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RETAIL BANKER INTERNATIONAL

ATTACK THE HACK

THE CAT-AND-MOUSE GAME BETWEEN BANKS AND CYBERCRIMINALS

INSIGHT

M&A activity is on the agenda globally – and in the Middle East in particular

FEATURE

Standard Chartered takes digital sub-brands to the next level in Africa

DISTRIBUTION

Chase launches its new flagship NY branch, is this set to be the first of many?

THIS MONTH

NEWS

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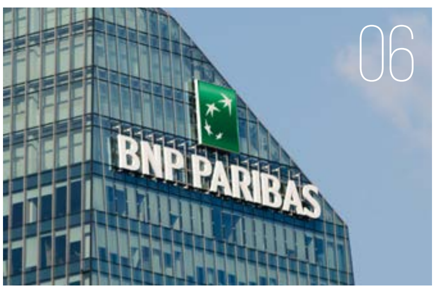
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THE Accountant | INTERNATIONAL Accounting BULLETIN

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3rd October 2019 • London

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BANK SPONSORSHIP – GOLF'S BIG HITTERS

Douglas Blakey, Editor

By common consent, the 148th Open golf tournament is a huge success. And once again, the Open has the backing of major sponsorship from banks and the credit cards sector, but which banks and issuers are the biggest supporters of golf?

Mastercard and HSBC lead the field by some distance. And both Mastercard and HSBC are backing the Open, which is back in Northern Ireland for the first time in 68 years. HSBC and Mastercard each agreed $20m deals to sponsor the Open golf tournament for five years from 2016 to 2020, but the iconic British Open is just one of many golf sponsorship deals backed by HSBC and Mastercard.

Golf's biggest financial services sponsors

Mastercard currently spends over $20m per year on golf sponsorship. Its biggest agreement is a four-year deal at $9m per year supporting the Arnold Palmer Invitational in Florida. The deal runs from 2017 to 2020, and gives Mastercard the status of main sponsor.

In addition, Mastercard spends $6m a year as sponsor and partner of the PGA Tour in the US. The deal is worth in total $35m, running from 2017 to 2022.

Mastercard also backs a number of leading professionals. For example, world number four Justin Rose is backed by Mastercard at an estimated $300,000 per year. Top 100 professional Graeme McDowall is also on the Mastercard roster as a brand ambassador; McDowall has been supported by Mastercard since 2010 – albeit at around half the rate enjoyed by Rose.

Other Mastercard brand ambassadors include Brandt Snedeker and Brooke Henderson. Meantime, HSBC currently spends over $15m a year on golf.

HSBC's biggest golf deals

HSBC agreed a $40m deal in 2016, running for five years as title sponsor of the World Golf Championships. Also in 2016, HSBC agreed a five-year deal at $2.5m per year to sponsor the Abu Dhabi Golf Championship.

Smaller HSBC golf deals include the LPGA Tour and sponsorship of the Emirates Golf Federation; both deals are estimated to be worth around $500,000 per year.

Wells Fargo's overall annual spend on golf is dwarfed by HSBC's, but its title sponsorship of the Wells Fargo Championship is a major deal – and one of golf's biggest. The Wells Fargo deal is worth a total of $48m, at $8m a year running from 2019 to 2024.

Citi, RBC, Société Générale and ING also chip in

Citi is regularly among the most enthusiastic banking backers of sport, and golf is no exception. Since 2015, Citi has invested $2m a year as sponsor and partner of golf's Presidents Cup.

World number nine Justin Thomas is backed by Citi as a brand ambassador at an estimated $400,000 per year. Other Citi brand ambassadors include world number 11 Xander Schauffele, at an estimated $300,000 per year.

Meantime, Royal Bank of Canada is Canada's biggest golf sponsor in the financial services sector. In particular, RBC is title sponsor of both the RBC Heritage and the RBC Canadian Open. RBC invests $1.5m a year to support the Canadian PGA tour. The six-year deal started in 2018 and runs to 2023. RBC's roster of brand ambassadors includes leading professionals such as world number two Dustin Johnson and world number 13 Matt Kuchar.

In France, Société Générale is more associated with rugby union, but it has sponsored the French Golf Federation since 2008. The current deal is worth $1.5m per year, making Société Générale one of the biggest European banking golf sponsors. European rival ING is also active, investing $400,000 per year as main sponsor of the Dutch Golf Federation.

American Express backs USGA

In the cards sector, American Express is active – although not on the scale of Mastercard. Amex has backed the USGA since 2016 in a deal worth an estimated $2.5m per year. Amex also backs world number 17 Tony Finau in a brand ambassador deal worth an estimated $300,000 per year.

Other prominent backers include Sumitomo Mitsui via its $1m-per-year deal to sponsor the Singapore Open, while in South Africa, Investec invests $500,000 a year to sponsor the Sunshine Tour. ■

Sponsorship data for this piece is sourced from Sportcal, a division of RBI publisher *GlobalData. Every day, Sportcal gathers analyses and connects vast amounts of sports industry data via its news, media, sponsorship and events platforms. The result? Streamlined, actionable intelligence to enable confident decision making.*

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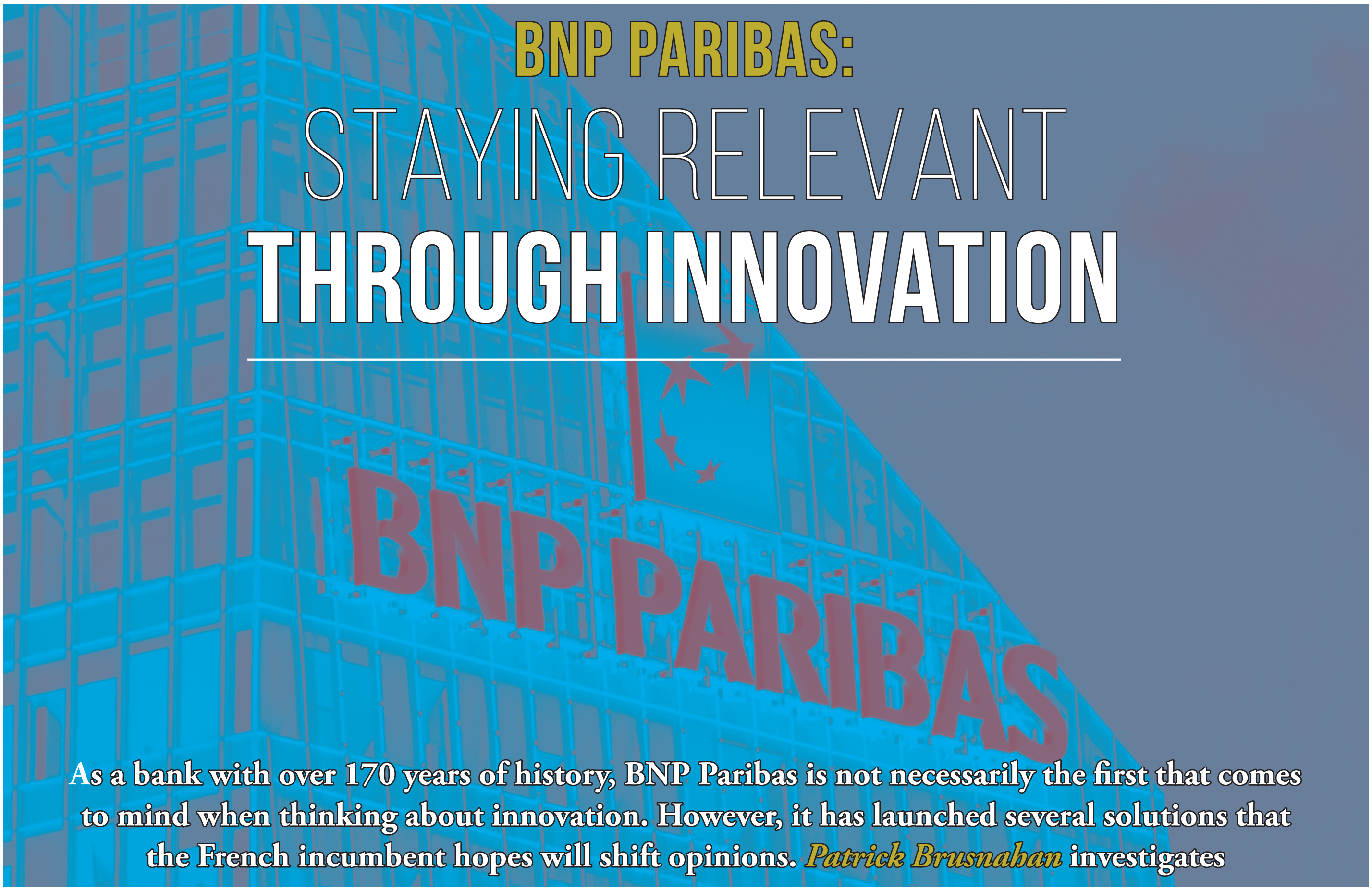


BNP PARIBAS: STAYING RELEVANT THROUGH INNOVATION

As a bank with over 170 years of history, BNP Paribas is not necessarily the first that comes to mind when thinking about innovation. However, it has launched several solutions that the French incumbent hopes will shift opinions. *Patrick Brusnahan* investigates

BNP Paribas is one of the largest banks in the world and even it has to rethink some things.

