about your products and services, and can you also share who is your target customer base?

Tonik offers accessible, flexible, and inclusive financial services, including industry leading deposit interest rates of up to 6% per annum, and unique saving features such our Solo Stash and Group Stash products. Further, we offer industry leading rates for these stashes: up to 4% for solo and 4.5% for group. This allows for more convenience and better opportunities for customers to save and actually grow their money with us – a far cry from the tedious process and frustratingly low rates that they are accustomed to with traditional banks.

Our target market has always been the majority of the adult population (around 70%) who are tech-savvy but are currently either underserved or unbanked. This is driven mostly by the lack of better alternatives or financial services that they can openly communicate with and entrust their money to without being intimidated or confused.

BAE SYSTEMS

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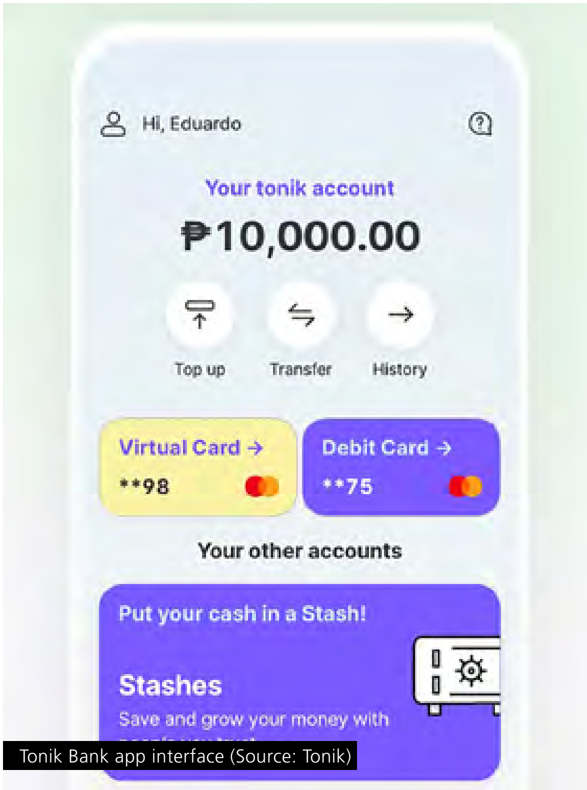


Tonik Bank app interface (Source: Tonik)

What is your edge over traditional banks and mobile wallets in the country?

The advantage of being a neobank over traditional players is the ability to drive financial inclusion to more people in a faster and more cost-effective way. All prospective clients need to have are a smart device, internet connection, valid ID and five minutes to start their neobanking journey or "romance" with Tonik.

On the other hand, the main advantage of Tonik over mobile wallets is we are an actual bank operating under our own license granted by the Bangko Sentral ng Pilipinas (BSP). This enables us to offer a more diverse suite of retail banking services that are secured and supervised by the BSP such as term deposits, card payments and consumer loans.

What is your outlook for digital-only banks in the Philippines over the coming few years?

Neobanks or digital-only banks will continue to propagate in most emerging Southeast Asian markets such as the Philippines. Our rapid customer take up proves that Filipinos are hungry for a financial enabler that makes banking simplified, non-intimidating, digital-driven, and actually makes their money grow.

The new normal had effectively curbed consumer banking behavior and we can expect that the future will continue to become digital. We can already see this unfolding with key developments in industry regulations and customer expectations who will continue to be on the lookout for and choose banks that encourage a more human relationship built on mutual trust, speed and convenience, rather than usual transactional interactions that are often tedious and frustrating.

The new normal had effectively curbed consumer banking behavior and we can expect that the future will continue to become digital

Can you give us an estimate of when you believe Tonik Bank will evolve into a profit-making venture?

Our strategy to bolster profitability is to focus on attracting longer-term consumer deposits and developing them into lending portfolios. We are targeting to launch our loans portfolio within this quarter. There is a huge market gap for consumer lending in the Philippines in terms of security, greater returns, and accessibility of services from traditional providers that we aim to address.

Apart from our loan offers, we are working on launching our physical debit cards soon that should enable more customers to do ecommerce transactions more easily and securely. Hopefully through diversifying our suite of services, we would achieve our longer-term vision of climbing up as one of the top 10 banks in the Philippines in terms of assets within the next few years.

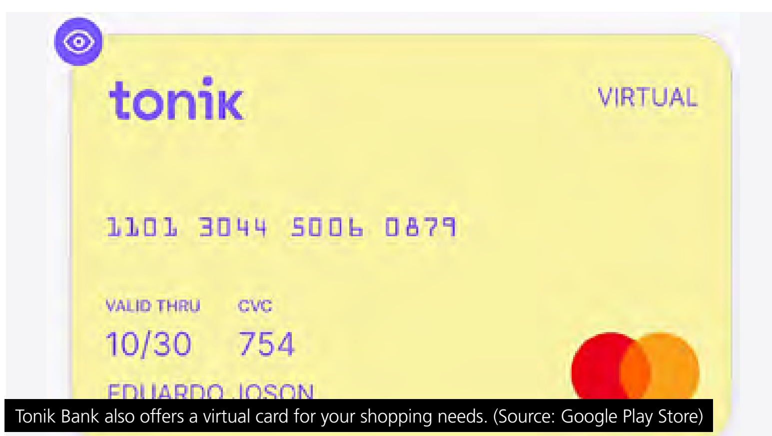
What are the biggest challenges that digital banks face in the Philippines—and what is your bank's strategy for overcoming these?

On the regulatory side, we are fortunate to have an innovation-driven and collaborative regulator with Bangko Sentral ng Pilipinas (Central Bank of the Philippines) who shares our vision of establishing a digital banking ecosystem. This is a huge step to encourage more players, traditional and new ones alike, to transform and migrate to digital which should further accelerate financial inclusion.

The greatest challenge globally is on the technology and security side. We acknowledge that it may still be a long journey in terms of technical upgrades. As such, we make sure to be working with some of the best cloud platforms and security solutions partners like Mastercard, Amazon Web Services and Finastra to ensure the best and most secure banking experience for our clients.

How has Tonik Digital Bank been received by the general public in its target markets so far? Can you share with us your numbers--for example, how many have signed up or inquired for an account?

We received an overwhelmingly positive response to our commercial launch last March, having secured over Php1B (USD20M) in retail deposits within only a month of going live – a historic record for any new bank launching in the country.



Tonik Bank also offers a virtual card for your shopping needs. (Source: Google Play Store)

Syniti

Strengthening business resilience through EPM

In today's turbulent economy, the ability to make quick and sound decisions can make or break an organisation

CFOs and finance leaders are no strangers to Enterprise Performance Management (EPM), a process that entails budgeting, planning and forecasting, profitability and cost management, and reporting and analytics. It is a critical function of any finance department, so it may come as a surprise that many organisations are still using inefficient spreadsheets for EPM.

In fact, finance leaders are spending 80% of their time simply finding, cleaning, and organising data on these spreadsheets, leaving only 20% for performance analysis. Moreover, the limitations of a two-dimensional spreadsheet stifle visibility, resulting in human errors that impede accuracy and productivity.

With the COVID-19 pandemic requiring businesses to make swift decisions in the face of uncertainties, spending majority of time on labour-intensive data preparation is neither sustainable nor an effective way to arrive at quick, sound decisions.

In the long run, effective EPM will place finance leaders in a better position to anticipate and prepare for changes in the business environment, and make better-informed and well-timed decisions.

Libby Lee

Senior Vice President, EPM, Asia Pacific & Japan at Syniti

Effective EPM: The need to improve data quality

Effective EPM enables quick decision-making across all business activities, placing organisations in a better position to take advantage of future opportunities and mitigate risks. To achieve effective EPM, businesses must first examine the quality of their data, which has a direct impact on business outcomes.

"When the pandemic hit, one of the most common concerns of our clients was how they could accelerate their digital transformation journey and ensure business continuity," says Libby Lee, senior vice president for EPM at Syniti, Asia Pacific & Japan.

"However, most business leaders don't realise that 70% of digital transformation projects fail due to bad data. Bad data refers to data that is inconsistent, inaccurate, or incomplete—and it usually comes from poor management processes."

Moreover, remote working is inadvertently causing data pile-ups that are stored in silos across different departments, geographies, and systems. This makes it challenging to identify which data is relevant to the business, resulting in poor quality data that leads to poor decisions.

Flipping the 80/20 rule: Maximising data effectiveness for enterprise performance

Today, there are tools available to clean, de-duplicate, and validate data across the business, and automate much of the labour-intensive tasks of finance leaders. This allows them to spend 80% of their time on performance management that drives value for their businesses, as opposed to 20% previously.

Syniti's EPM solution harmonises data and provides a single version of truth across all levels of the organisation—from finance, sales, marketing, supply chain, and so on—and utilises this data to provide advanced analytics and predictive insights on business performance in real-time. Furthermore, with pre-configured best practice content, finance leaders are able to view these insights in templates that can be tailored according to their planning needs—ranging from supply chain, workforce, sales and marketing, and IT planning.

"With quality real-time data and analytics at their disposal, finance leaders can optimise the time involved in forecasting and increase forecasting accuracy. By aligning the finance function with other operational business functions, organisations can promote greater agility and derive insights to drive the business forward," Lee adds.

Such is the case with Neptune Orient Lines (NOL), a global shipping and logistics company. Syniti seamlessly integrated NOL's financial and managerial accounting processes. By providing a single source of truth, NOL is able to ensure that data across the two functions are in sync, minimising data inaccuracies.

Furthermore, Syniti automated much of the manual activities in data collection, consolidation, and processing, thereby minimising user intervention. This enables the company's finance leaders to spend more time on analysis and performance management, rather than data collection and processing.

Lee explains, "The philosophy behind our methodology is to focus on the "here and now". We help streamline our customers' business processes and deliver trusted data that they can use to make the best decisions that help save money, reduce risks, and remain competitive even during the pandemic."

"In the long run, effective EPM will place finance leaders in a better position to anticipate and prepare for changes in the business environment, and make better-informed and well-timed decisions."

China dominates list of APAC's biggest banks

Meanwhile, Australian banks were displaced as other banks' assets grew, says S&P.

Banks from China and Japan continue to be the largest lenders in APAC in terms of assets in a surprisingly strong year despite a ranging pandemic, with the total assets of all of the region's 50 largest banks expanding in 2021, according to data from S&P Global Market Intelligence.

Driven by China's strong credit growth last year, the Industrial & Commercial Bank of China, China Construction Bank, Agricultural Bank of China, and Bank of China retained their top four positions, with over $17.32t in total assets combined as of 31 December 2020.

Almost half, or 22 of the 50 largest banks in APAC came from China, six of which are in the top 10.

It was overall a good year for financial institutions (FIs) in the country despite the raging pandemic globally, with yuan loans to banks hitting a fresh record.

"As China pulled ahead of other major economies in recovering from the pandemic whilst pivoting toward technological self-reliance and net-zero emissions, total outstanding yuan loans at Chinese financial institutions reached a fresh record as of 2020-end, up 12.82% from a year earlier," the report said.

