

RETAIL BANKING FORUM: SINGAPORE



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Singapore banks urged to look into methods of collaboration with fintechs

How do banks know which ones to work with, which ones to invest in, and what strategy to implement?

A comparatively stable financial sector is not enough to make Singapore immune to shocks when it comes to the speed and volume of innovation from within and outside the industry. Bankers in the city-state might need to work even longer hours as they determine the best strategies for weathering droves of digital disruption.

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Liew Nam Soon, ASEAN managing partner, financial services at Ernst and Young (EY) Solutions LLP, said at the Singapore leg of the Asian Banking and Finance Retail Banking Forum held on the 11th of May this year at The Westin Singapore.

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pie; banks are compelled to take a deeper look at data for any customer insights that could help develop a more specific and improved digital platform. Liew added that solutions must be meaningful enough for businesses with varied focuses, especially in the ASEAN region where financial markets have different levels of maturity from a client's perspective as well as a regulatory regime perspective.

Strategic partnerships

Singapore has positioned itself well in the region's fintech space, and its lead is attributed to the existence of support infrastructure and the ease of doing business in the city. Singapore Life, one of the biggest and most recent entrants into the market, is showing that fintechs can dominate any frontier without the usual challenges that mainstays experience. Banks have nonetheless jumped

in on the fintech bandwagon, and have themselves launched their own fintech accelerators and incubators.

Liew shared that a lot of the fintechs in the city and the region are very creative, but would need strict monitoring on the way they handle customer data and manage risk. The Monetary Authority of Singapore (MAS) has been very focussed on defining the regulations and putting out consolidation papers to determine how fintechs fit in the city's operating environment.

Singapore fintechs have begun occupying several jurisdictions, two major ones of which are the online investment advisory space and the lending space. **Faraaz Ali**, head of consumer products, Asia at ANZ, added that fintechs also find it easier to disrupt the payments space where there is little to no regulation. In this area, the banks usually take on a more collaborative approach and look for

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From left to right: Asian Banking and Finance editor Tim Charlton, EY's Liew Nam Soon, and ANZ's Faraaz Ali

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devices such as ATMs and the banks' clients. He said that ATMs are now moving away from being a device that merely dispenses cash and provides balance inquiry into something that is far more friendly and understanding of who the customer is and from which segment he comes.

Business mediation might also see more developments as banks move towards becoming more friendly to individual investors within the SME sector. The high risk associated with SMEs have driven banks to put the sector at bay, but the innovation that they bring is making bankers think twice. Ali said that it will take a different mindset to approach this and that banks might turn to peer-to-peer lending in order to cater not just to businesses, but to individual investors as well.

Neighbouring narratives

Regional is now the name of the game, especially as the ASEAN financial sector is growing into a very robust, thriving, and more integrated marketplace. Banks who wish to expand their footprint cannot implement blanket business models or produce a single digital platform for all the countries in the region. The economies of these countries remain inextricably linked, but major trends in the sector vary from country to country.

For instance, Singapore is quite high on the use of online internet ATMs, and its city-state structure is vastly different from that of archipelagic Indonesia, where online internet remains low and mobile penetration is skyrocketing. Thailand, on the other hand, is moving away from a tight regulatory environment into a more innovation-friendly one, whilst neighbouring Cambodia and Vietnam find lending and repayment growing hand in hand.

One thing is clear, customers all over the world are inevitably moving towards digital banking. Banks therefore need to continuously rethink the way they do business, and for now they are all in a race to collaborate with social media platforms and implement contactless payments whilst keeping their branches attractive and up-to-date.

a fintech partner to do business with. It is also not enough for banks to hire a chief strategic officer and let him do all the dirty work. According to Liew, bank employees must also feel empowered to work for innovation.

"There are so many fintechs. One of the challenges for banks is who to work with? How do they spot who will be successful over time? So, what's the strategy to take? Do they collaborate? Do they invest? This is something that requires a different set of skills from those of the traditional banker. Another element to look at is the method of collaboration," Liew added.

Digging into the data

The varied tastes and contexts of customers are motivating Singapore banks to invest more into technology and data, but recent investments have not been enough to hit some of the sweet spots. Many customers do not fit nicely into previously identified moulds, and some have very different buying and selling behaviours.

"There's a lot of transaction data that is available in banks' systems. To be able to monetise it, it is really important to extract the right customer insight from that data. That's the ongoing challenge for many banks. It's gotten more sophisticated. It's important to look at the right insight; whether you will offer this kind of loan or investment. It's easier said than done," Liew shared.

Another major challenge for banks is to integrate different front-ends and extract from the back-end without the unnecessary residual information from legacy systems. This issue has driven a lot of businesses into creating

infrastructure service-oriented architecture that allows the extraction of meaningful data.

"Analytics are taking us into far more insights into customer behaviour: how to interact with the customer, whether to cross-sell or upsell, and understanding what is happening in the network," said **Dereck Raymond**, vice president for software solutions at Diebold.

Enter refurbishments

Ali emphasised that despite the high use of online banking among Singaporean customers, the branches will definitely not go away soon. He said that Singapore's position as a financing hub has made it the perfect place for people to park their wealth. This however, does not mean that banks will remain the way they are.

"In terms of the makeup of the branches, we have been experimenting with this for the last 3-4 years – to make the branches more attractive. Put in kiosks, displays, that allow customers to undertake communication. Depending on the niche, banks should do away with cash and digitise a large number of transactions," Liew said. As a way to maintain and popularise their brand, Singapore banks have already hit the road with a number of pop-up branches, a concept which follows the food-truck model. A pop-up branch goes directly to where the crowds are and provides basic services for customers on the go.

With regard to communicating well with customers, Raymond added that banks should also look into the relationship between specific banking