At the bank's User Experience Day event, Theirry Laborde, deputy chief operating officer, conceded that the bank is often seen as a "dinosaur".

However, BNP Paribas is adapting its strategy. Speaking to *RBI,* Sophie Heller, chief operating officer, retail banking and services at BNP Paribas, sees this as a wider trend. She says: "Large banks are shifting their models in order to operate just as small, connected start-ups do, and are leveraging the successful methods of digital players."

FOUR PILLARS

BNP Paribas's retail banking strategy is focused on four "pillars": choice, instantaneity, customisation and simplicity. This is where the bank finds it can bring value to customers, and is therefore crucial; Heller believes "they are key in generating client satisfaction and loyalty".

Not all customers need the same services or solutions, however, so the French bank feels it is important to offer flexible choices. It has narrowed these down to four different offers for certain needs:

- The need for a large choice of banking products and services, plus a dedicated adviser if necessary, addressed by BNP Paribas's full omnichannel offer;
- The specific needs of affluent customers, addressed by BNP Paribas Private Banking's omnichannel model;
- The need for simple mobile banking, addressed by Hello bank! All basic banking products and services are available on mobile, with assistance provided via a call centre, and at competitive pricing. This offer is mostly aimed at millennials, and
- The need for financial inclusion, addressed by Nickel, an easy payment offer for low-income clients who need to hold cash and require a physical contact point when opening an account. Clients can open a Nickel account in five minutes at a tobacconist.

Heller explains: "These four models are available 24/7, and transactions are increasingly being carried out in real time.

"The diversity of the business lines within BNP Paribas, and its open innovation strategy through external partnerships allow us to develop and offer solutions beyond regular banking services to meet our clients' expectations. Thus, we provide solutions covering comprehensive customer journeys by addressing needs in terms of mobility, healthcare, shopping, housing and so on."

BECOMING DIGITAL

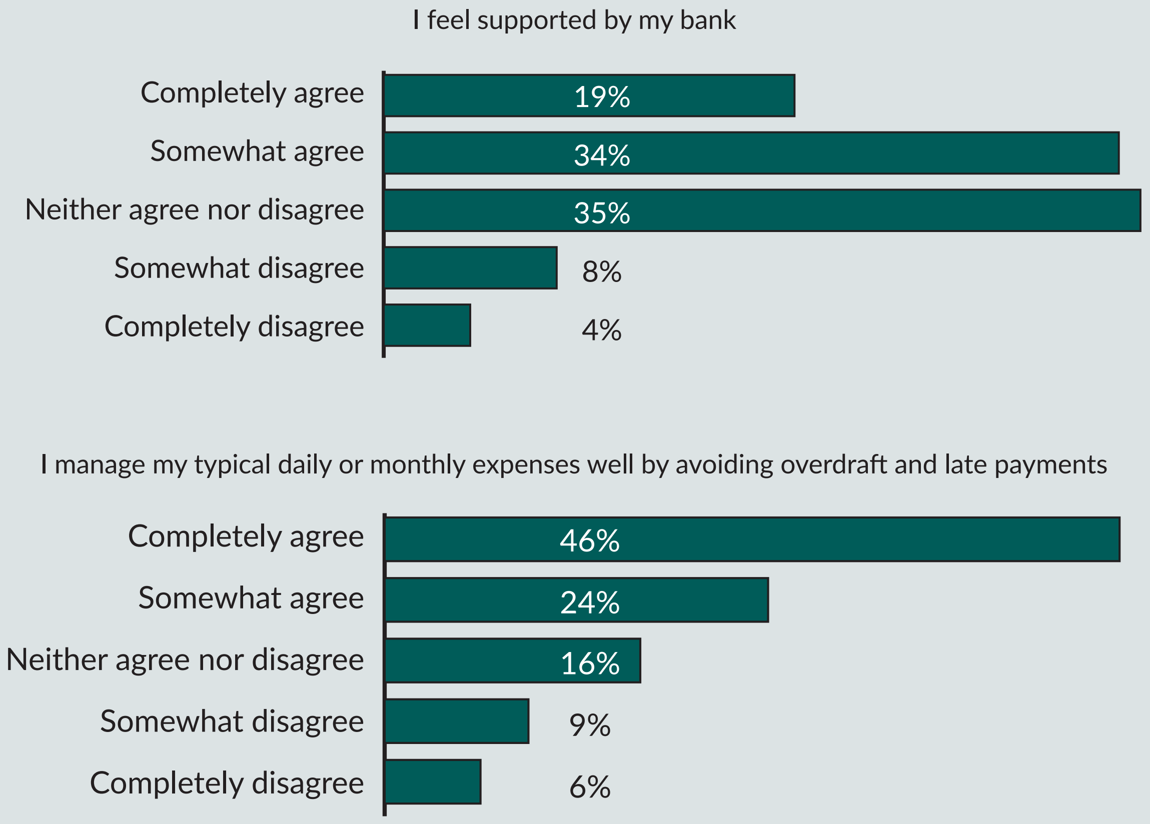
With so many digital players in the sector now, can BNP Paribas maintain a strong relationship with its customers? Smaller players are slowly taking pieces of the relationship away by offering a single product at competitive rates.

"We have learned from clients that despite budgeting and financial management not always being seen as thrilling, they remain a requirement for peace of mind," Heller notes.

"Banks are legitimate in their eyes to act as trusted partners, and to manage not only products and services, but to help them have a comprehensive view on their finances, and to help them successfully arbitrate according to their needs and financial goals."

So how will BNP Paribas know if these actions are a success? Are they actually helping customers? Heller concludes: "We are also monitoring each customer journey – conversion rate, effort score, delays – and each channel. We are monitoring that our actions are positively impacting those indicators, and if not, we are taking actions." ■

BNP PARIBAS: CONSUMER RESPONSES



Source: BNP Paribas

BNP PARIBAS: A FULL SUITE OF INNOVATIONS

- **Didid:** With the tagline 'Dream It. Didid. Do It', Didid is the first smartphone application that enables users to, in its words, "turn dreams into reality". Launched in March 2019, Didid helps customers plan goals, save for them, and realise them.

  Didid was one of the first Belgian companies to receive a licence from the national bank to link users' bank accounts to an app. Users can save directly or receive gifts from friends and family. To date, the app has been downloaded over 30,000 times.

- **Guarantme:** Used by tenants without a guarantor who are looking to rent in France. The client can file a claim in five minutes and receive a response in less than 24 hours. Available in France since June 2019, it also keeps rental income secure.

- **Genius:** A digital assistant in Luxembourg, it sends alerts and messages to customers regarding their banking behaviour.

  Utilising AI, it understands habits and anticipates future income and expenses, getting ahead of cash-flow problems, for example. It is also self-learning, and can adapt its messages according to the customer. Customers also gain 24/7 access to advice.

- **Lyf Pay:** An app in France aimed at simplifying payments. Accessible to all, regardless of bank, it includes a number of functionalities. Users can make payments in- tore, online, in instalments or at time of order, as well as share payments and enjoy benefits such as loyalty schemes and offers. It has been deployed at locations such as festivals, stadia and large food stores.

- **Nickel:** An account-keeping service open to all with no conditions regarding income, deposits or wealth, and no overdraft or credit facilities. Accounts can be opened within five minutes at a tobacconist.

  For €20 ($22) a year, Nickel provides an international payment card, a personal bank ID and tools to track transactions in real time. Launched in 2014, it now has more than 1.3 million customers, and still gains nearly 35,000 more each month.

- **Paylib Entre Amis:** This enables customers in France to reimburse friends quickly and easily with just a mobile number. The service is fee-free with no additional charges, and is available regardless of the beneficiary's bank. ■

STANDARD CHARTERED: BRINGING A STABLE OF DIGITAL BANKS TO AFRICA

It seems every big bank in the world is launching digital sub-brands in new markets; however, Standard Chartered has taken this a step further and launched eight in Africa – and there is no sign of the bank slowing down. *Patrick Brusnahan* and *Briony Richter* write

Africa is no beginner when it comes to alternative forms of banking and payments.

Mobile payment solution M-Pesa is widely adopted in Kenya and across the wider continent, with over 30 million people using the service to send and receive money.

TymeBank is also hoping to become a household name in South Africa. Owned by African Rainbow Capital, it claims to be South Africa's "first fully digital bank", and recently launched its EveryDay account.

However, the large incumbents are also getting in on the action. Standard Chartered is making a big play in the region, and a multitude of digital banks have been launched. Jaydeep Gupta, region head of retail banking, Africa and Middle East at Standard Chartered, tells *RBI* that this is just the beginning.

RBI: What will this roll-out include in terms of services that will be immediately available?

Jaydeep Gupta: We have now launched digital banks in eight markets within 15 months, as we have seen a growing demand for convenient banking in Africa.