Total outstanding yuan loans at Chinese financial institutions reached a fresh record as of end-2020

Japan, Korean banks shine

Japanese banks trailed China's big four, with Mitsubishi UFJ Financial Group rounding up the top five followed by three other Japanese FIs. A total of nine Japanese FIs made it to the list.

There are no changes in the top 10, although there have been some switching taking place, with Sumitomo Mitsui Financial Group and Japan Post Bank swapping their sixth and seventh places, respectively.

Meanwhile, Japanese lenders reportedly increased purchases of government bonds and other financial instruments as deposits piled up. This helped offset the impact from sluggish loan growth despite an improved economic outlook.

Following China and Japan in the most number of banks in the list is South Korea, with six banks. KB Financial Group was the highest placed at 27th, followed by the Industrial Bank of Korea at 39th.

The biggest gainer is China's Shanghai Pudong Development Bank, with total assets rising to $1.219t. This propelled it to climb to the 12th spot, five spots ahead of its 17th place finish last year.

New entrants to the top 50 list came from China and Japan, with the Bank of Ningbo, Mebuki Financial Group and China Bohai Bank ranking 44th, 47th and 49th.

Australian banks down

Down south, Australia's own big four all made the list, albeit with three out of four FIs sliding down. Commonwealth Bank of Australia, Westpac Banking Corporation and National Australia Bank ranked 19th, 23rd and 25th, down from their slots in 2020.

Only the Australia and New Zealand Banking Group retained its spot, at 20th place.

Shanghai represents the centre of China's vast banking market (Source: Henry Chen)

TOP 50 ASIA-PACIFIC BANKS BY TOTAL ASSETS

Current rank^	Previous rank^^	Current vs. previous	Company (ticker-exchange)	Headquarters	Accounting principle	Total assets (US$B)
1	1	NC	Industrial & Commercial Bank of China Ltd. (1398-SEHK)	Mainland China	IFRS	5,107.54
2	2	NC	China Construction Bank Corp. (939-SEHK)	Mainland China	IFRS	4,309.08
3	3	NC	Agricultural Bank of China Ltd. (1288-SEHK)	Mainland China	IFRS	4,167.06
4	4	NC	Bank of China Ltd. (3988-SEHK)	Mainland China	IFRS	3,737.81
5	5	NC	Mitsubishi UFJ Financial Group Inc. (8306-TSE)	Japan	Japanese GAAP	3,407.80
6	7	▲	Sumitomo Mitsui Financial Group Inc. (8316-TSE)	Japan	Japanese GAAP	2,257.65
7	6	▼	JAPAN POST BANK Co.Ltd. (7182-TSE)	Japan	Japanese GAAP	2,171.43
8	8	NC	Mizuho Financial Group Inc. (8411-TSE)	Japan	Japanese GAAP	2,111.31
9	9	NC	Postal Savings Bank of China Co. Ltd. (1658-SEHK)	Mainland China	IFRS	1,739.00
10	10	NC	Bank of Communications Co. Ltd. (3328-SEHK)	Mainland China	IFRS	1,638.58
11	12	▲	China Merchants Bank Co. Ltd. (600036-SHSE)	Mainland China	IFRS	1,280.74
12	17	▲	Shanghai Pudong Development Bank Co. Ltd. (600000-SHSE)	Mainland China	IFRS	1,218.97
13	11	▼	The Hongkong and Shanghai Banking Corporation Ltd.	Hong Kong	Hong Kong FRS	1,214.50
14	14	NC	Industrial Bank Co. Ltd. (601166-SHSE)	Mainland China	PRC GAAP	1,209.14
15	15	NC	China CITIC Bank Corporation Ltd. (998-SEHK)	Mainland China	IFRS	1,150.50
16	16	NC	China Minsheng Banking Corp. Ltd. (600016-SHSE)	Mainland China	IFRS	1,064.58
17	13	▼	The Norinchukin Bank	Japan	Japanese GAAP	1,043.80
18	19	▲	China Everbright Bank Company Ltd. (601818-SHSE)	Mainland China	IFRS	822.25
19	18	▼	Commonwealth Bank of Australia (CBA-ASX)	Australia	Australian GAAP	816.03
20	20	NC	Australia and New Zealand Banking Group Ltd. (ANZ-ASX) *	Australia	Australian GAAP	747.16
21	23	▲	Ping An Bank Co. Ltd. (000001-SZSE)	Mainland China	PRC GAAP	684.45
22	25	▲	Resona Holdings Inc. (8308-TSE)	Japan	Japanese GAAP	682.76
23	21	▼	Westpac Banking Corp. (WBC-ASX) *	Australia	Australian IFRS	653.72
24	24	NC	State Bank of India (SBIN-NSEI)	India	Indian GAAP	638.49
25	22	▼	National Australia Bank Ltd. (NAB-ASX) *	Australia	Australian GAAP	621.19
26	26	NC	Sumitomo Mitsui Trust Holdings Inc. (8309-TSE)	Japan	Japanese GAAP	588.12
27	28	▲	KB Financial Group Inc. (A105560-KOSE)	South Korea	Korean IFRS	561.14
28	27	▼	Shinhan Financial Group Co. Ltd. (A055550-KOSE)	South Korea	Korean IFRS	556.14
29	30	▲	Hua Xia Bank Co. Ltd. (600015-SHSE)	Mainland China	PRC GAAP	520.76
30	29	▼	DBS Group Holdings Ltd. (D05-SGX)	Singapore	Singapore FRS	491.72
31	32	▲	NongHyup Financial Group Inc.	South Korea	Korean IFRS	444.25
32	34	▲	Hana Financial Group Inc. (A086790-KOSE)	South Korea	Korean IFRS	422.98
33	31	▼	Bank of Beijing Co. Ltd. (601169-SHSE) *	Mainland China	PRC GAAP	422.43
34	33	▼	Oversea-Chinese Banking Corporation Ltd. (O39-SGX)	Singapore	Singapore FRS	394.47
35	35	NC	China Guangfa Bank Co. Ltd. **	Mainland China	PRC GAAP	378.12
36	36	NC	Woori Financial Group Inc. (A316140-KOSE)	South Korea	Korean IFRS	366.71
37	37	NC	Bank of Shanghai Co. Ltd. (601229-SHSE) *	Mainland China	PRC GAAP	359.89
38	39	▲	Bank of Jiangsu Co. Ltd. (600919-SHSE) *	Mainland China	PRC GAAP	333.64
39	40	▲	Industrial Bank of Korea (A024110-KOSE)	South Korea	Korean IFRS	332.29
40	38	▼	United Overseas Bank Ltd. (U11-SGX)	Singapore	Singapore FRS	326.69
41	41	NC	Standard Chartered Bank (Hong Kong) Ltd.	Hong Kong	Hong Kong FRS	316.87
42	42	NC	China Zheshang Bank Co. Ltd. (2016-SEHK)	Mainland China	IFRS	313.73
43	43	NC	Fukuoka Financial Group Inc. (8354-TSE)	Japan	Japanese GAAP	263.35
44	-	▲	Bank of Ningbo Co. Ltd. (002142-SZSE)	Mainland China	PRC GAAP	249.17
45	44	▼	CTBC Financial Holding Co. Ltd. (2891-TWSE)	Taiwan	Taiwanese FRS	235.53
46	46	NC	HDFC Bank Ltd. (HDFCBANK-NSEI)	India	Indian GAAP	233.71
47	-	▲	Mebuki Financial Group Inc. (7167-TSE)	Japan	Japanese GAAP	221.77
48	47	▼	Bank of Nanjing Co. Ltd. (601009-SHSE) *	Mainland China	PRC GAAP	220.17
49	-	▲	China Bohai Bank Co. Ltd. (9668-SEHK)	Mainland China	IFRS	213.45
50	45	▼	Malayan Banking Bhd. (MAYBANK-KLSE)	Malaysia	Malaysia FRS	213.21

** Data is as of Sept. 30, 2020.*
*** Data is as of Dec. 31, 2019.*
^ Pro forma for mergers as of March 31, 2021.
^^ Based on previous rankings published on April 15, 2020.
NC = no change

Data is reported in native currencies and converted to U.S. dollars using end-of-period exchange rates.
Total assets are as of Dec. 31, 2020, unless stated otherwise.
Banks and institutions with significant lending business are ranked by total assets for the most recent period available. Only one institution per corporate structure is included. Rankings account for completed and pending SNL-covered bank deals on a best-efforts basis. Deals, where the assets sold are in excess of $300 million or the deal value is in excess of $200 million, have been adjusted using the most recent available assets of the target company or the deal announcement/completion assets where available. The rankings have been created on a best-efforts basis and exclude development banks and entities that act as central banks/banking associations/supervisors for banking groups.
Source: S&P Global Market Intelligence

STACS' ambitious battle strategy against a five-decade old business model

Why this young ESG-focused startup is determined to reshape the finance industry for society's benefit.

Benjamin Soh (right) is looking to reimagine the finance industry with an ESG focus

In 2019, a young startup saw the need to change a fragmented capital market. It saw how institutions operate on different systems and ledgers, and go through a linearly-dependent process where settlements take between 2-14 days, depending on the asset class.

These were the problems that ESG-focused fintech startup STACS wanted to change ever since it started.

Talking with *Asian Banking and Finance*, Benjamin Soh, co-founder and managing director of STACS said that this problem had persisted for more than 50 years starting as far back as the 1970s.

Soh said that with the capital markets fragmented as it is, it leads to $1.068t (US$800b) of capital being locked up every single day in the clearing system.

"With multiple layers of processing, nearly US$300b is being spent on transaction costs and this model isn't even effective. In the EU alone, approximately 6% of trades fail to settle, resulting in €35b in penalties annually," he said.

In the EU alone, approximately 6% of trades fail to settle, resulting in €35b in penalties

Soh called this a waste - a waste of time, money and carbon footprints that STACS have vowed to address.

"Innovating our way out of these problems is vital if we are to deliver a green and sustainable future for financial services," Soh stressed.

Working through the early years

A little known fact was STACS stood for "Securities Trading Asset Clearing and Settlement", Soh told *Asian Banking and Finance*.

"The first challenge when we initially started would be navigating this relatively younger fintech space back then in 2019, and also to be taken seriously by the big players in the industry. Interestingly and fortunately for us, we managed to secure quite a few meetings with such big institutions even while we were brand new, before we even figured out our company incorporation," he explained during the interview.

In the simplest terms, STACS is a Singapore-based fintech development company with a vision to provide transformative technology for the financial industry.

The startup provides interoperability between existing infrastructure and its SaaS platform with STACS blockchain core.

STACS works by offering multiple options of connectivity for financial institutions: via its front-end applications built specifically for finance use cases such as trade lifecycle management of bonds, structured products and derivatives, API integration between existing platforms (i.e. Aladdin, Murex, Omgeo), and the STACS infrastructure as well as node-to-node integration.

The startup has collaborated with several leading institutions like the Deutsche Bank, BNP Paribas, Eastspring Investments, Bursa Malaysia, EFG Bank, and Bluecell Intelligence, among many others.

