



DBS launched an API platform in 2017. Now it has more than 150 APIs and growing.

## What happens next after Singapore banks' digitalisation drive?

Chatbots, data analytics, and open banking remain the main challenges for Singapore banks in 2018.

Given the barrage of digital banking breakthroughs in 2017, were Singapore banks able to ride the fintech tide and catch up to the latest digital trends? Many of them have actually yet to do so, with chatbots, data analytics, and open banking being the main challenges. The Monetary Authority of Singapore (MAS) estimates that financial institutions that are slow to adopt new technologies could experience income slashes of up to 5%, as fintech payment channels increase to 10% in the next two years and then 50% in five years.

Nevertheless, analysts forecast a positive year ahead for the banking sector, on the back of manufacturing and services growth, as well as a sustained momentum from the previous year. Given their large customer bases, financial expertise, and accumulated resources, banks should be able to take advantage of

these economic prospects to further drive innovation and encourage creativity within their companies.

**Tek Yew Chia**, head, financial advisory services practice, KPMG Singapore, said that chief information officers (CIOs) need to be in an 'act fast mode' and create an environment to test new services and digital technology outside of the core banking system. According to Chia, this provides the freedom to iterate quickly and prove the effectiveness of a new service or system, before bringing that service into the main banking business.

### Digital leaders

Over the course of the coming year, more banks will experiment with artificial intelligence (AI), particularly robotics, in preparation for application in mainstream channels. **Patrick Yap**, CIO, Maybank Singapore, said that the chatbot will

**Banks will continue to innovate and get closer to the customers through their mobile devices.**



play a more central role alongside the sales team and the call centre. He added that cloud computing will also be a primary focus where cost in IT storage could be used. "Banks will continue to innovate and get closer to the customers through their mobile devices, as well as digitise banking services wherever possible. Firms and service providers will continue to ask for application programme interface (API) connections to the banks whilst the banking industry works



Time to come up with new banking technology

towards tapping APIs for payment, authentication and many other areas,” Yap added.

In 2017, one of the biggest feats for Singapore banks is DBS’s launch of the world’s largest banking API developer platform delivered by a bank.

According to DBS, the API platform will allow them to boost the bank’s lead in innovating digital solutions for its clients. From fund transfers to rewards and real-time payments, the platform includes more than 150 APIs and growing.

Yap said, “Generally speaking, some of the key digital technologies that Singapore banks have adopted include mobile banking, cloud computing, robotic process automation, chatbots, data analytics and social media engagement. At Maybank, we have been delving into these technologies, the latest being the industry-wide mobile peer-to-peer fund transfer service PayNow since mid-2017.”

## What’s to come

On a wider scale, the Association of Banks in Singapore (ABS) is expected to extend PayNow, the first peer-to-peer fund transfer service in the city, to corporates and businesses in 2018. PayNow allows its customers to link their bank accounts to one mobile number and one NRIC number and proceed with fund transfer to anyone. To date, seven retail banks in Singapore have offered PayNow: Citibank, DBS, HSBC, Maybank, OCBC, Standard Chartered Bank, and UOB.

“Peer-to-peer funds transfer is now conducted in real time with PayNow and this has levelled the playing field between the banks in Singapore, regardless of size or branch distribution outreach. The PayNow platform also provides many innovative ideas for banks to ride on and make the payment process simpler for customers. More importantly, Singapore needs to respond effectively to the mobile payment solutions that are so prevalent and successfully used in other parts of the world,” Yap added.

The QR code and social media payments will also be in the spotlight in the coming year, increasing their traction in the digital space.

According to **Dennis Khoo**, regional head, digital banking, UOB, the QR code will take off in 2018 due to Singapore’s high digital penetration rates. He added that social media payments will see more innovation with the likes of PayKey where customers can basically pay from any social media site or any site at all using a keyboard.

Social media has also played a huge role in determining the direction that banks will take. “With the advent of social media platforms, banks can choose to become more attuned to what customers care about through the conversations in the social media space, those who leverage on such insights will be able to provide more responsive customer engagement,” Yap said.

UOB is also set to invest in the coming years and roll out the much-awaited near-field communication (NFC) capability, which will make payments faster and more secure. Khoo said that UOB is also looking into both categorisation software as well as new engagement tools, especially leverage-learning machine technologies.

On the other hand, banks also need to ensure that their employees are up to task alongside their peers in other banks and considering the huge skills shortage in the digital space. DBS, for instance, has announced that it is investing \$20m to train its existing workforce in digital banking and emerging technologies, via an artificial intelligence-powered e-learning platform, curated curriculum, and module delivery.

## Dethroning cash as king

Despite the rise of digital payments and mobile banking, the question remains as to whether Singapore is ready to transform into a totally Smart Nation. Yap believes that traditional channels will be here to stay for much longer than most think, as many customers in the country still prefer banking with a human interface. The new channels and solutions may extend the bank’s services to more customers, but many long-time clients might probably stick to the processes that they are used to.

Khoo said, “It’s a question of ‘when.’



Tek Yew Chia



Patrick Yap



Dennis Khoo

The slower the society adopts it maybe because you have segments of the population that cannot afford a device to allow a phone to be a bank, or you have the older population who are not used to doing it this way. So it’s not really a question of ‘if.’ It’s a question of ‘when.’ And the ‘when’ in banking plays out over a long period of time because we don’t like to force people to use the channels.”

Whilst traditional and digital channels are expected to coexist for a while, banks have to definitely step up their game to compete effectively in the digital landscape. According to Yap, banks need to do more straight-through processing (STP) to shorten transaction-related processing time. Banks also have to remember that the key is to compete by doing the same thing cheaper, better and faster using data analytics.

## Side-by-side with fintech

On the upside, Singapore banks will find it less difficult to rise above the fintech boom. Khoo said that the growth of fintechs will be very specific to a country and how it has evolved. For instance, fintechs are taking up a big chunk of China due to the country’s size, as well as its level of underdevelopment in the payments space. Meanwhile, fintechs targeted India because of the country’s unique and favourable regulatory requirements.

“Banks should be mindful of the competitive landscape. As such, banks have to be on par with or a notch better than the technology firms who have started to provide banking services, Yap said. “Some measures include improving internal processes, embracing technologies to distil customer insights, and engaging customers wherever they are.”



The digital boom is just the start