The next wave of digital banks in Botswana, Zambia and Zimbabwe follow Uganda, Tanzania, Ghana and Kenya in the first quarter of this year, after we initially launched the solution in Côte d'Ivoire in 2018.

The digital roll-out in the region will allow customers to enjoy simple, secure, affordable and un-interruptive banking anytime and anywhere. Active customers of the digital bank will also be eligible to receive loyalty benefits and promotions.

RBI: What progression have you witnessed with the digital launch in Côte d'Ivoire?

JG: We are keen to maintain our momentum and continue to expand across the region with the digital bank solution.

Côte d'Ivoire was our inaugural launch of a pure digital bank, and it has been extremely successful. The proof of success has been the expression of interest in enrolment via downloads, followed by account activation. To date, 18,000 new accounts have been opened, and many of our key ecosystem partners have reached out for strategic partnerships.

RBI: Can you provide any stats on mobile usage across African markets?

JG: We are now living in a mobile-led world, where customers are becoming increasingly accustomed to the ease and convenience of digital channels: 24/7 access, a personalised approach, and a unified, omnichannel experience have quickly become the norm, as internet penetration in Africa has reached 35.9% and smartphone penetration at 33%.

According to the Hootsuite and We Are Social *Global Digital Report 2019,* in 2018 alone Africa saw a 12% increase in active social media users and a 15% increase in active mobile social media users. This is not surprising, given that 82% of the population have mobile connections.

RBI: These regions still have a high use of cash but are shifting towards digital. Is there clear evidence that digital will take off?

JG: There is still quite a high prevalence of cash usage on the continent, but you just need to look at how well mobile money has taken off over the past decade to know that Africa is moving away from cash.

Mobile money is now active in 31 countries in Africa, with 84 million active mobile money accounts.

Digital banking is an evolution of mobile banking, as more consumers become connected and demand a better user experience in financial services

With our solution, we are creating an ecosystem to make their banking seamless. Clients can open a new account through our digital bank and be onboarded in under 15 minutes, as well as track a request submitted in real time.

Consumers, many of whom are tech-savvy, don't want to want to go to a traditional bricks-and-mortar branch to open a bank account or do their day-to-day banking. They want – if not demand – speed and convenience. That's why we have digitised 70 of the most common service requests.


Jaydeep Gupta, Standard Chartered

The data gathered from our digital roll-outs across various markets only proves the reception we are getting in Africa towards advanced technology and digitisation, as client growth has increased by 10 times in Uganda and Tanzania following the digital roll-out.

Additionally, millennials make up a large portion of the population in Africa. Many are tech-savvy, and are therefore attracted towards using our digital applications rather than relying on cash.

In fact, 75% of our customers using our digital bank are below the age of 35. Therefore, the success we are observing in our digital banking services implies that not only has digitisation taken off in the region, it will also become the most material channel of product delivery.

We are very excited to continue the momentum across Africa and provide our customers with advanced banking experiences that are reshaping the banking industry and breaking down traditional barriers.

> "NOT ONLY HAS DIGITISATION TAKEN OFF IN THE REGION, IT WILL ALSO BECOME THE MOST MATERIAL CHANNEL OF PRODUCT DELIVERY

RBI: How will Standard Chartered boost acceptance of digital channels for banking?

JG: There is already a huge demand for digital services when it comes to banking – this is coming directly from consumers. This is even more so in markets like Africa, because of the high mobile penetration and digitally savvy young population.

In fact, according to recent reports by Hootsuite and We Are Social, 82% of the population have mobile connections.

What we are doing at Standard Chartered is investing in our offering to make these digital services more easily accessible. So far, they have been very well received by the markets. We continue to enhance the digital bank experience and to evolve our products to meet the digital demands of our clients.

We have just introduced the SC Keyboard platform in Kenya, Uganda, Ghana and Tanzania, which allows customers to access a variety of financial services from within any social or messaging platform without having to open the banking app. The unique digital solution can be configured as the default keyboard on any smartphone, making banking quick and seamless for customers who no longer need to log into their SC Mobile app for basic banking services.

RBI: What are some of the most innovative services provided by the digital banks that consumers in these four markets can expect to enjoy?

JG: Our digital banks were developed with our clients in mind. We have taken customer feedback into consideration at every step of the design process, and designed the platforms based on their preferences. Our digital banks truly aim to make our customers' banking experience more enjoyable and efficient.

Because of this, they provide a number of benefits which can be enjoyed, including 70 different services which can be accessed directly through the app. Clients can open a new account through the app and be onboarded in under 15 minutes, as well as track a request submitted in real time. We have introduced additional benefits with our newer digital bank roll-outs, including facial-recognition technology.

RBI: The world is becoming more digitally connected. Will this affect branch use, or will it be about balancing the physical and digital channels?

JG: We have already seen the impact that a more digital world has on banking, especially on the traditional, physical branches we are used to. Looking at our clients specifically, of the digitally acquired customers, 96% prefer to transact outside the physical branch network.

However, retaining the 'human' element in banking remains crucial. While digital channels are undoubtedly more efficient, hold lower error rates and have decreased cost-to-serve ratios, finding the balance between traditional and digital banking services is the key to providing exceptional customer service.

Customers will always require an element of human interaction and, at Standard Chartered, we are focusing on fusing these offerings in order to provide a seamless customer experience.

RBI: Finally, will there be more roll-outs coming soon?

JG: Definitely. At Standard Chartered, our digital transformation strategy in Africa will continue to be a main priority for the bank.

We will keep investing in our next-generation digital offering and providing innovative financial services, catering to the demands of our clients. In line with this, we will be launching our digital bank in Nigeria this September. This follows the eight digital banks which we have already launched so far.

We are also working on the roll-out of the SC Keyboard to additional markets in Africa. This includes launches in Botswana, Zambia, Zimbabwe and Nigeria throughout the rest of the year. ■

CHASE FLAGSHIP BRANCH UNVEILED ON MADISON AVENUE

The Chase flagship retail store, located within its global headquarter campus in New York City, is open for business. While the opening is very exciting, it comes at a time when Chase is still closing branches, so what is the strategy here? *Douglas Blakey* writes

The new location at 390 Madison Avenue will turn heads. Chase says the outlet provides an integrated experience that combines digital concepts and technologies.

In particular, the Chase flagship branch has open lounges, private offices and flexible spaces that can accommodate a variety of community events for different audiences. Chase collaborated with Accenture to design the store, which was unveiled on 25 June.

"Our flagship branches are experiential locations. The brand truly comes to life for our customers," says John McGinley, head of real estate at Chase.

"That can be through community events and conversations on financial health. And it is a place where we'll show the latest technology, innovation and experiences before they're introduced to the market."

DIGITAL AND PHYSICAL

allen international, Accenture's retail design and customer experience agency, worked alongside Chase and New York-based architect the Spector Group.

allen helped create a differentiated design that delivers a unique experience and environment that is digital at its core. This enables customers to interact seamlessly with the bank through a combination of digital and physical channels, according to their preference.

Paula O'Reilly, MD at Accenture's banking practice, says: "Consumers want financial services institutions to provide a high-touch, human experiences coupled with the latest digital tools.

"JPMorgan Chase's new branch is a leading industry example of a next-generation experience. It empowers front-line colleagues with technologies that enable a differentiated retail experience."

allen international was acquired by Accenture in 2016. It designs physical retail space to support multichannel customer interactions and optimise retail locations – in particular those that blend physical and digital capabilities to deliver transformational customer experiences.

The company has helped many of the world's leading banks, telcos and retailers across 57 countries to create engaging physical location networks, ranging from 10 to more than 10,000 stores.

BRANCH STRATEGY

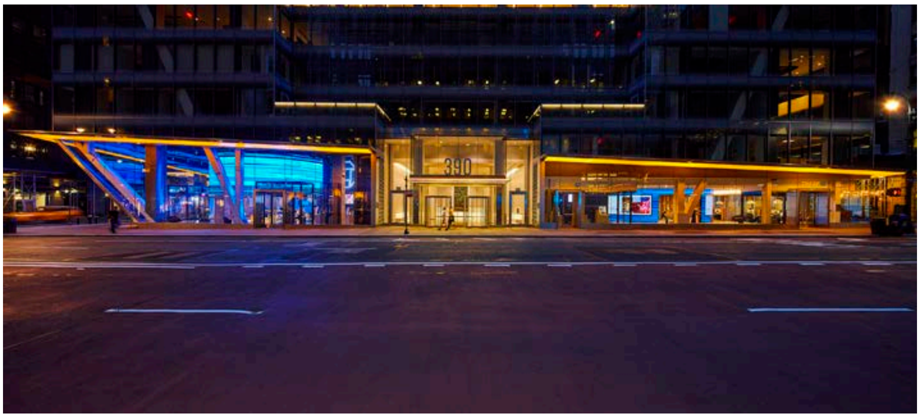
Of the major US retail banks, Chase has been the most enthusiastic advocate of the branch channel since the crisis. That is certainly the case in terms of the size of its network.

In 2008, as the banking crisis peaked, Chase operated 3,195 units. The acquisition of the failed Washington Mutual added a further 2,213 units, with Chase ending 2010 with just over 5,250 units.

