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EDITORIAL

Govt Aid Money Should Go Through Genuine MFS Accounts

The government is going to distribute Tk 29.4 billion allownce under social safety network through Nagad, the digital financial service provider of Bangladesh Post Office and bkash, the bKash, the leading MFS operator in the country with over 5 billion account holders across the country. The move is welcome one but the concern has been raised by many industry experts that the government's nobel aid support to poor people may face jolt as Nagad is still out of regulatory supervision and some MFS operators allegedly has opened millions of accounts ignoring existing rules and regulations.

Referring to the recent study findings of the Finance Ministry that found anomolies in the recent aid disbursement to corona hit poor, industry experts say fund disbursement through faulty MFS accounts may jeoparadige the government's nobel objective to help people hit by novel corona virus. They expressed their grave concern that MFS accounts are like depositors' accounts with banks that must be opened and operated in line with central bank guidelines to aviod any distructions. But a number of recent news reports have chronicled the use of mobile money transfer services by miscreants to carry out fraudulence activities.

In the current issue, DIGITAL FINANCE, a monthly special of THE BANGLADESH EXPRESS has focused the issues related to the concerns associated with faulty MFS accounts and the government's good initiatives to send allownces through MFS at the poor's fingerpoints. As the MFS accountholders belong mostly to the bottom of the pyramid, it is absolutely essential to ensure the safety and security of their fund in any form of transaction they make. To attain this, it is of paramount need for the MFS providers to strengthen the compliance environment to keep the service risk-free.

We think the government should inquire the concerned issues relating to MFS accounts to avoid any disructions in its fund disbursement through MFS. To promote digitalisation, the government should choose only genuine MFS accounts to disburse its allownce properly to the fingerpoints of genuine poor people.

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we work for people

Message from CHAIRMAN

Wish A Happy Properious Year 2021

As we wrap up what has been an immensely difficult year for people around the world, on behalf of the entire BJFCImembers, I wish you a happy, healthy and prosperous 2021.

In 2020, the whole mankind witnessed a devastating pademic that killed more than 24 millions of people across the world leaving long lasting multiple impacts on everyday lives, markets, shopping, sports and even sleeps. The pandemic driven by virus that first emerged a year ago in Wuhan, China is more than any event in memory and has been a global event. On every continent, households have felt its devastation - joblessness and lockdowns, infirmity and death. And an abiding, relentless fear.

The year 2020 was a testing year for measuring capacity and efficiency of governments in public health management, economic and social development and globalisation process where unepectedly some rich countries failed to face the pandemic properly with big death toll when developing countries managed the situation prudently with small death toll.

However, the new year 2021 has come with a sign of a ray at the end of the tunnel. At year's end, promising vaccines offered a glimmer of hope amid a cresting second wave of contagion. Human ingenuity, combined with science and learning, has proven it can address the most daunting of challenges.Earlier in December of 2020, the very first coronavirus vaccinations were given in the UK, marking the beginning of a worldwide programme of mass vaccinations. Countries around the world are struggling to adopt vaccine to fight cornonavirus and stop its invasion.

In this race, Bangladesh, which once was called by many rich countries as a bottomless basket has drawn global attention with steady economic growth and less death toll. Corona vaccine has already arrived in Dhaka to show its sound capability and efficiency in public health management. This was possible for dynamic leadership of Prime Minister of Bangladesh Sheikh Hasina, who is also called as the Daughter of Mankind by many people across the world.

We At BJFCI hope that the 2021 would be a happy and properious year.

Bangladesh Journalists' Foundation For Consumers & Investors (BJFCI) is the largest platform of senior journalists working in leading dailies of Bangladesh. It's members are working as Editors, Executive Editors, Economic Editors, Business Editors, News Editors, Chief Reporters, Special Correspondents and Senior Reporters/Sub Editors and committed to protect the rights of consumers and interest of inclusive investors through media interventions. BJFCI raises voice for the rights of consumers and promotes growth finance sector, digital innovations and mobile financial services in line with its vision to build a fair financial society for a better Bangladesh with inclusive growth.

TOP 2 STORY

Disbursement of social safety net allowance to poor through MFS

Million of beneficiaries will receive allowance through Nagad & bKash

Express Report

Prime Minister Sheikh Hasina virtually inaugurated the disbursement of allowances to the elderly, widowed and divorced, indigent disabled and handicapped students through mobile financial services for the first time under Social Safety Net program of the Ministry of Social Welfare.