The company raised $3.6m in its pre-Series A funding round, bringing the company's fundraising total to $8m, led by venture capital firms such as Wavemaker Partners, Tribe Accelerator, and Stellar Partners.

Right now the company is focused on enabling environmental, social, and governance (ESG) frameworks and transparent reporting in financial markets through their GreenSTACS platform, which is growing rapidly.

Soh said they see a huge trend towards green fintech as a partnership between tech companies and financial institutions, and notes that the greatest impact is only possible through a tech platform partnering with the existing financial institutions, which already have millions of users.

"Ultimately our vision over the next five years is the same as it was on day one: to simplify global markets with our transformative technology".

Hugo: The yellow brick road and why the path is paved with gold

How Hugo's holistic approach to Wealthcare leads to financial freedom.

Financial freedom may not only mean having healthy financial habits but having the will to go for the gold and in this case, quite literally.

In an exclusive interview, Singapore fintech startup Hugo's co-founders David Fergusson, Ben Davies and Braham Djidjelli explained why a holistic approach in Wealthcare and investments in gold is the right path to financial freedom.

Hugo is a digital wealth and savings app that helps users track their spending, save and invest, starting with gold. Its unique features includes the Roundups, where customers can automatically turn their loose change into long-term savings, whenever they use their Hugo Platinum Visa Debit card and Money Pots that helps users track and save money to achieve goals such as going on a cruise or purchasing a new car or phone.

"We realised that we had a similar passion point that is to help everyone alleviate their money fears and build healthy spending and saving habits. That's when we decided to combine our collective experience and our strong belief that financial security is the key to happy, thriving communities to start working on Hugo," Fergusson said, its CEO and co-founder.

Hugo highlights a holistic approach in what they coined as Wealthcare.

Braham added that as "open banking" becomes available in Singapore Hugo can go a step further and encapsulate its customer's entire financial universe. He believes that if consumers understand their financial behavior, it will lead to financial habits that are both healthy and well aligned across spending, saving and investing.

Just one cent

A standout feature that Hugo has is the app lets users invest in gold.

> **Unlike diamonds, which Ben called 'the best marketing con ever manufactured', gold's [is] invaluable as a store of value since time immemorial**

Hugo's Gold Vault allows everyone to include gold in their investment plans starting at just S$0.01.

"There are three good reasons to own gold: It's insurance, it's undervalued and under-owned, and it's in demand from strong hands," Hugo's chief operating officer Davies said.

Unlike diamonds, which Davies called 'the best marketing con ever manufactured', gold's innate and inert properties have made it invaluable as a store of value since time immemorial whilst having a deep liquid trading market. It is a proven portfolio diversifier for risk assets like bonds and stocks that underperform in highly deflationary and inflationary environments.

Davies said the new generation is losing the last generation's understanding of why they should own gold.

Davies said that many Singaporeans are unsure of the safest and best ways to invest in gold. That's where they come in.

"We want to bring gold back to the future. Our technology combines with the age-old wisdom of gold as a stable asset to make actual physical gold digitally available to everyone. We dispel the myths around gold, like, 'I need to be rich to invest in gold, it's illiquid and not easy to sell, and it's hard to store," Davies said.

Hugo Gold Vault promises to automatically hold it in highly-secure LBMA (London Bullion Market Association) accredited vaults for users. The gold bought is legally owned by the buyer and guaranteed against loss by Lloyds of London.

Currently Hugo is available for Singaporeans but Braham said that they are now working on expanding to other regions and enhancing their product offerings. This includes expanding investment options beyond gold, and improving their Spend, Save, Invest products.

David Fergusson, Ben Davies and Braham Djidjelli, co-founders of Hugo

Why Buy Now, Pay Later is thriving in the Philippines

Philippines' BNPL segment is expected to grow to $244m in 2021.

The rise of BNPL in the Philippines also speaks to willingness to manage budgets more optimally

With consumer spending in the Philippines expected to bounce back in 2021 after being negatively impacted by the pandemic, buy now pay later (BNPL) firms look set to take advantage of Filipinos' eagerness to open their wallets and start spending again.

The rise of BNPL in the country not only speaks to its convenience but also to the population's willingness to manage their budgets more optimally, according to Robocash Group chief executive officer Sergey Sedov.

"A split payment option allows an average Filipino to reduce credit burden. At the same time, sticking to a regular monthly repayments schedule can enhance one's management of personal finance," he explained.

The country's BNPL segment is projected to grow to $244m in 2021 and $844m by 2025, Sedov said, with the average absolute growth mounting up to $140m per year. The growing e-commerce scene would surely fuel the fire even further: citing a DataReportal report, Sedov noted that almost nine in 10 (86%) of Filipinos aged 16 to 64 use shopping apps, and 80.2% of adult Filipinos bought something online in May 2021.

The rise of BNPL in the country also speaks to Filipinos' willingness to manage their budgets more optimally.

"All of this signifies a strong possibility for the powerful growth of the industry - up to $12b by 2025," he said, based on a Statista report on the Philippine e-commerce market.

On the other hand, a large proportion of the Philippine population remains unbanked, with Sedov highlighting the remoteness of physical bank branches and the stringent requirements of traditional lenders as key reasons. "The BNPL services bypass the necessity for borrowers to have a credit card, making the option of payments via installments available to the underbanked."

In terms of demographics, millennial and Generation Z Filipinos are more likely to choose a BNPL model than their older peers, Sedov stated, as they are more tech-savvy and more likely to seek out flexible transactions. In addition, they are the most likely to be underbanked, making them the perfect customers for BNPL "as they only require borrowers to have a bank account and feature more lenient scoring policies."

"Young adults are more conscious of personal finance, and therefore are more likely to find ways to minimise monthly expenses, including with the use of BNPL services," he said.

An array of services

Owing to Filipinos' lack of access to formal banking segments, BNPL service providers in the Philippines have extended to providing loans with varying interest rates. For example, TendoPay offers loans from $103 (PHP5,000) to $2,053 (PHP100,000) with rates ranging from 0.5% to 5% per month and loan terms from 15 days all the way up to two years.

In the same vein, Lazada has Lazada Loans which grant amounts starting as low as $10 (PHP500) and with regular rates ranging from between 2% and 4% per annum.

According to Sedov, BNPL providers like UnaPay, BillEase and Cashalo which focus on financing online purchases may very well concentrate on this segment in the future due to the industry's potential for growth.

"Namely with UnaPay, we can expect the gradual expansion of our customer base, as well as the number of stores we partner with," he said. Robocash operates UnaPay in the Philippines.

Nevertheless, rapid business expansions may lead both groups of companies to consider other activities, with likely segments for further expansion including physical retail, medical services and the investments space.

Balancing risks and benefits

So far, Sedov believes that BNPL poses no serious risks to the Philippine MSME segment, as micro and small businesses' purchase of goods and services using credit facilities can have positive consequences on the development of the segment, and in turn the country's GDP. In addition, BNPL can also have a good impact on the B2B scene, in time with the rise of specialised B2B marketplaces.

Leveraging financial ecosystems:

5 myths debunked

When it comes to leveraging financial ecosystems to maximise commercial opportunities, what are the common myths and what is the reality?

1

MYTH
"We don't need an eco-system – we're strong enough without it"

REALITY
There are benefits from ecosystems, including increased customer retention, new forms of revenue generation and reduced costs

2

MYTH
"Ecosystems can slow growth and innovation"

REALITY
Companies that transform into ecosystem-centric businesses experience new sources of innovation that drive growth

3

MYTH
"It's too expensive to foster and maintain an ecosystem"

REALITY
Modern digital banking engagement platforms allow you to create structures where ecosystems can grow and prosper, with little technical effort

4

MYTH
"We can't cover everything ourselves in one ecosystem"

REALITY
Yes, you can – working with partners. You don't need to be strong in every aspect of service provision

5

MYTH
"We're too small to make this successful"

REALITY
Open banking and open wealth are not just for large tier 1 banks – networks enable small and mid-sized organisations to provide a full range of relevant services

Take action now
Talk to CREALOGIX about realising your digital roadmap faster and more successfully at solutions@crealogix.com

At CREALOGIX,
we work with banks and financial institutions every day to leverage the value of ecosystems, accelerate innovation and personalise customer experience. We're ready to help address the key challenges for your digitalisation project.

UOB Plaza in Singapore

Digitisation creeps into Singapore banks', even via non-tech roles

The sector will continue in a "reform and transform" path, hinging on successful digital banking applicants.

With Singapore's banking sector expected to ramp up its hiring efforts from Q2 2021, the industry is expected to see a shift in job responsibilities and necessary skills. Most notably, digitalisation is gradually being integrated throughout financial service organisation, even into normally non-tech roles.

Spurred by the pandemic, banks have overhauled their strategies to focus on developing and strengthening their digital capabilities. A Randstad Singapore study noted that as the year progresses, banks will likely only continue to go into a "reform and transform" path, taking into account the success of numerous digital banking licence applicants in 2020.

In line with this, people with expertise in data science, artificial intelligence (AI), and systems architecture will be in high demand, noted Dean Tong, head of group human resources at UOB. He says those who are capable of boosting a bank's operating performance and system capabilities will be extensively wooed.

Banks hiring acceleration, particularly in technology roles, had been taking place even before the pandemic

Remarking that the hiring acceleration, particularly in technology roles, had been taking place even before the pandemic, he said that the digital shift had also brought new challenges to the forefront. Issues such as cybersecurity are ones that banks will have to quickly mitigate to ensure the resilience of their systems and the sector as a whole.

"Growing consumer expectations for progressive banking solutions are also driving banks to innovate at an even faster pace today, especially as more consumers have become comfortable with transacting and investing online."

The fast recoveries seen in wealth management, bancassurance, personal banking as well as insurance have helped counteract the adverse impacts of risk aversion during the pandemic, Randstad said. In particular, relationship managers have become more adept in providing remote financial advisory services through the use of digital dashboards and data analytics. These are able to provide a holistic overview of clients' accounts.

"In 2021, we will see a further expansion of digital mobilisation in wealth and bancassurance to capture opportunities that occur throughout the life cycle of customers' investment and financing needs," the report explained.

HSBC Singapore head of human resources Brandon Coate echoed this observation, explaining in an email interview that they anticipated that those with wealth and consumer banking backgrounds, as well as exposure to digital platforms, will be in high demand in the next three to five years. "This will cut across the front office to support functions like compliance, finance and audit due to supervision by the Monetary Authority of Singapore (MAS), and also importantly, technology," he said.

The bank hopes to double its wealth and private banking business (WPB) in Singapore. Coate highlighted that since 2018, the segment had seen double-digit annualised growth rates in total wealth balances and bigger frontline wealth teams, including both retail and private banking relationship managers and investment specialists.

But even with the influx of digital options available today, UOB still recognises the need of their clients for a human touch, says Tong.

"We know that for banking services such as wealth advisory or business financing, our customers still prefer to speak with their bankers. As such, we are continually building our team of wealth advisers and relationship managers, especially those who are adept in using data and digital tools to serve our customers better."