It then bucked the trend towards shrinking branch numbers by adding to its branch channel. The Chase branch estate peaked at 5,697 outlets in 2013. It ended 2018 with 5,146 branches in the US, down a net 142 outlets from 5,288 at the end of 2017.

While Chase's overall branch network is shrinking slowly, it is also opening branches. Last year, it revealed plans to open up to 400 new branches in 20 key markets.

Since then, Chase's total network has inched down, despite a number of openings. It ends the second quarter of 2019 with 4,970 branches, down by a net 121 outlets compared with a year ago. ■



ATTACK THE HACK: HOW BANKS ARE TACKLING FRAUD

In today's digital ecosystem, banks are offering new and convenient ways for customers to manage their finances, resulting in a more enhanced customer experience. However, as banking becomes more sophisticated, so too do the hackers. Jim Winters, head of fraud at Barclays UK, explains what the bank is doing to protect its customers. *Briony Richter* reports

The rapid growth of digital banking channels has increased the pressure on banks and governments to strengthen their cybersecurity measures.

Fraud detection systems across numerous banking channels need improvement in order to keep up with the hackers. That being said, there is also an abundance of security-focused technology that banks can use to properly defend against attacks.

Explaining his role to *RBI,* Jim Winters, head of UK fraud at Barclays, says: "As head of the Barclays UK Fraud Team, I am responsible for the prevention and detection of all fraud types impacting customers of Barclays UK.

"The role is varied, but primarily involves designing and implementing effective controls – either system or process-based – to protect our customers, ideally in a way that enhances rather than detracts from their experience. This requires us to embrace the latest in technology and ensure we remain one step ahead of the fraudsters at all times."

The UK's Public Accounts Committee (PAC) says the National Cyber Security Centre has dealt with more than 1,100 incidents since it was established in October 2016. Chair Meg Hillier notes: "With its world-leading digital economy, the UK is more vulnerable than ever before to cyberattacks. As the likelihood of these attacks continues to grow, the UK needs to protect itself against the risks created by more and more services going online."

FRAUD FEATURES

Barclays has a number of features that will support customers in keeping their card information safe. In May 2019, Barclays launched an in-app account-opening solution, which features a suite of new fraud and scam warnings.

> "THE UK IS MORE VULNERABLE THAN EVER BEFORE TO CYBERATTACKS

Customers can use the app to open an account at their own convenience. In just a few taps, the new feature enhances the customer onboarding journey by enabling a seamless digital experience.

Barclays has also ensured that the new feature is properly protected. When a customer clicks to pay a new recipient in the app, they will now see two new screens that warn of the common tactics used by scammers. Before continuing with the transaction, the user selects the purpose of the payment from a list of nine categories. Another warning then pops up, prompting the customer to think more about the payment they are making. Only once this warning is passed will the payment be confirmed as normal.

Fraudulent attacks are becoming more common – and more aggressive. A scammer will frequently seem digitally identical to a customer's financial provider, so Barclays' new fraud features are designed to act as a positive ▸

friction point in the overall payment journey.

"We are continually investing in new features and technology to combat fraud. Currently, we are focused on improving the effectiveness of our fraud-prevention framework through the introduction of machine learning models and enhanced biometric profiling," Winter notes.

"This helps us to build up an understanding of a customer's genuine activity so we can better identify abnormal activity and avoid interrupting a customer unnecessarily. Alongside this technological development, we've also focussed on educating our customers about the dangers posed through fraud and scams."

Continuing, he highlights, "We've committed more than £18m ($22.5m) over the past two years to raising awareness through our Digital Safety campaigns, running a series of adverts about the most common types of scams that customers and the wider public should be aware of. Through this combined approach, last year we were able to prevent over £835m of potential fraud from taking place."

Consumers now look to their banking providers for advice on how to protect themselves as they increasingly live their lives online. Thus, there is an opportunity for banks to deliver tailored advice and insight for customers to combat cybercrime. Boosting consumer awareness of the dangers of cybercrime will ultimately lead to a reduction in incidents.

"Fraud prevention is an arms race," Winter warns. "We have to invest and innovate continually in order to stay one step ahead of the criminals. However, it's not all about control; improvements in technology mean we can make more accurate decisions and explore how improved security can enhance – rather than detract from – the customer experience."

He continues: "One of our principles is to try and keep controls in the background where possible; customers should know that we are continually monitoring and protecting their accounts, but we only intervene when absolutely necessary."

COMBATING FRAUD

The National Cyber Security Strategy 2016–2021 sets out the UK government's plan to make the country secure and resilient.

As hacks become more advanced, large banks and organisations are increasingly seen as prime targets for organised crime and

Jim Winters, Barclays

cyberterrorists. It is, therefore, crucial both for the bank and the customer to protect any information stored digitally.

An attack on a financial institution not only results in the loss of vital data, but can have a devastating effect on a firm's reputation – something that typically requires significant amounts of time and money to restore.

Speaking on the growth of attacks, Winter states: "Fraudsters are continually learning and attacks are ever-more sophisticated. This means the warning indicators we are looking for become more and more subtle as they mirror customers' genuine behaviour, or even trick customers into carrying out transactions on the fraudster's behalf.

"Machine learning allows us to make faster, better decisions and identify the increasingly subtle nuances that might indicate that a customer is about to fall victim to a fraud. These models allow us to make best use of the data available to us, so every decision we make is contextual and as informed as possible. Machine learning is just one part of a multi-layered control framework, so we aren't reliant on one specific type of technology or any single control to protect our customers."

According to GlobalData's *Payment Fraud Customer Analytics*, the most prevalent form of cybercrime is theft of online card details (see chart).

CHALLENGES

There is no one-size-fits-all solution to tackling cybercrime. For banks, the strategy should be pre-empting attacks rather than reacting to them once they have occurred.

Fraud prevention and detection continues to make huge strides in UK banking; however, the industry is not out of the woods just yet.

Highlighting the challenges facing the banking industry, Winter says: "Right now the industry is seeing an increase in scams and 'authorised push payment' fraud.

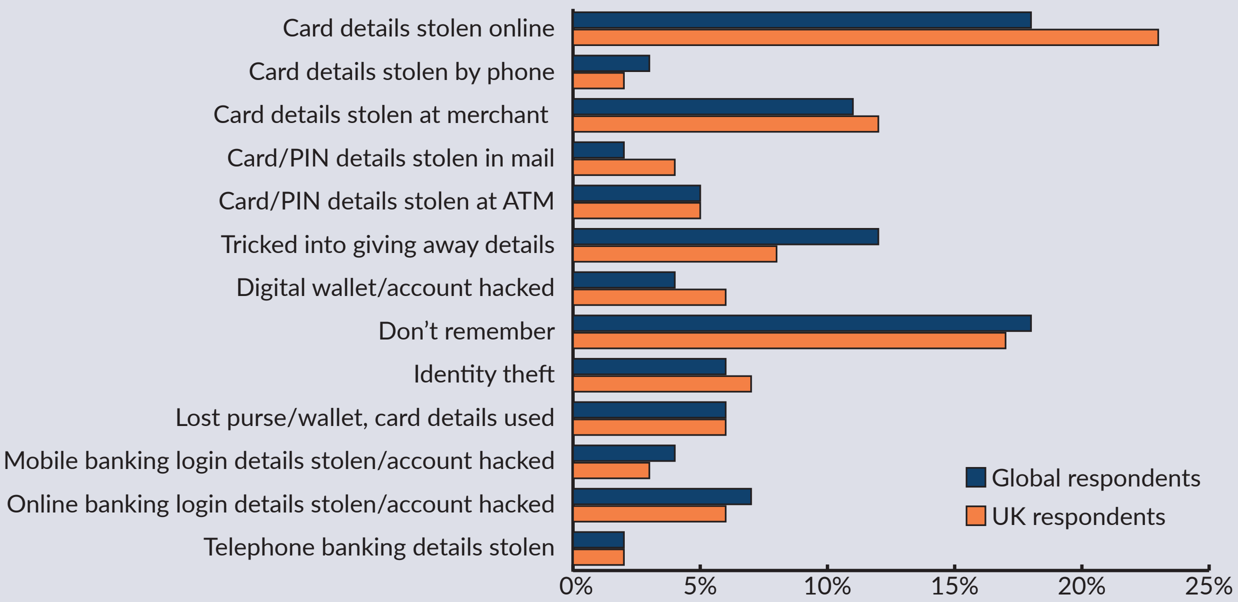
As fraud-prevention techniques have improved, criminals have shifted focus, and many now concentrate their efforts on socially engineering customers into making fraudulent payments for them.

In theory, this makes fraudulent activity harder to spot, because the customer has authorised the fraud – no passwords have been compromised and the customer is often using the phone, branch or computer they would normally use to carry out their everyday banking. They think they are making a payment, which also means they won't report a concern should we contact them.

"The increase in the incidence of data breaches is also playing a part. Obviously,

FRAUD PENETRATION BY TYPE

Which of these types of payment fraud most closely matches the one of which you were a victim?