Around 2 million beneficiaries in 24 districts across the country will receive the allowances through G2P (Government to Person) system. Beneficiaries can easily Cash Out the money from any part of the country through the most extensive agent network of bKash without any additional cost. The government will bear 7 Taka of each Cash Out transaction and bKash will bear the rest.

The Honorable Prime Minister said, the G2P system has been introduced so that the social safety net allowances reach the beneficiaries directly without the need of any middleman.

Nuruzzaman Ahmed, Minister for Social Welfare presided over the function. Ashraf Ali Khan Khasru, State Minister for Social Welfare was present as a special guest. Chief Secretary to the Prime Minister, Dr. Ahmed Kaikaus conducted the event and Mohammad Zainul Bari, Secretary of the Ministry of Social Welfare gave the welcome speech.

Kamal Quadir, CEO of bKash and Major General Sheikh Md. Monirul Islam (retd), Chief External and Corporate Affairs Officer of bKash and were present at the event.

High Official of Nagad, Prime Minister spoke to the beneficiaries through video conference. The beneficiaries from Lalmonirhat and Pirojpur who are getting allowances through bKash, shared their experience.

Lily Begum, a beneficiary of widow allowance from Lalmonirhat told the Prime Minister, "After my husband died five years ago, I was in a lot of trouble

with my son and daughter. This allowance saved me from that disastrous situation. However, I used to go to the bank and get the allowance after standing in long queues for two or three days subsequently. Now I will get the allowance in my bKash account sitting at home."

Lily Begum thanked the Prime Minister wholeheartedly for taking such initiative. Sufia Begum, another beneficiary of widow allowance from Pirojpur, expressed similar feelings.

Recently, bKash, the country's largest mobile financial service provider signed an agreement with the Ministry of Social Welfare to facilitate the beneficiaries.

After forming the government for the first time in 1996, present Prime Minister Sheikh Hasina introduced this allowance at the rate of BDT 100 per person in fiscal year 1997-98. The present government has gradually increased the per capita allowance to BDT 500 in the fiscal year 2016-2017. However, people with disabilities get allowance of BDT 750 each.

Prior to this event, allowances have been disbursed among the beneficiaries under a pilot project through G2P system. bKash most successfully completed the disbursement of allowances in that pilot project.

Following the successful experience of distributing stipends at secondary level, bKash will disburse these allowances efficiently. The use of technology in the distribution of allowances will play a vital role in ensuring transparency, speed and security.

Since 2016, bKash has successfully handed over financial aid of various government projects to more than 7 million beneficiaries of various government projects. They can easily cash out the money from 240,000 agent points spread across the country as well as easily use it from their own bKash account for various services including send money, mobile recharge, pay bill, merchant payment and so on. ■

Banks can't reach all people: Minister

Express Report

Post and Telecommunication Minister Mustafa Jabbar has said the country's banks are unable to reach people in the remotest areas with banking services due to their inadequate infrastructure.

If the mobile financial services (MFS) are bestowed with the responsibilities of providing banking services at the doorstep of common people, they are capable of doing it.

"The banks' expansion of services stalls until agent banking; they can't move ahead further. I see the banks' lack of infrastructure to do so," The Minister said while replying to a question at an event in a city hotel.

He was speaking to telecom sector reporters in the programme, recently organised by Nagad, an MFS provider, to announce its crossing of Tk 2.0-billion daily transactions mark.

Nagad is a public-private partnership-initiated digital financial service in Bangladesh, operating under the authority of the Bangladesh Post Office.

Speaking through digital platform, the minister said, "We would have been happier, if we could reach people with banking services besides the mobile financial services of Nagad."

"But you know the entire issue depends on the Bangladesh Bank (BB), and the central bank wants to facilitate these services through banks."

"We hope that we will be able to make the BB understand that MFS can provide banking services also," he further said. ■

EDITOR'S PICK

Aid Distribution Through MFS In A Quandary!!

FARUK AHMED

When mobile banking on top of digital frauds and some Mobile Financial Services (MFS) operators are under the regulatory scrutiny for opening millions of MFS accounts ignoring rules and regulations, then government's allownce distribution to millions of poor and distressed people across the country has come in discussions.

The government is going to distribute Tk 29.4 billion allownce under social safety network through Nagad, the digital financial service provider of Bangladesh Post Office and bkash, the leading MFS operator in the country with over 5 billion account holders mostly is remote areas.