Singapore's goal of becoming Asia's wealth management hub will also mean more job opportunities for compliance services within the private banking and fund management segments of the industry, Randstad noted.

Within the investment banking segment, there will be more hiring opportunities even though the IPO and M&A segments have been relatively stifled, Randstad noted. Sectors and firms that are primarily focused on technology, e-commerce, healthcare and environmentally-sustainable financing are poised to accept new talent.

Skills and job security

2021 looks set to bring more new job opportunities for Singapore, as Asian banks leverage the city as a central hub for expanding their businesses in the region, Randstad said. As such, the demand for relationship managers, support bankers and credit risk managers is expected to remain high over the second half of the year.

Fintech skills also have significant demand, in areas such as AI and machine learning, robotic process automation (RPA), the internet of things (IoT), cybersecurity, API, and design thinking, Coate noted.

"As you can expect, technology and IT hires will form the backbone of all digital businesses. These roles include cybersecurity, software engineering, devOps and data analytics. Corporate functions in traditional banks will also exist in digital banks, with an accentuation on governance, risk and compliance in what we know will be a highly regulated industry," he explained.

On top of being well-versed in technology, those who possess project management skills and specialised knowledge such as trade finance document checking will attract more interest from hiring managers, the report added. HSBC Singapore also sees demand for applicants with customer acquisition skills, but the focus will be more on "hunting" rather than "farming." Those that are adept in creative ways to generate revenue will be high in demand, as well as candidates that can tackle issues concerning environmental, social, and governance investing (ESG), Coate said.

For UOB, Tong highlighted that the lender has been expediting its hiring process in areas that are in line with its business strategies: extending its regional connectivity in support of their wholesale banking operations, expanding its omni-channel and digital strategy to ASEAN's nascent affluent segment, and boosting its regional infrastructure.

But even though the sector has been seeing an influx of jobs being created to fulfill digital gaps brought about by shifting consumer tastes, Tong believes that banking is at its core still a people business and face-to-face interactions will still be highly valued.

"For example, in the area of financial advisory, our customers have told us that they prefer to have face-to-face conversations as these are more meaningful and enable them to make confident and informed investment decisions."

Likewise, Coate opined that AI will be a complement and not a replacement for human employees. According to him, banks should invest in AI as aid to the transactional aspect of the business that lets machine learning and RPA take place. AI should be utilised on more routine- and process-heavy operations, and direct resources should be placed on more complex operations that require human personnel, he explained.

Supply-demand mismatches

In May, MAS managing director Ravi Menon proclaimed that Singapore's financial sector would create 6,500 new jobs this year for the financial sector. 6,000 of these are expected to be permanent roles, with the technology and consumer banking segments taking half of the figure.

Technology has become central in financial services and Menon remarked that the sector had utilised technology across a range of various functions. However, he also revealed that there were not enough qualified Singaporeans to fulfill these roles, and as such, foreign talent would be needed to bridge the gap.

Recognising this mismatch, Coate remarked that the sector should strive towards independence and self-reliance, whilst still fueling the external demand. At the same time, that boundary should be extended towards being interdependent, "where there should be a fair exchange of knowledge, skill and capabilities in the near future," he said.

For their part, UOB continues to embrace global talent who would want to take part in building the bank's innovation drive across its international network. On the other hand, it is also nurturing its own people and the next generation of talent through numerous traineeship programmes, Tong explained.

Both banks championed their programmes in educating their workforce, whether in technology or in other areas. With HSBC University, Coate noted as an example, the bank has built a curriculum that will support its version of a digital business through a range of materials covering areas including data, AI, automation, IoT, and cybersecurity.

"HSBC also partakes in the Institute of Banking & Finance's Professional Conversion Programmes (PCPs) and Technology in Finance Immersion Programme (TFIP) to upskill our employees and support the industry in training more potential employees in the field of technology in finance."

UOB is also a participant in the TFIP, where the bank offers programmes for those looking for a mid-career switch and those with no relevant tech background. "We have hired 35 trainees across two cohorts and are grooming them in the areas of cyber security, cloud computing, data analytics, full stack development and AI," Tong said.

"Concurrently, we remain focused on developing the technical skills and growth mindset of our 26,000-strong global workforce to ensure that they are well-equipped to tap future growth opportunities. One way we are doing so is through our flagship training programme Better U which enables our colleagues across the Group to broaden their soft skills, digital and data skills, and pursue specialised learning tracks in areas such as data analytics and project management."

"The demand for relationship managers, support bankers and credit risk managers is expected to remain high over the second half of the year

HSBC's Brandon Coate said that wealth and consumer bankers will be in high demand for the next 3-5 years.

RANKINGS: SINGAPORE BANKS

2021 RANKING	BANK	Number of Employees 2021	Number of Employees 2020	2020 RANKING	CEO OR COUNTRY HEAD
1	DBS BANK	12,000	OVER 12,000	1	Shee Tse Koon
2	OVERSEA-CHINESE BANKING CORP	10,032**	10,032	5	Helen Wong
3	STANDARD CHARTERED BANK	ABOUT 10,000	9,000	3	Patrick Lee
4	UNITED OVERSEAS BANK	MORE THAN 9,000	MORE THAN 9,000	2	Wee Ee Cheong
5	CITI SINGAPORE	AROUND 8,500	8,500	4	Amol Gupte
6	HONG KONG AND SHANGHAI BANKING CORPORATION	3,300	AROUND 3,550	6	Wong Kee Joo
7	BNP PARIBAS	2,200	-	-	Joris Dierckx
8	MAYBANK SINGAPORE	2,000	2,000	8	Dr. John Lee
9	CIMB BANK	1,237	1,220	10	Jean-Pierre Michalowski
10	CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	1,055	9	9	Victor Lee
11	BANK OF CHINA	955**	955	11	Cheng Jun*
12	MIZUHO BANK	>700**	>700	13	Guan Yeow Kwang*
13	RHB SINGAPORE	639	737	12	Danny Quah
14	STATE BANK OF INDIA	124	140	14	Kishore Kumar Poludasu
15	ICICI BANK	90	110	15	Anupam Verma
16	BANK OF INDIA	77**	77	16	Geetha Nagarajan*
17	UCO BANK	42**	42	17	Rajeev Gupta*
	TOTAL	**61,951**	**62,363**		

* Info obtained from MAS website
** Info retained from 2020 rankings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Hong Kong banks gear up ESG drive as post-COVID era dawns

The total combined headcount across 18 banks in the Special Administrative Region is down 2,000 from just 12 months ago.

COVID-19 has shone a bright spotlight on societal issues – the 'S' of ESG

More than a year after the pandemic first began, its effect on Hong Kong banks' headcounts has finally been reflected in its 2021 bank rankings, with over 2,100 workers in the industry displaced. But whilst the crisis is finally winding down as vaccines are rolled out across the city, banks—both local and foreign—face a new type of challenge: navigating the growing preference for sustainability, whose importance has been further highlighted in the past year as COVID-19 raged worldwide.

Hong Kong Business' 2021 edition of its Annual Bank Rankings sees Hong Kong and Shanghai Banking Corporation (HSBC) maintain its lead with an estimated 29,000 employees in the city—albeit 2,000 employees fewer than last year. This may be partly due to the bank's earlier announced plans to lay-off 35,000 employees. Whilst the February 2020 plan was momentarily frozen during the height of the pandemic, CEO Noel Quinn has indicated the resumption of staff cuts began again in June 2020.

The next nine banks after HSBC remained unchanged in rank. Bank of China (Hong Kong) maintained its second spot, and as of 31 December 2020 employed 12,557 staff—slightly lower than in 2020, when it had 12,592 employees in the city. Hang Seng Bank's headcount shrunk by 634, to total 7,881 employees at the end of last year; whilst Standard Chartered's estimated number of employees in Hong Kong was 500 lower than in the 2020 rankings.

In contrast, the city's fifth and sixth-largest banks in terms of headcount—The Bank of East Asia (BEA) and Citi Hong Kong—both expanded their numbers. BEA's total workforce inched up to 5,576; whilst Citi gained about 100 new employees.

Overall, the total number of people employed across 18 banks in Hong Kong decreased to 89,511 as of 31 December 2020. This is 2.31% or 2,161 lower than the total number of employees of the 18 banks based on data from the prior rankings list. Decreases in the headcount numbers of those in the Top Four were offset by expansions of banks below them, notably Shanghai Commercial Bank and Public Bank.

Shanghai Commercial Bank recorded the biggest rise in rank, jumping two places up to claim the 13th spot. The bank gained over 260 new employees as of end-2020, enabling it to edge past Chong Hing Bank and CWB Wing Lung Bank. Meanwhile, Public Bank gained the most number of employees since its numbers were last updated in 2019. The bank now employs over 1,300 people in the city, with almost 800 new people added.

The smallest bank featured on the list, Tai Sang Bank, stands strong despite the 2020 maelstrom and more or less maintained its crew of about 30 employees (34 if counting those from its subsidiaries, as indicated in its annual report). The bank is known for operating only a single branch and for not offering any digital or ATM services, according to local media reports. Instead, the bank says it focuses on the quality over quantity of its services, and on building up a strong customer relationship with its clients. But even the physical branch-reliant bank served a digital upgrade amidst a time of lockdowns and continuous social distancing: a new and improved website.

With ESG's importance highlighted by the pandemic, banks also ramped up their sustainability initiatives. (Source: Daniel Fung)

The ESG agenda

The importance of environmental, social, and governance (ESG) agenda has only been amplified through COVID-19, with banks having a critically important role to play in providing essential support to their customers, businesses, and their staff, professional services firm KPMG noted in a report.

"COVID-19 has shone a bright spotlight on societal issues – the 'S' of ESG," KMPG wrote. "It has heightened the relevance of existing social challenges: access to healthcare, financial security, financial inclusion, and issues of social justice and equality."

Hong Kong's banking industry has not been spared from growing calls for ESG accountability, and local authorities and banks have responded, with a particular focus on the "environment" aspect. The Hong Kong Monetary Authority (HKMA)

Sustainable finance is at the heart of the future of banking (Source: BlackAkaliko)

set-out a three-phased approach to promote green and sustainable banking in the financial center, with the latest set of actions released in December 2020.

Banks are not to be left behind. Citi Hong Kong recently facilitated over US$23.5b equivalent in ESG debt financing in Asia so far in 2021, Citi spokesperson James Griffiths shared to Asian Banking & Finance. Over the same first five months of the year in 2020, this amount was just over US$4.5b. In part due to the strong response, Citibank globally has raised its combined current environmental finance target from $250b by 2025 to $500b by 2030.

Local ESG interest on the rise

The strong take-up of ESG-compliant financing reflects not just Citi ramping up its related financing services, but also a growth in interest for this type of financing from companies and individuals in the region.

Interest for ESG compliant financial products is also being supported by the local government. Recently, Hong Kong SAR released a $2.5b green bond, following the city's net-zero pledge, and Citi served as one of the bond's bookrunners.