Source: GlobalData

live card details are extremely valuable to fraudsters, but the personal information that is also harvested can be used to help identify potential victims and then be used to socially engineer them and gain trust – by pretending to be their bank or utility provider, for example.

"The new data privacy regulations (GDPR) and threat of increased fines will hopefully encourage companies to improve their information security standards and avoid incidents of security breaches going forward."

> **"THE INDUSTRY CAN'T BE COMPLACENT. AS PREVENTION TECHNIQUES IMPROVE, WE OFTEN SEE CRIMINALS RESORT TO OLD-SCHOOL METHODS**

Winter also notes that social media is playing an increasingly significant role in the growth of fraud. It has also become so integrated into most consumers' lives that social media platforms have become a fertile breeding ground for hackers.

"We have been working hard to fight back against this threat by educating young people in schools and colleges via our Life Skills programme, giving specialist training to all our branch staff so they can spot the signs of fraud, and leading a multimillion pound digital safety awareness campaign to raise the public's overall awareness.

"We have also played an important role in the creation of the recently launched CRM code, and believe it is a significant step forward in helping to protect customers and reimburse those who have been victims of scams."

Winter continues: "However, we believe that to truly reduce the volume of victims, the code needs to go further. We are calling on all the organisations who enable scams to take place to contribute to the work being done to safeguard and compensate consumers, to stop scams once and for all."

Fraudsters will always focus their attacks on a financial organisation's weakest point. However, the volume of attacks can also be drawn towards the most popular consumer channel, with digital payments being a prime example. With a higher number of transactions taking place, fraudsters believe their attacks will be far harder to detect among the sheer volume of innocent activity.

Turning to the evolution of fraud, Winter concludes: "With the advances in technology, it is likely that we will see machine learning utilised more widely – particularly as the amount of data available to inform a decision increases and consumers have come to expect real-time services and fulfilment.

"However, given the levels of data compromise seen at the moment, I also expect to see continued development of security technologies that reduce the value of stolen information to fraudsters such as dynamic, one-time usage card numbers and security credentials, and also biometrics.

"The industry can't be complacent though. As prevention techniques improve, we often see criminals resort to old-school methods such as distraction of victims at ATMs and card trapping."

Fraud is a constant cat-and-mouse game between banks and hackers. Once a bank upgrades its fraud-prevention measures, fraudsters are most likely already looking for ways to hack into their new system.

The foundations of an effective fraud risk management programme are rooted in risk assessments, which must be conducted frequently to ensure that any risks are identified before damage can take place.

Fraud is not going anywhere, but a robust fraud-management programme gives banks a reliable roadmap to identifying and preventing it. ■

STRONG FIRST-HALF RESULTS, BUT HAVE US BANK PROFITS PEAKED?

Share prices are up at 46 of the 50 largest North American banks by market cap for the six months to end June, but as the second-quarter reporting season kicks off, the question is: have bank profits peaked due to margin pressure? *Douglas Blakey* reports

So far so good for US banks in the first half, with share prices up and resilient second-quarter results.

Of the largest 50 North American banks by market cap, only Charles Schwab, Bank of New York Mellon, State Street and Webster Bank post a fall in share price.

Across the border, all five major Canadian banks are also posting first-half gains in their share prices.

Citi is among the strongest US performers: for the six-month period to end June, its share price is up by 34% (see table). Citi also kicked off the reporting season with a second-quarter net profit of $4.8bn, up almost 7% year on year.

Citi's earnings beat analyst forecasts – a theme that was to be repeated at the other major US lenders. The rise in Citi's net income is driven by higher revenues and a reduction in expenses; specifically, there is a 2% fall in expenses, the 11th consecutive quarter of positive operating leverage. This helps to reduce the Citi cost-income ratio in the second quarter to 56.7% from 57.9% in the year-ago quarter.

Less positive is the reduction in Citi's net interest margin, which falls five basis points from the first quarter to 2.67%.

The modest fall in Citi's net interest margin is repeated at the other major US banks in the second quarter. One day after Citi's results, along comes JP Morgan Chase, yet again beating analyst forecasts. Chase reports net income of $9.65bn for the three months to end June, up 16% year on year.

The rise in net income is driven by strong retail banking metrics; in particular, mortgage, auto originations and deposits all show strong growth.

And in a near repeat of Citi's key metrics, Chase's cost income ratio and net interest margin are also down. Its cost-income ratio of 57% is down from 58% a year ago, while its net interest margin drops by eight basis points to 2.49%.

To put the figures in context, one interest-rate cut of 25 basis points in the second half would reduce Chase's revenue by around $60m – in other words, a modest amount compared to quarterly net interest income of about $15bn.

MARGIN PRESSURES

The release of Chase's second-quarter results scored a dead heat with Wells Fargo. Wells's second-quarter earnings also beat analyst forecasts, boosted by successful cost cutting and a rise in non-interest income.

Net income of $6.2bn for the quarter to end June is up 20% from $5.2bn for the year-ago quarter; non-interest income rises by 5.3% over the same period.

Second quarter non-interest income includes higher trust and investment fees, service charges on deposit accounts, and higher card fees. On the other hand, net interest income is down by 3.5% to $12.1bn. Margin pressure at Wells Fargo results in a nine-basis-point drop in net interest margin for the quarter to 2.82%.

Against the challenging backdrop of the fallout of its mis-selling scandal, however, there are a number of positive metrics.

POSITIVE RETAIL METRICS

Notably, Wells Fargo primary consumer current account customers increase by 1.3%, up from 23.9 million a year ago to 24.3 million.

In addition, branch customer experience surveys completed during the second quarter 2019 of reflect higher scores than the previous quarter. In particular, the "Customer Loyalty" and "Overall Satisfaction with Most Recent

NORTH AMERICA – LARGEST 50 BANKS BY MARKET CAP

RANK	BANK	MARKET CAP $BN	% CHANGE 1 JAN-30 JUNE 2019	RANK	BANK	MARKET CAP $BN	% CHANGE 1 JAN-30 JUNE 2019
1	JPMorgan Chase	366.7	16.7	26	Northern Trust	19.7	8.8
2	Bank of America	275.9	18.1	27	Keycorp	17.8	18.6
3	Wells Fargo	211.9	0.4	28	National Bank of Canada	16.5	12.9
4	Citigroup	164.5	34.8	29	Citizens Financial	16.1	17.4
5	Royal Bank of Canada	116.1	11.9	30	Regions Bank	15.3	11.7
6	Toronto Dominion	107.2	12.6	31	Huntington Bancshares	14.4	13.9
7	American Express	105.9	32.9	32	Ally Financial	12.5	39.1
8	US Bank	84.7	15.5	33	Raymond James Financial	11.9	16.3
9	Goldman Sachs	75.4	24.1	34	Comerica	11.1	3.9
10	Morgan Stanley	72.9	10.8	35	Silicon Valley Bank	11.1	13.9
11	Scotiabank	66.4	3.5	36	E Trade Financial	10.9	2.5
12	PNC	63.2	20.6	37	Zions Bank	8.3	11.8
13	Charles Schwab	53.0	-2.4	38	Signature Bank	6.9	21.2
14	Capital One	42.4	18.9	39	Peoples United Financial	6.7	14.3
15	Bank of New York Mellon	41.2	-7.8	40	East West Bancorp	6.6	5.3
16	Prudential Financial Inc	40.9	22.1	41	Commerce Bancshares	6.5	5.1
17	BB&T	38.2	13.8	42	Cullen Frost	5.9	4.2
18	CIBC	35.3	0.9	43	Synovus	5.5	8.3
19	SunTrust Banks	28.4	24.6	44	BOK Financial	5.5	5.8
20	Discover Financial Services	25.9	34.6	45	Popular Inc	5.3	16.7
21	Synchrony	24.5	48.3	46	First Citizens Bancshares	5.1	22.5
22	M&T	23.4	19.6	47	CIT Group Inc.	4.9	31.7
23	Hartford Financial	20.7	29.5	48	NY Community Bancorp	4.8	9.4
24	State Street	20.3	-14.4	49	First Horizon	4.7	12.1
25	Fifth Third	20.3	17.3	50	Webster Financial	4.3	-5.2

Source: *RBI*

Visit" scores reach their highest levels for over three years.

But it is the prospect of interest rate cuts that is spooking analysts covering Wells Fargo. Its net interest income falls by 4% in the second quarter. The bank forecasts a gain in net interest income of around 5% this year, although that estimate looks optimistic – in particular if the Fed cuts rates by more than 25 basis points in the second half of the year.

Bank of America's second-quarter results continue the theme: beating forecasts but with evidence of margin pressure. Net income for the quarter to end June rises by 8% year on year to $7.3bn. On the other hand, the Bank of America net interest margin is down seven basis points to 2.44%.

But it is the bank's strong retail banking metrics that deserve to grab the headlines. The consumer banking division posts net income up by 13% to $3.3bn. Retail loans are up by 6% to $296bn. At the same time, deposits rise by 3% to $3.3bn, while consumer investment assets are up 15% to $220bn. Other notable highlights include a two percentage-point drop in the bank's cost-income ratio to 45%.

The bank's wealth and investment banking unit also posts a strong quarter, with net income rising by 11% to $1.1bn. The unit also records a record pre-tax margin of 29%, while loans are up 3% and deposits up 7%. Moreover, for the year to date, net new Merrill Lynch households soar by 45%.

BRANCH HIGHLIGHTS

Another recurring theme is the predictable evidence of strong digital gains and overall branch closures.

For all the talk of new branches opening in new markets, Chase continues to close branches overall: it ends the second quarter with 4,970 branches, down by a net 121 outlets from a year ago. The Chase branch network peaked at 5,697 in 2013.

Meantime, Bank of America ends the second quarter with 4,349 branches, representing a net reduction of 62 outlets in the past 12 months.

Bank of America's branch network has reduced each year since peaking at 6,238 in 2009. In the past 10 years, Bank of America has axed almost 1,900 branches, approaching a third of its network.

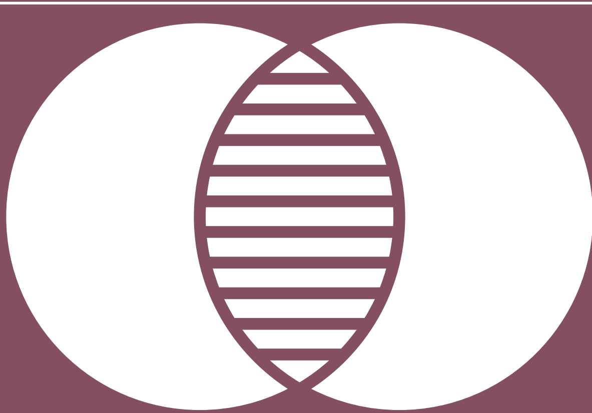
Wells Fargo's branch rightsizing also continues. It now has 5,442 branches, compared with 5,751 at the end of the second quarter last year. Despite closing over 300 branches since the start of 2018, Wells Fargo remains the largest US bank by branch numbers. The bank's network peaked at 6,795 outlets in 2009, following its acquisition of the failed Wachovia.

Citi ends the second quarter with 688 branches in North America, down by only five from a year ago. Its US branch network peaked at 1,079 in 2008.

Among a number of digital banking highlights, Chase's active digital banking customers rise by 6.5% from 47.9 million a year ago to 51 million. Meantime, active Chase mobile banking customers increase by 12% to 35.4 million.

By contrast, Bank of America's active mobile banking users grow by 10% to 27.8 million. At Wells Fargo, the corresponding increase is 8% to 23.7 million, with Citi up by 12% to 11.4 million. ■

M&A ACTIVITY: WHO IS THINKING OF THE CUSTOMER?



Mergers and acquisitions seem to be on the agenda in the banking sector globally – but perhaps nowhere more so than in the Middle East, where there look set to be at least another 10 banks to merge over the coming 18 months. *Henry Van Belle,* managing director at I-AM Dubai and the Middle East, writes

The reason for the increase in M&A activity seems to be twofold.

On the one hand, the sector is mature and cluttered, where larger banks identify their smaller competitors as a good way to gain market share quickly; on the other, with government budgets focused on economic diversification, there is little appetite to support struggling banks.

Not surprisingly, there is a lot of chatter in the financial press. The theme: what is in it for the banks? Apart from the obvious upside in terms of growth – access to new products, markets and customers – the focus is also on the potential pitfalls: inaccurate valuations, actual cost of integration, cultural integration issues… the list is long.

ELEPHANT IN THE ROOM

At no stage, however, have I seen any reference to the banks' customers. What does M&A mean for them? And is anyone thinking about how the resulting entity can benefit from putting the customer at the heart of its strategic planning?

After all, this is far from an altruistic matter: if you keep your customers happy, they are likely to stay; if you frustrate them, your competitors are just next door. I switched banks only last week for this very reason, although I admit that I am yet to notice any major fluctuation in either bank's share price.

It is clear that M&A presents multiple challenges – layoffs, systems integration, culture – and opportunities – getting rid of what does not work, adopting what does. But the more a bank can go into a merger with a clear understanding of the challenges and opportunities – and a clear plan of how to solve or leverage them – the better the outcome will be for all stakeholders, not least the customer.

THE HEART OF STRATEGY

I run the Middle East operations of I-AM, an international customer experience design agency.

Although we work in almost any industry where an organisation is looking to improve the experience it offers its customers, we have worked with about 100 banks around the world over the past 21 years – and 15 of those banks have been in the Middle East, since we opened our studio in Dubai in 2014.

Before going into detail about some of the methodologies we employ to help our clients delight their customers, it is worth looking at the number and range of customer touch-points to consider (see table).

THE STARTING POINT

Companies like I-AM are typically retained at the stage when the banks' strategists have agreed the terms of the M&A, the due diligence has been conducted, and their attention has turned to how the new entity will look, feel and behave. Our task is to create a new brand and deliver a branded customer experience, one that people will remember and will want to recommend.

At I-AM, we define a brand as the impression you give your customers wherever they come into contact with your organisation – irrespective of the touch-point.

There are a number of factors to take into consideration, including brand image, products and services, people and culture, processes and systems, digital channels and technology, and physical environments. Understanding – and knowing how to

KEY TOUCH-POINTS AND CONSIDERATIONS

TOUCH-POINT/ACTIVITY	CONSIDERATIONS
PR/Advertising	How to craft the message of why this merger is good for your customers.
Creating a new name	How can you be sure your new name will appeal to your various target audiences without alienating some of them? (It is rumoured the main reason for cancelling the merger between two banks in Oman in 2016, after three years of negotiations, was because a new name could not be agreed).
Brand identity and the new language used to communicate	What will make you stand out from your competitors and cut through the noise?
Branch network and format strategy	How can you get the most out of what you have, reduce your cost to serve, and keep your customers happy all at the same time?
Branch design uniformity and implementation	You are soon going to be confronted with the double challenge of not just the legacy of your own branch network, but also that of your new partner – and then you will have to merge them.
Digital channels	As with your branches, you will now have two – although probably more – sets of solutions. Designing a seamless customer experience across all channels is crucial.
Culture	How to ensure that all employees – particularly from the acquired bank – 'live' the new brand rather than resent it. An 'us and them' scenario is bad for your staff and bad for your customers.

Source: I-AM

address – these different factors, will go a long way towards creating a holistic brand experience that adds significant value to your organisation.

THE DESIGN 'CLIENT'

Before we even start with design strategy, it is imperative to understand the needs and wishes of the people for whom we are designing: the customers themselves.

Customer behaviour changes from sector to sector and from market to market – it can also change from bank to bank. This means that one-half of a merger's customers may have different needs and wishes from those of the other half – not to mention the fact that preferences change from individual to individual.

> " IT IS IMPERATIVE TO UNDERSTAND THE NEEDS AND WISHES OF THE PEOPLE FOR WHOM WE ARE DESIGNING: THE CUSTOMERS THEMSELVES

I-AM's service design team will observe existing customers in real-time banking situations, both virtual and physical. We use these sessions to identify pain-points with the existing offer. We then interview customers to understand what they do and do not like about a particular experience, and what they would replace it with if they could.

We also dig deeper, asking questions about issues such as where people want to bank, at what time of day, and what their favourite brand experiences are outside the banking sector. Distilling this information allows us to create detailed customer personas, and these form the basis of the design strategy.

A SHARED VISION

Knowing the importance of adopting a collaborative approach with all key stakeholders within the bank, we conduct design strategy workshops to define the founding principles and creative brief for the design process.

We often start with a traditional Brand Key, to help determine critical factors such as context, positioning and expression of the new brand. This is followed by a customer journey workshop, where we define – using the recently gained customer insight – how we want customers to think, feel and behave at each stage of their interaction with the new entity.

Addressing the customer journey holistically is crucial, but it is also important to remember that the overall experience you offer your customers is only as strong as the weakest step in the journey. Perhaps not surprisingly, customers tend to have a better memory for things they do not like than for things they do.

THE ROLE OF TECHNOLOGY

I am grateful to receive a healthy number of project briefs from various banks around the region.

Most banks have similar objectives – gain more customers, engage with them better, reduce the cost to serve them – so it is unsurprising that many of the briefs focus on similar themes.

Innovation seems to be the most common. There is good reason for that: technological innovation has completely transformed the banking sector – and most others – in recent years. Ensuring that your bank keeps up to speed with the latest developments is crucial; however, innovation for the sake of innovation is an easy trap to fall into.

Here again, going back to our customer personas is a good starting point. So, too, is being able to ask – and answer – the right questions. It is easy to be impressed by a flash piece of kit in one of your competitor's branches, but understanding the purpose of technology is essential before making an investment. It was not too long ago that, before becoming one of our clients, a bank in Turkey invested in the latest 'digital coffee table', only to watch it become a very expensive regular coffee table.

The questions we ask when it comes to technology include: who is going to use it? What are they going to use it for? What problem does it solve? Do the benefits justify the investment? Where should it be located within the customer journey to ensure it is used effectively? What should be the relationship between staff and technology?