Local-based Hang Seng Bank established an ESG Steering Committee in 2020, chaired by the CEO, along with four supporting Working Groups (ESG Strategy, Environmental, Corporate Social Responsibility and ESG Disclosure), to further sharpen its sustainability focus with high-level management oversight and further integrate ESG considerations into their business and operations.

"We are broadening the variety of our products and services in line with our ESG priorities – in particular, we are stepping up our activity in the area of sustainable finance," a Hang Seng Bank spokesperson told ABF, sharing that the bank's commercial banking arm has set up a new designated green financing team and is offering all-round green financing solutions to its customers, from large corporates to small and medium enterprises (SMEs).

The two banks are not just transforming their services to be more ESG-compliant, but also their own operations. Citi Hong Kong recently installed 360 solar panels in Citi Tower (see page 44). Hang Seng Bank is also currently installing solar panels at Hang Seng 113 and has revamped its ESG disclosure by committing to TCFD standards and revamping its website to make its progress more transparent to the public.

The future of work

Awareness for ESG isn't just the only major change accelerated by the pandemic: a new way of working may also be here to stay.

During the pandemic, 85% of Hang Seng Bank's back-office staff worked from home. Moving forward, the bank spokesperson told ABF that they plan to "continue to build on these agile ways of working in other aspects of our operations."

"The COVID-19 experience has exposed the weaknesses of rigidly hierarchal corporate cultures that are still common in many businesses and this may prompt an acceleration in rethinking corporate structures and the transformation of internal cultures to give employees more agency to try new ideas, challenge existing processes, take decisions and make greater contributions to business success," a Hang Seng Bank spokesperson said regarding changes in workplace attitudes and cultures in the near-future.

Product and service innovations, marketing initiatives and even 'strategy' are easily reproduced. Corporate culture is not.

"A high-performing culture is very difficult to replicate, and this makes it a powerful competitive advantage. Product and service innovations, marketing initiatives and even 'strategy' are easily reproduced. Corporate culture is not."

For their part, Hang Seng Bank has reportedly introduced flexible ways of working, which include flexible hours, personal time and provision for alternative working locations.

Citi Hong Kong also shared plans to embrace a hybrid work set-up for most of its employees (see page 6), with colleagues possibly working from home for up to two days a week, Griffiths said.

Hang Seng Bank established an ESG steering committee in 2020 (Source: Tommy Alven)

RANKINGS: HONG KONG BANKS

2021 RANKING	BANK	Number of Employees 2021	Number of Employees 2020	2020 RANKING	CEO OR COUNTRY HEAD
1	HONG KONG AND SHANGHAI BANKING CORPORATION	29,000	31,000*	1	Diana Cesar
2	BANK OF CHINA (HONG KONG)	12,557	12,592	2	Sun Yu
3	HANG SENG BANK, Limited	7,881	8,515	3	Louisa Cheang
4	STANDARD CHARTERED BANK	6,000	6,500	4	Mary Huen
5	THE BANK OF EAST ASIA, Limited	5,576	5,564	5	Adrian Li Man-kiu and Brian Li Man-bun
6	CITI HONG KONG	4,300	4,200	6	Angel Ng
7	DBS BANK (HONG KONG) Limited	4,000	4,000	7	Sebastian Paredes
8	INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA)	3,097	3,187*	8	Wu Long
9	DAH SING BANK	3,079	3,097	9	Hon-Hing Wong (Derek Wong)
10	CHINA CONSTRUCTION BANK (ASIA) CORPORATION	2,500*	2,500*	10	Jun Zhang
11	OCBC WING HANG BANK	2,104*	2,104	11	Wu Beng Na
12	CHINA CITIC BANK INTERNATIONAL	2,000	2,000	12	Bi Mingqiang
13	SHANGHAI COMMERCIAL BANK	1,896	1,633	13	David Sek-chi Kwok
14	CHONG HING BANK	1,758	1,800	14	Jianxin Zong
15	CMB WING LUNG BANK (renamed from Wing Lung Bank)	1,751	1,763	15	Hong Bo
16	PUBLIC BANK	1,362	564*	16	Tan Yoke Kong
17	CHIYU BANKING CORPORATION	620*	620*	17	Zheng Wei
18	TAI SANG BANK	30	33	18	Cheung Yau Shing
	TOTAL	**89,511**	**91,672**		

*figures retained from previous year's rankings

DBS, EY, Mox and more on how data, digital are the future of banking

Over 100 banking and finance professionals attended the ABF Retail Banking Digital Conference.

In building a resilient, future-proof bank, leaders must seek ways to drive insights and be open to cooperation--even with their new-age competitors.

Finance leaders and industry experts discussed ways on how banks can drive and use data-driven insights in order to thrive in the era of digital disruption during the ABF Retail Banking Digital Conference hosted by Asian Banking & Finance on 22 April.

Over a hundred attendees from all over Asia participated in the event.

The past few months saw the use of digital banking and financial transactions surge, pushing the region close to a cashless economy.

A surge in the use of digital for financial transactions was observed, pushing the region closer to a cashless economy. This trend is expected to continue amidst an era of innovation in cross-border remittances, lending to underserved segments such as small and medium enterprises (SMEs), and people refused by traditional banks, says EY regional managing partner for ASEAN Nam Soon Liew, in his opening forum that gave the attendees a rundown of trends and updates in the region's digital banking space.

Amidst tough competition, lenders and financial players who effectively use tech to refine their offerings will be the ones to clinch clients--especially at a time when the plethora of options meant that individuals have become pickier with their expectations.

"Customers demand better user experience, lower fees and higher returns. This segment is traditionally served by the incumbent banks. But now, digital banks and insurers are targeting this segment, and fintechs and big tech are also addressing specific pain points," Liew further noted.

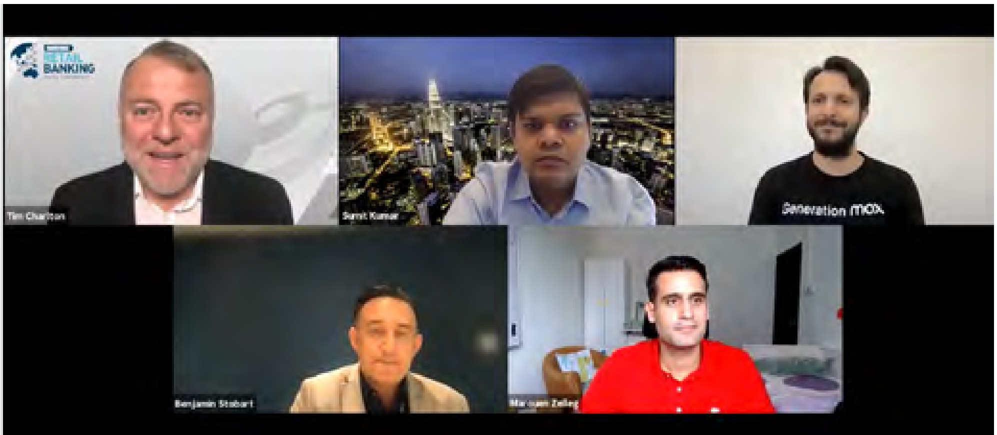
Banking customers are now demanding better user experiences, lower fees, and also higher returns.

Incumbent banks are not standing still, however, with the leading banks embarking on acquisitions and strategic partnerships. "We are now seeing incumbents do the same and move beyond just digital transformation efforts. This competition is therefore driving greater value and choice to customers," Liew added.

Driving digital transformation

Driving digital transformation is especially important, given that for the newer generation—notably the millennials—banking through a mobile platform or through the web is the default, says Marouen Zelleg, senior director at Outsystems.

But building a modern web or mobile application has its



ABF Retail Banking Conference speakers discuss the latest issues and trends in the retail banking space.

own challenges, especially for organizations with an aging backend system, and little to no mastery of a customer experience-driven design, warns Zelleg.

In his presentation, he identified two key problems that banks usually face in their apps and digital platforms: the first is the struggle to maintain and improve a single digital channel, mobile app, and even website, primarily blamed on their backend website not being well integrated into their back office. Competitors and banks who successfully conquered this challenge to become leaders in the digital banking and financing field all have one common recipe: their businesses' stakeholders agenda is very well aligned with their IT capabilities.

However, building a strong IT team presents the second key challenge for banks, given the shortage of talent pool.

Zelleg suggested building a local platform will abstract the technology complexity, and automate the mundane development and deployment tasks. "This way, the IT team can focus on delivering business value and business functionality," he added.

Utilizing, understanding data

The next step, after strengthening their digital offerings and establishing a strong IT team, is to be able to understand how to utilize data and analytics in order to monetize opportunities. And this is an endeavor in which a lot of incumbents still struggle, according to Sumit Kumar, managing director and partner, Boston Consulting Group (BCG).

"As I talk to my banking clients, the first thing they say is, "look, we have all the data, we have all the models, but we get no value." And this is a common tone amongst our every client--[they say] that, "look, we have tried analytics, we have tried big data, it doesn't work," Kumar shared.

"And the reason why banks and institutions are struggling is [that] they forget what we in BCG call the 10-20-70. To monetize data, only 10% of value is in the models. 20% of the value is in the data and the tech platform. But the 70% of the value is in what we call the business process and governance," he explained.

Kumar notes that banks often struggle in the 70% part of the digitisation process: that is, ensuring that you as a bank is actually making the whole operating model seamless, that you're actually listening back to the customer and modifying things. And until banks fix that, they will not get any value from their digitisation initiatives, he warns.

Advice from the neobank

One notable conference speaker that likely understands best how to wield data and analytics is Mox Bank, one of Hong Kong's eight virtual-only banks and brainchild of British multinational finance giant Standard Chartered in partnership with PCCW, HKT, and Trip.com.

In the future, [customer experience] will be based on digital speed on simplicity, and contextuality

In his presentation, CEO Deniz Güven illustrated how they make use of data to offer their customers a seamless banking journey: from refining their system so that customers could open a credit line in as fast as 15 seconds, and a bank account in 5 minutes; from conducting a pre-launch survey involving 2,000 Hong Kong clients to learn what their expectations for digital banks; offering top range interest rates (currently at 5% for the whole 2021); and finally, continually observing the needs of their customers post-launch.

Guven recalls the time he met a 75-year-old local who had to trudge to her local bank just to buy stocks from NASDAQ. "We saw that there are some [financial] activities that are ageless, such as the stock exchange, which is super important for Hong Kong. We saw all these things and we created solutions," Güven said.

Right now, Mox Bank is gearing up to offer more loan services. But after that, Güven said that they are moving on to the next frontier: that is, answering the question of how they can bring about long-term wealth to clients, by giving a serving to everyone who wants to invest.

Intelligent, intuitive, invisible

Data is also a key point of focus for Ajay Mathur, DBS Hong

Leaders are encouraged to make a calculated risk assessment of what they need to do to achieve long-term commercial success. (Photo: Scott Graham)

Kong's managing director, head of consumer banking group & wealth management--but not the heart. Rather, Mathur outlined five irreversible trends he believes will undoubtedly shape peoples' lives, and their expectations regarding their financial journey, in years to come: data, artificial intelligence, ecosystems, the future of work, and at the heart of it all, sustainability.