SUCCESS, NOT FAILURE

I was amazed by the recent – or current, in some parts of the world – trend of talking about and celebrating failure. "Fail fast and fail often" is the mantra. While I understand the thinking behind it – if you have never failed, you have never tried – when it comes to embarking on a project as important as M&A, failure should not be on the menu.

Structuring the project in the right way with clearly defined objectives, bringing in the right partners at the right time, being able to adapt and evolve as you progress are all critical. Remembering that it is your customers who buy your products and services is a good place to start. ■

JUNE NEWS

Emirates NBD approved to open 20 Saudi branches

Dubai-based lender Emirates NBD has secured regulatory approval to open 20 new branches in Saudi Arabia.

The move comes at a time when Saudi Arabia is opening up its economy, which is largely dependent on oil production. Emirates NBD currently has four branches in the kingdom, two in capital city Riyadh, and one each in Jeddah and Khobar.

Last year, First Abu Dhabi Bank (FAB), one of Emirates NBD's main rivals, secured approval to open three branches in Saudi Arabia. FAB opened its first branch in Riyadh in May this year.

Emirates NBD has also reported an 80% year-on-year rise in its second-quarter net profit. According to a statement to the Dubai Financial Market, the bank's net profit jumped to AED4.74bn ($1.2bn), an increase that was primarily attributed to proceeds of the sale of its stake in payments processor Network International.

Earlier in July, Emirates NBD secured the go-ahead from the BDDK to acquire a 99.85% stake in Turkish lender Denizbank from Sberbank. The transaction was originally valued at TRY14.6bn ($3.2bn), which was revised to TRY15.48bn earlier this year. ■

GERMAN ONLINE BANK N26 RAISES $170M; VALUATION SURGES TO $3.5BN

German digital lender N26 has raised an additional $170m in its extended Series D funding round. It is now valued at $3.5bn.

In the initial Series D funding round in January this year, the company raised $300m, at a valuation of $2.7bn. Following closure of the extended round, the company raised a total of $470m for the round. So far, the German online bank has raised more than $670m.

N26 noted that all previous investors that participated in January also extended their support in the latest round. These include Insight Venture Partners, GIC, Tencent, Allianz X, Earlybird Venture Capital and Greyhound Capital.

N26 co-founder Maximilian Tayenthal commented: "Once again, our investors have placed their trust in us. This will allow us to accelerate our global expansion outside Europe.

"The further increase in valuation is a great testament to the company's development over the last months."

The digital bank intends to use the money to accelerate its expansion in Europe, the US and Brazil. It will also invest in developing new features and driving organisational growth.

In the last year, N26 has increased its workforce to 1,300 employees, and continues to hire at its Berlin, New York, Vienna, Barcelona and São Paulo locations.

The bank also plans to launch its Shared Spaces feature, which will enable customers to create sub-accounts within N26 and split bills with up to 10 people.

Earlier this month, N26 launched its mobile banking app in the US, its first project outside Europe. It also recently renamed its N26 Black premium account to N26 You. ■

STARTUP 86 400 SET TO ENTER AUSTRALIAN BANKING SPACE

Fintech business 86 400 has secured a banking licence from the Australian Prudential Regulation Authority (APRA), which granted the digital lender permission to operate as an authorised deposit-taking institution.

In a statement, APRA said 86 400 had been granted the licence under the Banking Act 1959. The approval will enable 86 400 to initially offer savings accounts, transaction accounts and home loans.

Named after the number of seconds in a day, the challenger bank is backed by Australian independent payments provider Cuscal. The bank initiated beta testing in December last year.

86 400 is expected to place its app on the Apple App and Google Play stores for download in the following weeks. It will then commence general business by accepting customers already registered on its waiting list. ■

GERMAN FINTECH BONIFY SECURES EXPERIAN INVESTMENT


Gamal Moukabary, Bonify

German personal finance start-up bonify has secured investment from Irish consumer credit reporting business Experian.

Experian joins Santander InnoVentures as an investor in bonify, which was established in 2015. It enables users to review their creditworthiness online, and utilise financial management tools to assess and optimise their financial situations.

The fintech is said to have 500,000 customers. The latest investment is expected to help the company to pursue its strategic expansion to other European countries.

Experian UK, Ireland and EMEA MD Charles Butterworth said: "We are excited by the way bonify is helping people in Germany understand, engage with and improve their credit scores.

"We look forward to supporting the team as an investor and partner in their future growth."

bonify founder and CEO Gamal Moukabary added: "Experian's investment shows that we are on the right track. It rewards our achievements and our unique value proposition.

"Experian is an ideal investor and partner for us to support the next growth phase. Our goal is to expand our operations into other European countries."

In June, Experian partnered with Sagent Lending Technologies to combat loan-origination frauds. Sagent will integrate Experian's fraud and identity solution Precise ID with its Auto Loan Origination System to bolster identity verification. ■

Bitcoin Suisse applies for banking licence

Swiss crypto financial broker Bitcoin Suisse has applied for a banking licence with the country's domestic regulator.

The company has submitted an application to the Swiss Financial Markets Supervision Authority, seeking a licence according to Article 1A of the Swiss Banking Act.

Additionally, the crypto broker is seeking a securities dealers' licence, regulated by Stock Exchange and Securities Trading Act. If approved, the two licences will enable Bitcoin Suisse to bolster its footprint as a crypto financial services provider by expanding its service offerings.

The company has deposited CHF45m ($45.5m) with a Swiss bank to serve as collateral for a default bank guarantee, which will help the institution to secure client fiat deposits and pooled crypto deposits.

The figure will soon be increased to CHF55m, Bitcoin Suisse said in a statement.

Earlier this year, the company published its first financial results, reporting revenues of CHF44m, net income of CHF25m and total equity of CHF50m for 2018.

In the last two years, Bitcoin Suisse has strengthened its team to include more than 90 experts. It has also added a Liechtenstein office to its group, and now has locations in Zug, Copenhagen and Vaduz.

This year, Bitcoin Suisse has expanded its offering to 125 tradable crypto assets for a total of more than 6,000 trading pairs. In a statement, it also noted that it added more banks and institutional clients this year. ■

BANKING TECH PROVIDER MONEYTHOR EXPANDS INTO JAPAN

Moneythor, a provider of digital tools for banks, has expanded its presence in Asia by launching an office in Tokyo.

Several financial institutions are currently discontinuing conventional channels and using digital alternatives to boost profit margins. Moneythor's latest expansion is said to have been triggered by this shift.

Moneythor CEO and co-founder Olivier Berthier said: "The Japanese market is going through a major stage of disruption, and its renewed focus on digital banking makes it a very exciting market for us.

"By expanding our global footprint into Japan, we are confident that we can support financial institutions as they move towards digital banking by providing a simple and cost-effective banking channel that will drive online customer engagement."

Moneythor leverages real-time data, machine learning and behavioural science in an effort to offer personalised recommendations and insights. The business has presences in Singapore, Paris and London.

Earlier this year, Moneythor collaborated with conversational AI platform developer Kasisto. The partnership aimed to offer an integrated intelligent banking solution to financial institutions.

In 2018, UK banking group Standard Chartered worked with Moneythor to improve personalisation and engagement in its digital services. ■

Sweden's SEB to begin Open Banking roll-out

Sweden's SEB is set enter the Open Banking space by enabling customers to view account data from other banks in the SEB app.

The Open Banking feature is scheduled to go live in July, and will provide customers with a complete overview of their finances on a single platform. The move is the first of the series of new services to be launched by the bank under PSD2 regulations, and will enable SEB to gain better insights into customers' financial health and provide tailored advice.

Mika Burman Götz, head of business development for corporate and private customers at SEB, said: "Many people have multiple banking relationships, and through this service we are making it easier for our customers to gain an overall view of their personal economies. At the same time, it will save them time as they will not need to log in to multiple banks."

Customers signing up for the service can choose to view information from selected or all accounts. They can access the service by singing an agreement through the app by using mobile BankID.

Götz added: "That customers give their consent is always a precondition – once they do this, as a third-party vendor we can then access their information."

In 2017, SEB launched an expense chart to provide customers better insights into their spending. It was launched in collaboration with Tink, which will also assist the Swedish lender with its Open Banking initiative. ■

TANZANIA PENALISES DIAMOND TRUST BANK FOR BREACHES

The central bank of Tanzania has fined local lender Diamond Trust Bank for violating regulatory rules on data and service availability.

In an emailed statement to Reuters, Bank of Tanzania said: "The Bank of Tanzania has imposed a penalty charge of TZS1bn ($435,000) to Diamond Trust Bank for failure to implement a directive to establish a data centre in Tanzania."

According to central bank regulations, all financial institutions are required to establish a primary or secondary data centre in the country to ensure continuous availability of service. The move follows the central bank's strengthening of oversight on banks due to poor performance.

Bank of Tanzania has also suspended the appointment of TIB Corporate Bank MD Frank Nyabundege, as a result of poor performance by the lender.

The Tanzanian banking industry has struggling to grow following an increase in bad loans. Since 2017, Bank of Tanzania has revoked the licences of at least nine lenders to ensure stability in the sector.