"Consumers will no longer base their customer experience solely on price, product or convenience. Instead, in the future, it will be based on digital speed on simplicity, and contextuality," Mathur noted.

The key here, says Mathur, is to take note and make use of these five trends in order to become the banks of the future: that is, intelligent, intuitive bank, and invisible banks.

As an example of the bank of the future, Mathur shares how DBS Hong Kong seamlessly integrated themselves in the daily lives of their consumers. Through their partnership with the city's largest taxi company, and customers making use of the taxi app to book a taxi ride could redeem the DBS dollar, a credit card reward points system, to be able to offset the taxi fare.

"This smoothness of customer journey and embedding it invisibly made the entire process way more intuitive, and made the design much better," he noted.

But in the future it is sustainability that will be at the heart of all the innovations that financial institutions do, says Mathur. "Sustainability in the future is going to be at the heart of the consumer experience, where consumers will force banks to rethink the purpose of why they exist. Historically, banks have been trusted custodians of financial assets. And in the future, they will also be custodians of digital assets. But pressing societal issues like climate change inequality are going to really make consumers think about who they bank and who they do business with."

Reveling in Discomfort

For those who are still on the fence regarding digital and data, you're in tough luck, because just playing by the old, safe way will no longer give you any brownie points. In this age of disruption, banks should push themselves to be the ones who bring out disruption in the financial space instead of being the disruptors.

To do this, they must learn to step out of their comfort zones through partnering with companies you might not otherwise know, says Benjamin Stobart, regional business solutions director APAC & marketing director Hong Kong at Collinson.

In his presentation titled "FS and Loyalty: Why those who dare today will win tomorrow", Stobart encouraged leaders to make a calculated risk assessment of the changes they need to do in order to achieve long-term commercial success.

"We believe that by developing long term valuable customer relationships, the ability to dare and to have an understanding as to what you do today means that you have a chance to get ahead, gain market share, while others are standing by dormant, almost paralyzed by indecision," he explained. "The risk to dare is going out of your comfort zone, partnering with organizations that you may not be familiar with today, and to ultimately achieve a new value exchange that will bring added value you're searching for.

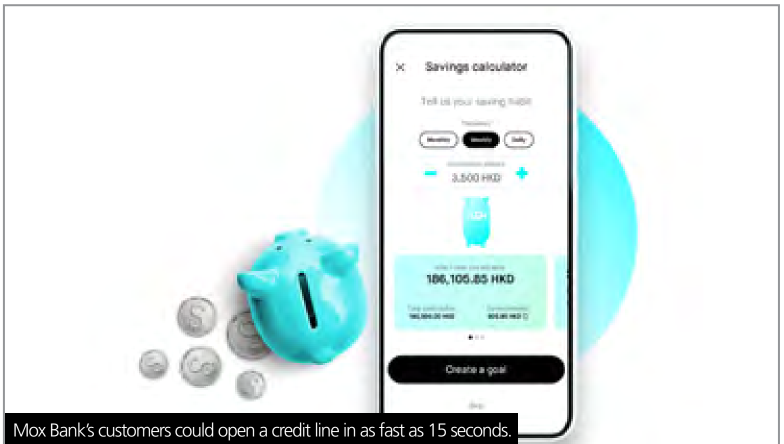
"They might make [you] feel uncomfortable, and that is okay. Feeling uncomfortable is a positive thing is how you're aware of why you feel uncomfortable, and where you can start to learn and push yourself to learn."

The risk to dare is going out of your comfort zone [and] partnering with organizations that you may not be familiar with today

One such tech entity that banks and financial players have partnered with to strengthen their offerings is Hi Sun Fintech Global Limited (HSG). Amongst the company's projects include building a banking platform from scratch for boutique investment bank to deliver solutions and services for its institutional investors, private and corporate clients, shares Sisi Yu, regional director of channel development & marketing, HSG. Yu shares that they and the bank are working on phase 2, which is to develop essential features for their mobile banking app.

HSG also recently kicked off two core banking projects in Cambodia, one which would see them make a core banking replacement for a local bank. HSG is also working with a new startup bank in the country.

"We've always focused on creating a more modern customer experience and providing plug and play banking modules. These modules can dramatically reduce a bank's overall development budget and provide faster time to market, making these solutions ideal for small businesses and large enterprises alike," Yu said, noting that they provide solutions with various deployment flexibilities, leveraging the latest cloud infrastructure and approaches to create a foundational platform that can lower costs.



Mox Bank's customers could open a credit line in as fast as 15 seconds.

Pandemic pushes for a hybrid set-up of transaction banking services

The future will still involve a lot of paper, but apps pave the way for more digital interaction.

Transaction banking services across Southeast Asia are pulled into a tough balancing act of ramping up their digitalisation of services whilst also remaining accommodative to their customers' preferences for physical banking services and the other unique quirks of their local markets.

Bankers from the Philippines and Malaysia shared how they've kept up with serving the individual needs of their clients amidst the time of rapid digital adoption during the *Asian Banking & Finance* Transaction Banking roundtable held virtually for a global audience on 27 May 2021.

Both John-C Syquia of the Bank of the Philippine Islands and Andre Lee of FinServ Solutions agreed that transforming local banks' services to accommodate more digital services that address corporate clients' individual needs is no easy feat.

BPI's Syquia recognized that whilst the pandemic has ramped up banks' adoption and roll-out of digital-based services in the past year, in the Philippines, there will still be a lot of paper used in the near-future for transaction and corporate banking.

You can't do away without checks on rent, because many of our clients still want to use check payments.

"For instance, in the Philippines, you can't do away without checks on rent, because [whilst] we interconnect all the banks, many of our clients still want to use check payments," Syquia told the online forum.

The good news is that in the Philippines, clients--even small and medium enterprises (SMEs)--have easily adapted to using digital tools thanks to Filipinos being adept at using mobile phones.

"The good thing about the Philippines though is, as you know, we were the texting capital of the world. So as far as using the mobile phone is concerned, it was easy to get the retail and SMEs to adapt to that, because a lot of transactions were being done by the telecommunications companies through that, and they were [already] financial transactions," Syquia said, adding that BPI's transaction banking team has capitalized on this to connect with the SMEs, their suppliers, and bigger companies to meet their banking needs.

Whilst Syquia discussed digitisation from a bank's standpoint, FinServ's Solution's Lee meanwhile explored the clients' perspective regarding this shift.

Lee laid out three issues that clients consider: one, how the client will move from the previous manual face-to-face interaction with their relationship managers (RMs); two, whether middle market companies and individuals are ready to move to the digital way of banking; and third, the need to fully digitize the back office functions of the financial institution.

"As far as the clients are concerned, they have their hands full, because they have these three things to consider, and that's not something that they are extremely familiar with. So that's where folks like us especially bring value, they actually go to banks to ask for their guidance," Lee said.

Lee also noted how the digitisation of banks in Malaysia differed from that of the Philippines, notably thanks to Malaysia's central bank pushing for banks to digitise a long time ago.

As financial institutions and companies complied with the regulations, more people also began to

Bank of the Philippine Islands (Source: Walter Sy)


Left: John Carlos Syquia, head of corporate banking, BPI;
Right: Andre Lee, managing director and CEO, FinServ Solutions

carry less paper documents and cash with them, increasingly finding it less convenient to do so, Lee observed.

"Somehow along the way, it became less convenient for people to actually have paper money or papers with them. But with the presence of the COVID-19, while on the one hand it's bad for humans, I think it's good in terms of this whole exercise to move transactions to the digital," Lee said, adding that the whole migration process for clients to adapt non-physical banking was actually facilitated by all parties involved in transaction banking.

Both recognized the challenges of onboarding clients digitally for the transaction banking segment, either in the Philippines or Malaysia.

For example, BPI currently has under 40% of its client base in its online system. Syquia however said that the bank is determined to accelerate onboarding clients, and are launching a plethora of educational and new services that cater specifically to the local market.

One of these is taking advantage of the SMS or text messaging system, which is still very much active in the Philippines--which makes it important for banks to offer services that are mobile-led.

> **Somehow along the way, it became less convenient for people to actually have paper money or papers with them.**

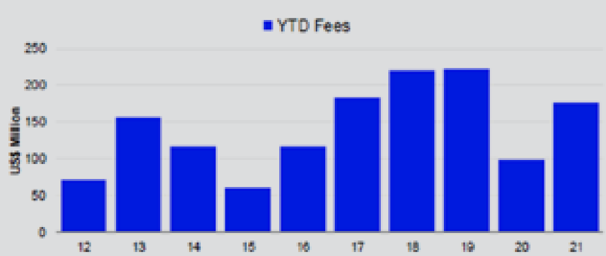
"You'll be amazed that we're still using SMS systems here. And the most senior people who often approve the transactions of companies, they would probably prefer to use a tablet or their phone rather than have to log on on a laptop or your PC," he observed, adding that the bank has developed and is further developing mobile-based apps to cater to this new consumer preference.

Structure-wise, Philippines' BPI sees its endgame is to enable its clients to be able to access their transaction banking needs wherever, and whenever they choose.

"Ideally, in our space of transaction banking, what we want to be able to do is to pay from here or be able to pay from wherever you are, and receive from wherever you are. That's probably the ideal state that will give your clients the most convenience-- and to get to the point now, that's an evolution that will go over time," Syquia said.

Singapore investment banking fees up 79% to $176.5m in Q1

Investment Bank fees volumes



Source: Refinitiv

Singapore investment banking activities totalled US$176.5m in fees so far in 2021, already 79% higher than in Q1 2020, according to data compiled by Refinitiv.

Equity and equity-linked (ECM) issuance by Singaporean companies raised US$875.8m so far in 2021, a 7.3% increase from Q1 2020. Follow-on offerings grew 89% from the comparative period last year, with US$362.4m worth of proceeds, Refinitiv found.

Despite this, ECM underwriting fees fell 42.6% to US$17.1m over the same period.

There is only one initial public offering (IPO) by a Singaporean company so far this year – Aztec Global's US$221.1m SGX IPO. In contrast, there were at least 8 IPOs by Singaporean issuers during the first quarter of 2020, collectively raising US$624.4m.

By sector, real estate accounted for 37.1% of Singapore's ECM proceeds, followed by financials and technology with 33.4% and 25.2% market share, respectively. Amongst institutions, DBS Group currently leads Singapore's ECM underwriting rankings, with a 20.8% market share and US$182.1m in related proceeds.

In the debt capital markets, primary bond offerings from Singapore-domiciled issuers witnessed a record start raising US$10b so far this year, more than double or 122.3% higher than in Q1 2020.

Singaporean companies from the financials sector captured 62.9% market share and raised US$6.3 billion during the first quarter of this year, almost triple or a 188.4% jump from the same period last year. Government & Agencies followed behind with 12.8% market share worth US$1.3b, a 153.5% rise from a year ago.

Real Estate rounded out the top three with an 11% market share. Once more, DBS Group leads the Singapore bonds underwriting with US$1.3b in related proceeds, or what amounts to a 12.9% market share.