In December last year, a report by the International Monetary Fund said that nearly half of Tanzanian banks were at risk of insolvency, adding that 22 of Tanzania's 45 banks would be undercapitalised in the tail-risk scenario.

In June, Tanzania decided to reduce the capital reserve requirement for banks from 8% to 7%, with an aim to boost lending in the country. ■

UK BANKS JOIN GOVERNMENT PROJECT TO COMBAT MONEY LAUNDERING

Major UK banks have agreed to collaborate with the government on a plan to tackle money laundering and fraud.

The new Economic Crime Plan, which also includes law enforcement agencies and businesses, seeks to bolster co-operation between stakeholders to "better tackle the scourge of dirty money". It outlines improvements to information sharing, resource pooling and supporting innovation to reduce economic crime.

The plan includes revising the Suspicious Activity Reporting regime, a move supported by Barclays, HSBC UK, Lloyds Banking Group, Nationwide, RBS and Santander UK. The banks will make a combined investment of £6.5m ($8.1m) in 2019-20, in addition to £3.5m already committed by the Home Office.

Other aims include supporting the development of the National Economic Crime Centre, helping the National Crime Agency to leverage data in identifying fraudsters, and establishing a new cryptoassets regime with the Financial Conduct Authority to deter illegal usage.

The stakeholders also agreed to support innovation and encourage the use of new technologies to tackle economic crime.

Chancellor of the Exchequer Philip Hammond said: "The UK has one of the toughest systems for combating money laundering, but too many people are still falling victim to fraud.

"This crime fuels everything from drug dealing to modern slavery, fundamentally undermining people's faith in our financial system and impacting economic growth.

"By bringing together leaders from across government, law enforcement and business, we can better tackle the scourge of dirty money, and ensure the UK continues to be one of the safest places in the world to invest and do business." ■

Complaints handling at odds with provider perceptions

UK banks are underperforming when handling customer complaints, despite their growing belief that customers are satisfied with their performance. The position is also getting worse, with a widening gap in perceptions between businesses and customers.

This is the key takeaway from research by regulatory and complaints-handling consultancy Huntswood. The *Complaints Outlook 2019* report builds on Huntswood's 2016 report, and aims to provide a comprehensive picture of customer complaints-handling performance across the UK.

It combines research from financial services and utilities firms, with survey responses from over 5,500 consumers. The nationally representative survey was carried out for Huntswood by YouGov.

Key findings included:

- 60% of financial services firms believe their customers are satisfied with their complaints handling, but only 22% of customers actually report that they are satisfied;
- 43% of firms believe they are resolving complaints at the first point of contact, but only 20% of customers say their complaint was resolved immediately, and
- 84% of customers say they would change financial services provider as a result of a poor complaints experience.

Since the release of the 2016 report, the complaints landscape has evolved, with regulatory standards are now viewed as the minimum in terms of meeting customer expectations.

When asked, 71% of customers say they are currently dissatisfied with the empathy of the staff member they interacted with, while 70% are dissatisfied with the knowledge of the staff member they interacted with, demonstrating a need for firms to engage with customers on an emotional level, beyond the regulatory minimum.

Resolution times remain an issue, with 43% of firms believing they are resolving complaints at the first point of contact; however, only 20% of customers claim their complaint was resolved immediately.

Paul Scott, chief commercial officer at Huntswood, said: "Firms are increasingly recognising value that can be derived from the complaints journey. However, despite this, there are discrepancies between how financial services companies believe they are handling complaints and reality for customers.

"Complaints are an unavoidable part of business; it's critical that they are handled well and that customers feel valued throughout." ■

COMMUNITY BANK COMPLETES KINDERHOOK ACQUISITION

Community Bank System has completed the acquisition of Kinderhook Bank and its banking subsidiary, the National Union Bank of Kinderhook.

The acquisition adds 11 branch offices to Community Bank's network, bolstering its presence in the Capital District of upstate New York.

In January this year, Community Bank signed a definitive agreement to acquire Kinderhook Bank for around $93.4m. Kinderhook's common stockholders received $62 per share in cash against each Community Bank share. With the acquisition now complete, Community Bank has now more than $11bn in assets and around $9bn in deposits.

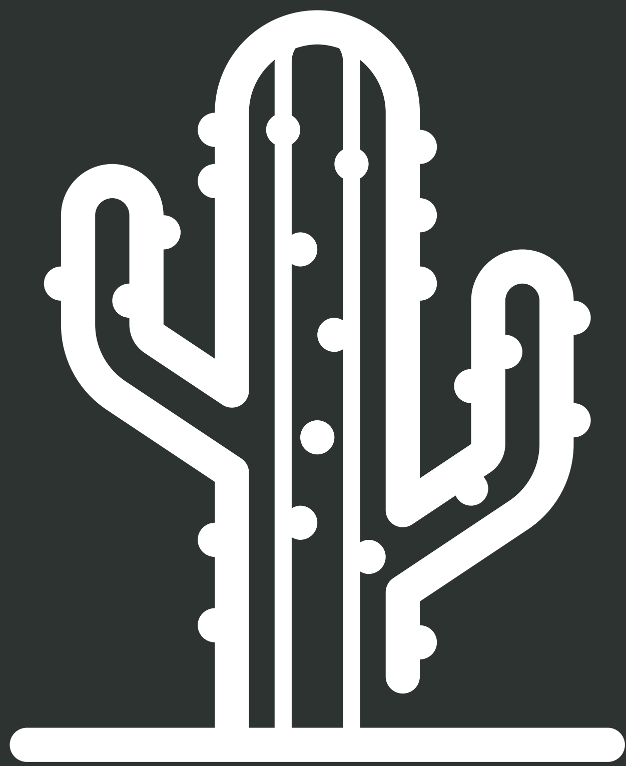
Community Bank president and CEO Mark Tryniski said: "This acquisition has created an exciting opportunity for Community Bank to establish a broader and deeper banking presence in the Capital District to further support our efforts to grow our retail and business banking businesses in the Capital District.

"We are dedicated to Kinderhook Bank's customers, and both teams are working to make the transition to Community Bank as seamless as possible. We hope that our new customers will enjoy the larger branch network and broad variety of financial services Community Bank and its subsidiaries have to offer."

Community Bank operates around 234 customer facilities in upstate New York, north-eastern Pennsylvania, Vermont and Western Massachusetts.

It offers retail, business and municipal banking services in these states. It also provides comprehensive financial planning and wealth management services through separate units. ■

OPEN BANKING: PROMISED LAND OR WILD WEST?



Open Banking began on 13 January 2018 with the launch of PSD2. Industry pundits spoke about customers walking through a promised land of meaningful financial insights and competitive products, writes *Aniruddha Maheshwari,* payment consultant at Icon Solutions

The new rules make it easier for consumers to compare services and switch to get better deals and more personalised products.

With the younger generation's willingness to switch to an online-only bank, surely challengers would be looking to snap up customers? In turn, it was also an opportunity for traditional banks to play to the key advantages they already hold over their younger digital rivals.

Yet the big day came and went with less than a whimper. Only three large banks were ready with APIs on 13 January. At the same time, institutions are concerned about a lack of consistent standards, and question marks remain about critical issues such as data security and liabilities.

One year on, and nearly half (41%) of banks failed to meet the testing environment or 'sandbox' for third-party providers (TPPs). Along with fears around the forthcoming strong customer authentication (SCA), permissions and data security, many argue that Open Banking is not just moving slowly, but is, in fact, introducing risk into the financial system.

This raises a question: is Open Banking a promised land or wild west?

BANKING'S WILD WEST?

One of the biggest issues around Open Banking and PSD2 has been the nature of the technical standards, and key areas where standards do not exist at all.

The problem here has been a lack of alignment between the European Commission, which lays out the broad direction, and the European Banking Authority, which specifies and ratifies these standards. Due to differing views from each body, the standards are not really standards: they are more like guidelines, with significant room for interpretation.

On SCA, for example, the EBA has set a particularly high bar for use of authentication elements categorised as 'inherence'. While devices and software provided to the payer to read inherence elements must possess security features – biometric sensors, for example – these features must:

1. Guarantee a "sufficiently low likelihood of an unauthorised third party being authenticated as the legitimate payment service user", and
2. Guarantee "resistance against unauthorised use of the elements" through access to the relevant device and software.

There is currently no guidance on the precise meanings of "sufficiently low likelihood" or "resistance".

TWO-FACTOR SECURITY

With so much open to interpretation, and most merchants unable to penetrate the payments jargon, many expect merchants to implement full two-factor authentication from the deadline.

Thus, there is a danger that the first time consumers really hear about Open Banking will be when they cannot buy with one click at Christmas. They will also need to authorise third parties to access their accounts by providing log-in details, despite 10 years of online banking guidance advising the contrary.

Confused? That is probably not what the regulators envisioned when devising PSD2 at the outset.

There is also a distinct lack of guidelines on permissions and consent for consumers granting access to third parties. While TTPs should be FCA-authorised, consumers may not be able to easily differentiate between those that are and those that are not without checking the official roster. ■