Slow start for M&As

Announced mergers & acquisitions (M&A) started slow in 2021 with deals just amounting to US$16.5b, 31.6% lower compared to the first quarter of 2020. Four deals announced are said to be worth above US$1b, with an aggregate total of US$8.3b.

Of these billion-dollar M&A deals announced, not one is greater than US$5b. In contrast, in Q1 2020, of the four billion-dollar deals announced, one deal surpassed US$5b in quantum.

Singapore-targeted M&A activity amounted to US$2.2b, down 80.7% compared to the same period in 2020. Domestic M&A is down 94.6% over the same period of comparison and totaled US$499.2m so far this year.

Majority of the activity involving Singapore happened in the industrials and high technology sectors, Refinitiv found.

Standard Chartered, EastWest on the blueprint for building the bank of the future

Data is the new oil, says Sarabjit Anand, Standard Chartered's CIO for Singapore and ASEAN.

Just going digital isn't a guarantee for success—rather, it is built up by wielding the proper tools, working with the right talent, and properly making use of data.

This is a key point that leaders and experts in the financial industry said on how banks, fintechs, and financial institutions can build a resilient, future-ready bank in an era of rapid digital change in the webinar *Blueprint for Success: Building the Resilient Bank of the Future*, co-hosted by Oracle and the *Asian Banking & Finance* events team on 7 May.

In the opening presentation Sarabjit Singh Anand, Standard Chartered's CIO, Singapore and ASEAN markets (Malaysia, Vietnam, Thailand, & Rep Offices) laid out four key areas that will empower the bank of the future: cloud, API, data, and of course, people.

"Data is the new oil," Anand told attendees. "[And] it's not just the data which has the power. It's the data combined with the tools which are available in the marketplace, which you can then effectively use to convert into information. That's really where the power of data starts to play a role."

He noted how just like how oil was one of the cornerstones in driving the industrial revolution during the 19th century, data now plays a major role in driving the future of banking activities and refining customer journey. "What can you do with this data? How can you improve your offering to your clients?" Anand asked.

For example, Standard Chartered has real-time offers and deals for their credit card clients, offered thanks to their machine learning capabilities. The bank also can make predictions on traffic and demand, such as onboarding predictions, in order to analyze both their current and expected future performance.

Standard Chartered also offers algorithmic lending options in their business banking space, working with external partners to create such solutions, amongst others.

> **The modern ecosystem is all about partnerships and collaboration**

But more than that, what Anand considers as any bank's cornerstone when upscaling operations is the people. "The cornerstone for [our] success on digital transformation is our people. And we are committed to continuously upskilling, rescaling our technologists and staff so that we make them future-ready."

Partnership & collaborations

For Asif Saleem, Oracle's Banking Innovation Advisor for JAPAC, the modern banking ecosystem is all about partnerships and collaborations.

Saleem notes that rapid changes in the banking space over the next two years will see banks having to go beyond offering basic financial needs such as loans, mortgages, amongst others, but offering services that are part of a consumer's daily routine.

"The modern ecosystem is all about partnerships and collaboration," Saleem said. "To be able to offer these services--in which a consumer of yours is basically experiencing [it] from a daily routine perspective, say by ordering groceries, to watching their favorite movie on Netflix, or listening to their favorite music on Spotify--you need to have a modern architecture, which is basically driven by cloud native technologies.

"All of this will only happen when you properly leverage the power of cloud, and along with a stronger Machine Learning and Digital Analytics algorithm, which will help you understand your consumers better, and having a 360 degree view to be able to focus towards fulfilling the overall consumer needs. This is to me, basically, about enabling the platform of the future," he added.

Having worked with over 600 banks in the development of their data systems and digital processes, the software and data systems company Oracle have gained the insights and experience needed to help other banks and financial players in their digitisation journeys, adds Andre Wenas, Director and Cloud Architect for Oracle.

Erosion, reselling

A bank's worst nightmare is for it's customer base to erode, and with the pandemic having sped up customers'

From top left, clockwise: Timothy Charlton, Editor-in-Chief, CMG; Asif Saleem, Banking Innovation Advisor for JAPAC, Oracle; Ric Pusag, CIO and Head of Business Operations, EastWest Bank; and Sarabjit Anand, CIO, Singapore and ASEAN, Standard Chartered.

adoption of digital banking platforms, going digital is a requirement even for banks outside of global financial centres, said Rick Pusag, CIO and Head of Business Operations for EastWest Bank in the Philippines.

However, he warned that for a country such as the Philippines, a purely digital-only bank may encounter difficulties in maintaining stable operations in the long run.

"I think from a servicing perspective, they (digital banks) may find it easier, right? Because traditionally, their onboarding practices are somewhat more simplified than some of the more brick and mortar organizations," he told *Asian Banking & Finance.*

"But I think where they may have challenges is if they're purely a digital bank. How do they then take the money and invest in order to then pay off the common interest rates that are offered to customers?"

Referring to a local neobank debutant offering high interest rates, Pusag notes that it remains to be seen how the digital bank will make itself profitable. "I think it remains to be seen as to how they will end up really making that money. We've got a recent entrant where the interest rate is significantly high. And the question is, for how long are they going to be able to maintain that?" he asked.

Incumbents are not just staying on the sidelines either, and Pusag shared how EastWest Bank has begun introducing new services locally outside of the traditional financial services. These include a service where they let their banking customers pre-book some of their transactions in advance in order to just pick-up the items, or book a time slot when visiting a retail store, so that they don't have to wait in line.

A vehicle selling platform is also in the works. *By Frances Gagua*

> **We've got a recent entrant whose interest rate is significantly high. For how long are they going to be able to maintain that?**

Citi and CLP senior executives in front of solar panel installation

Citi Hong Kong installs 360 solar panels at Kowloon office

The new panels are expected to produce 85,337 kilowatt-hours of renewable energy within a hybrid system.

Banks around the globe have become creative in making their own operations more energy efficient and renewable. The Netherland's ING Bank's new headquarters Cedar, for example, used concrete and rubble from its old building as well as banned the use of single-use plastics in its restaurants and coffee shops, amongst other sustainability-related changes. But ING has the advantage of space: what about financial institutions whose base of operations are located in jam-packed industrial centers with limited land areas, such as Singapore and the city of Hong Kong?

Citi Hong Kong's solution is to build its new renewable energy source at its roof. In March, the bank unveiled its new hybrid electrical and thermal renewable energy system, built on the rooftop of Citi Tower at Kowloon East.

The new system's focal point is its 360 solar panels, which Citi said is able to produce 85,337 kilowatt-hours of renewable electricity. This is reportedly equivalent to the annual energy consumption of 20 households, according to the bank.

This rooftop installation also includes a wind turbine, which generates electricity on-site for local use. Even water heating is covered by the energy produced by this new installation, with the hybrid system making use of the sun's energy to heat up water for use in the tower.

"Net zero" means rethinking our business and helping our clients rethink theirs

Citi Hong Kong expects that the hybrid system will overall contribute to a cost saving of approximately 4% of the building's total annual power consumption.

Through this installation, the bank was also eligible to take part in the Renewable Energy Feed-in Tariff FiT) scheme introduced by local electricity provider CLP. Under this, the bank will receive FiT payments for connecting the system to CLP's electricity grid.

The Feed-in Tariff Scheme is an important initiative to promote wider use of renewable energy in Hong Kong, Angel Ng, CEO for Citi Hong Kong and Macau, said during the unveiling of the bank's unique hybrid energy system.

"We are proud to be contributing to this effort, which is in line with our group-wide strategy to reduce the environmental footprint of our facilities around the world," Ng added.

Even before the hybrid system was fully installed and revealed to the public, Citi said that it's Hong Kong operations had already reached its goal to source 100% renewable electricity to power its operations in 2020.

Net zero by 2050

The hybrid energy system is a step forward in Citigroup's commitment to achieve net zero greenhouse gas emissions by 2050, as announced by Citi CEO Jane Fraser in March. The commitment counts emissions that Citi directly produces and those contributed by the bank's ongoing financing activities.

"Net zero means rethinking our business and helping our clients rethink theirs," Ng said. "We believe that global financial institutions like Citi have the opportunity—and responsibility—to play a leading role in accelerating the transition to a net zero economy and deliver on the promise of the Paris Agreement."

Ng added that the bank's track record in sustainable finance places it in a good position to support clients with new ways of creating financial value that have environmental, social, and/or governance benefits.

From 2014 to 2019, Citigroup financed and facilitated US$164b in low-carbon solutions and in 2020 pledged an additional US$250b in environmental transactions by 2025.

Solar panel installation at Citi Tower in Kowloon East

EIICHIRO YANAGAWA

Alternative benchmarks for banking in the new normal

Once referred to as the world's most important number, the London Interbank Offered Rate (LIBOR) is the most important global benchmark for interest rates and is referenced in setting prices on derivatives, bonds, business loans, and consumer financial products.

The LIBOR figure has played a crucial role in the financial ecosystem, with more than 240 trillion dollars in financial products referencing it.

A series of problems with LIBOR prompted world regulatory authorities to announce the phasing out of the reference rate, with industry players on the move to identify alternative rates and formulate new processes. Alternative benchmarks will by definition structurally differ from LIBOR. How this will affect existing products that reference LIBOR and new products that may appear remain unknown.

Similarly, uncertain is how the potentially significant impact on both customers and the broader macro-economy will play out.

While it may not amount to the goal, the transition afoot in 2021 is poised to see financial markets undergo a major change. Even in Japan, although it may feel far away, the future is quickly approaching, and financial institutions should already be pulling out all the stops to tackle the change successfully, considering the scale of the transition required and the overall impact on local financial markets.

To understand the impact of the LIBOR transition and the financial implications for Japan and the Asia-Pacific region better, Celent surveyed financial services and IT professionals in Asia Pacific, conducted in the fall of 2020. Below are some survey highlights:

Transition taxonomy challenges

Forty-one percent (41%) of respondents noted the following as LIBOR transition taxonomy challenges:

- New benchmarks and pricing function
- Risk measurement, risk models, risk management approaches
- Models, valuations, market data, market data management

Thirty percent (30%) of respondents noted concerns related to responding to the needs of LIBOR-using clients, specifically in the following areas:

- Documents (transition, client, and counterparty contracts), transaction details, transaction changes
- Process change, presenting new benchmarks, document management (across new and old), workflow tools
- Contract term analysis tools, legal workflow changes

Biggest challenges in the transition

The most popular response was technology, systems, and integration, given by Forty-two percent of financial institutions. Specifically, survey participants gave voice to the following concerns:

- Impact analysis of proprietary and vendor systems
- Connectivity
- Awareness of needed upgrades to the trading system, lending system, and risk management system
- Establishing technical KPIs required for transition, and establishing an integrated dashboard
- Establishing a steady-state infrastructure for a mixed-rate environment
- Coordinating/aligning enterprise architecture/data/analytics

Celent recommends that the LIBOR transition be used as a catalyst to leverage new technologies.

1. The LIBOR transition process should distinguish between that transition process, which is temporary, and the final, permanent, new normal state.
2. The costs and resources directed to this should be seen not only as a means to adapt to the new normal, but also as an investment in the market future. This can provide an opportunity to optimize enterprise architecture (EA) through companywide data and workflow reviews across system infrastructure and core business systems.
3. In each area, it is important to distinguish among the more general-purpose data and processes, specific asset classes, lending products, and customer-dependent technologies, and to set milestones for overall optimization.

Unfortunately, there exists no silver bullet for the change underway across the industry value chain. Besides, it is difficult to put forth a short-term goal for this transition, making it something that should be tackled as a journey with a mid-to-long-term mindset.

Nevertheless, market players have several options to accelerate the transition from LIBOR to alternative benchmarks. Used in isolation, the effectiveness of each of these choices will prove limited; put another way, how these are combined to obtain the intended results will be crucial.

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OPINION

TOUHIDUL ALAM KHAN

Why you must know the robust growth of agent banking in Bangladesh

Agent Banking is getting more popular in the rural areas of Bangladesh. More number of agents and outlets are seen these days as their numbers have grown by 15.69% and 12.59% respectively in September 2020 compared to September 2019 even amid COVID-19, according to data from the country's central bank, Bangladesh Bank (BB).

Bangladesh Bank issued prudential guidelines in which the statement policy describes the purpose of agent banking and defines, "Agent banking is a system of providing limited scale banking services to the underserved population through engaged agents under a valid agency agreement, rather than a teller/cashier."

Agent banking is now a regular part of operations of 24 banks which have 10,163 agents and 14,016 outlets. Those banks are now employing agents whose jobs include providing customers with banking services like loans, remittances, savings, and payment services like utility bills, government transfer payments, taxes, and similar services.

According to BB's latest data, more than 8.22 million cumulative accounts have been created through the agent banking system including over 7.11 million accounts by the rural population and 3,749,087 accounts by female customers. This persistent growth amidst the pandemic, which is by far a positive sign, indicates that agent banking services are experiencing a surge in popularity with people from different segments.

As BB's report suggests, the number of female account holders choosing agent banking is on the rise indicating a 9.94% increase during the period of July to September 2020 (reporting quarter). It is noteworthy that the gap between the number of male account holders and that of female account holders is gradually narrowing to indicate a significant increase in women's participation in the country's formal financial system.

The top five of all banks in Bangladesh (Dutch Bangla Bank, Bank Asia, Islami Bank Bangladesh, The City Bank and NRB Commercial Bank) that have embarked on this banking method have claimed 98.96%of all agent banking accounts opened as of September 2020. With 3,243,675 accounts (39.45% of all accounts), Bank Asia stands on top of the list. There has been also a remarkable increase in banks' deposit collections and loan disbursements which stood at about US$1.55 billion (BDT 131 billion) and more than US$12 billion (BDT 1.02 trillion) crore respectively, as of September last year.

Recent studies reveal that agent banking is gaining traction among beneficiaries who see this channel as a fast way to get inward remittances at their doorsteps. During the quarter of July-September-2020 alone, the distribution of inward remittance through agent outlets has significantly increased by 43.84%.

Both the government and some enthusiastic banks took an initiative of offering expatriates 2% and 1% more cash incentive respectively on inward remittances through agent banking. This increasing flow of inward remittances is one of the positive outcomes of those initiatives. Till September 2020, 98.96% of the loan has been disbursed through the agent banking system by the top mentioned five banks which have also opened 82.04% of all agent banking outlets across the country with Dutch-Bangla Bank topping the list having opened 4,234 agent outlets to constitute 30.21% of all outlets.

Agent banking continues to play an instrumental role in making the essential financial services available to small business owners, beneficiaries of foreign remittances, common rural women, and entrepreneurs. Despite the growing percentage (9.94%) of agent banking accounts opened by women reported during the quarter, they have received only 10% of the total loan disbursed. With the vision to promote women entrepreneurship and create a large number of employment opportunities in the rural areas, Bangladesh Bank has been encouraging commercial banks to employ agent banking to introduce and expand the scope of disbursing women entrepreneurship loan and lending to micro and cottage industries, small and medium enterprises (CMSMEs).

Agent banking has the potential to impact the country's overall financial inclusion process and narrow down whatever gap has been created by insufficient coverage provided by branch banking. Being more varied and impactful than normal banking which only includes the deposit and withdrawal of cash and remittances, agent banking has emerged as an innovative financial channel to strengthen the country's rural economy and make

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AASHISH SHARMA

Making better decisions in digital banking: The 11 commandments

There is no denying that bank executives are under tremendous pressure to digitize their businesses. The battleground for new customers has switched to the digital environment, partly exacerbated by the Covid-19 pandemic limiting face-to-face interactions. Furthermore, the Asia Pacific region is on the cusp of a digital banking revolution with new challengers trying to break the data and relationship advantages that are held by the incumbents.

During the hardship of the pandemic, many customers turned to their primary bank and utilized digital channels they had never previously used. In just a few months, banks saw an acceleration of the digital banking trend which they had expected to take many years. This has put pressure on all players to capitalize on the willingness of consumers to embrace this new way of doing business and further developing their infrastructure and offerings.

Here are FICO's 11 Digital Banking Commandments that we believe help financial institutions successfully navigate the challenges of digital transformation.

1. **Digital lift-and-shift is not a strategy.** Instead of carrying over analogue assumptions or digitizing a legacy, paper-based process, start with first principles and reframe how you think about financial services.
2. **Friction is not inherently good or evil.** By default, assume customers are impatient and will move on if you make them wait. Save them time by importing data and using pre-fill whenever possible - small user experience (UX) improvements like real-time address look-up can have a big impact.
3. **Be personable in this impersonal channel.** Personalization is about making customers feel comfortable and valued during every interaction. A little goes a long way; simple personalization when prominently displayed, is the digital equivalent of a bank teller greeting customers with a big wave and smile.
4. **Respect the data.** The data that customers share, explicitly or implicitly, is an asset. Demonstrate that you value it and are providing them with practical insights in exchange. For example, Home Credit China managed to optimize their loan process by leveraging data from customers' loan applications, and combining it with useful internal and external scorecards, to underwrite and evaluate new clients with a thin file more objectively. This allowed the bank to not only lend to the underbanked, but also cut credit risk on point-of-sale loans by 25% and online loans by 15%.
5. **Engage me, teach me — feed my TikTok obsession.** While fun and fast videos are engaging, you only have seven seconds to make your first impression – make the most of it.
6. **Use your branch wisely.** Branches can be a differentiator, but only if they are used to serve your customers' goals rather than your own. Ensure that your fraud and risk management processes are not forcing customers to visit unnecessarily. Give your customers the option to move seamlessly between channels but avoid prescribing the journey for them.
7. **Respect your customers' time and effort.** Optimize each digital interaction so that the value your customer gets is commensurate with the time and effort they have invested. Be proactive in finding opportunities to increase value for them and highlight what they stand to gain.
8. **Pester your customers...but only when they want it.** Timely communication through the right channels will help to reassure customers and make them feel in control. Overcommunicate when it comes to issues like suspected fraud and insufficient funds to prevent unpleasant surprises. Continually ask 'Was this helpful?' to create performance data to train machine learning models.
9. **Be fascinated by your customers, not your technology.** One size does not fit all, or even most. You need granular customer segmentation to know and engage with customers as individuals. Make a habit of continually trying to uncover customer needs and pain points and keep up with the unpredictable, and continually evolving nature of customers' expectations.
10. **Make your customers feel safe.** Small touches such as lock icons can make an enormous difference to demonstrate "your money is safe". A little friction in the service of security can also create trust so take advantage of what digital can offer like geolocation data and behavioral biometrics.
11. **Come together like a symphony orchestra.** It is painfully obvious to customers when a digital experience is disjointed. Invest in integration and orchestration and do not neglect the small details. Ensure you have a single "digital communications brain" driving customer interactions or risk having customers opt out or blocking your number.

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BIJON MEHTA

How to build for the next era of financial services

For years, banks treated online banking as an afterthought. A website and a mobile app were necessities, but creating a digital channel that fully serviced customers wasn't a priority. When COVID-19 struck, customers of all demographics completely switched to online banking -- and most won't go back. Digital banking is no longer an additional channel. From now on, and probably forever more, digital is the default.

Looking ahead, the banking industry will undergo more change in the next few years than it has in the past few decades. With COVID-19's rapid digital transformation breaking down barriers to innovation—such as executive buy-in, lack of engineering support and reluctance to replace legacy software—the future of finance is being defined right now. Organisations that seize this opportunity can gain tremendous competitive advantage.

Where we stand today

The good news is that SaaS-based applications, cloud technology and API development make it possible to deliver online experiences that are more feature-rich with an intuitive approach than what banks have been able to deliver in the past. Now, banks can create true omni-channel offerings that allow them to connect with customers over the channel of their choosing. Moreover, banks can now offer additional self-service capabilities that help customers access the information they are looking for on-demand and around the clock.

It may seem paradoxical to look to digital solutions to regain personal connections, but when used correctly, technology makes businesses feel human again. For example, a text can also allow a client to request a voice and/or video connection. Say you want to walk through account setup with your relationship banker or wealth advisor. They can text you a link that pulls up a secure video chat. From there, the bank employee can share their screen, and walk you through setup just like they would do in-person. The whole process gets recorded, transcribed, archived and securely integrated. Better yet, all of it is personal, digital and simple.

How to face—and embrace—our new reality

A fully digital banking experience is not a theoretical future vision. All of the technology exists today and is relatively easy to adopt. It's critical for businesses of all industries to adopt a new way of thinking, as over half of organisations have reported an increase of 50% or more of digital interactions with customers during the pandemic (with 67% of companies in Singapore).

The Twilio State of Customer Engagement report (SOCER) findings reveal that 83% of companies expect digital communications to be very important, with 33% are companies in Singapore. When banks first invested in technology, they thought about back-end systems, focusing on automation and efficiency. Now, businesses must focus on the customer-facing side of the business, embracing technology as a potential profit center and a source of growth, instead of as a cost center.

Upskilling for the future

Customer service and customer engagement are inextricably linked, and developers need to understand and rethink the customer's journey through the use of modern development tools. Developers are creative problem solvers that are key to a successful business - their input and ideas are invaluable. They need to be empowered with freedom and trust in order to implement an experience strategy that addresses the customer's needs and wants.

There's great potential for upskilling in Southeast Asia, with more than 70% of adults lacking access to banking services. Furthermore, Twilio's SOCER findings show that Covid-19 has accelerated the progress in upskilling for digital needs. For example, 40% of companies in Singapore reported that the pandemic broke down the barrier of lack of skills and know-how, to digital transformation.

The next era of banking

Fintechs and challenger banks are small, nimble and tech-centric. However, incumbents have strong reputations, customer trust and loyalty built over many decades. There are advantages and disadvantages to both, but creating seamless user experiences makes for a powerful combination and creates a sustainable competitive advantage, regardless of your business size.

The bank of the future is already being built, and the key to success is rethinking the customer experience. The winners will be the banks that focus on the end-user. The opportunity is huge. The time to begin is now.

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