But the concern has been raised by many industry experts that the government's nobel aid support to poor people battered by novel corona virus may face jolt as Nagad is still out of regulatory supervision and allegedly has opened millions of accounts ignoring existing rules and regulations of Bangladesh Bank.

The concern is justified by the recent findings of the Finance Ministry study on the recent aid disbursement to corona hit poor people last year where many rich people were listed to enjoy cash aid due to faulty

accounts opened by some MFS operators ignoring rules Network Programme and regulations.

So, the government's allaonce money disbursement under social safty through MFS operators is now in a quandary.

Govt's Allowance through MFS

The government is going to distribute BDT 29.4 billion allowance under social safety network through Nagad, the digital financial service provider of Bangladesh Post Office and bKash, the leading MFS operator in the country with over 50 million account holders across the country.

Prime Minister Sheikh Hasina recently inaugurated the disbursement of the allowances through Nagad and bKash at a programme at the Bangabandhu International Conference Centre via video call from the Ganabhaban.

SOCIAL SECURITY in FY21

- Tk **95,574**cr
- **3.01**pc of GDP, **16.83**pc of budget
- **125** social protection programmes in FY20
- **25** ministries or divisions

SOURCE: **CABINET DIVISION**

"We have been trying to send different allowances directly to the hands of the actual beneficiaries since long so nobody is there between the beneficiaries and they can use the money whatever they want," she said after disbursement of some allownce through Nagad channel.

The allowances were given directly through MFS following G2P system among the old age, widow, husband-abandoned women and financially insolvent physically challenged persons as well as education stipends to the physically challenged students under the SSN programmes.

Of the total allowance, 75 per cent money would be disbursed through Nagad, which has a practice of opening millions of accounts based on the SIM of MNOs ignoring proper KYC compliance.

The allocation for 250,000 widows and destitute women stands at BDT 12.3 billion. As much as BDT 16.2 billion has been allocated for 1.8 million insolvent people with disabilities, BDT 29.4 billion for 4.9 million elderlies eligible for old-age allowances and BDT 956.4 million in educational stipends to 100,000 physically challenged students.

Under the government to person (G-to-P) method, the government has already disbursed the funds among 1.237 million beneficiaries in 77 Upazilas under 21 districts through agent banking.

A revolutionary change has taken place in Bangladesh which is called mobile banking thanks to the present

government's Digital Bangladesh Vision. It enables poor and low income people to pay and receive cash quickly and easily within a few seconds to meet their urgent needs.

It also helps the government to disburse billions of taka as cash gifts and aids and social allownces among millions of people.

In last June, the government has disbursed cash assistance to support 50 lakh poor households with the help of the four top MFS operators under a programme of the disaster management and relief ministry.

Under the project, designed by the finance ministry, the government targeted to pay out Tk 1,250 crore to the ultra-poor.

But the effort didn't end without peril. A Finance Ministry study founded big anomolies in the list of receipents. Nearly 28 lakh people who were owners of saving certificates and government employee and retired officials enjoying government pension funds were listed as ultra-poor to receive the government's aid fund.

The study paper conducted by Maxwell Stamp Plc under the Strengthening Public Financial Management for Social Protection (SPFMSP) project also founded that inadequate monitoring along with unsatisfactory beneficiary identification mechanisms often leave scope for duplicate and fraudulent payments.

"Any effective payment solution in the context of Bangladesh needs to empower the beneficiaries to be able to make informed choices, be cost-effective and transparent", the report said.

Faulty Accounts : The Big Concern

Both commercial bankers and central bankers are agreed on one point that mobile banking is just the digital form of banking where any rule breaking from account opening to cash managements may create distorions in entire banking system. So, MFS operators have no option to ignore rules and regulations.

In case of mobile banking, incidents of most frauds are being happened with MFS accounts. Therefore, the MFS operators must comply the rules and regulations like proper customers identifications through face to face interactions, KYC enforcement and time to time account validation by data sycronisation.

The big concern is that some MFS operators have opened millions of accounts without proper validation of customers identifications through face to face interactions or proper enforcement of KYC protocol.

"KYC means "Know Your Customer". It is a process by which banks/MFS providers obtain information about the identity and address of the customers. This process helps to ensure that bank/ MFS services are not misused.

"Once MFS accounts are opened ignoring KYC rules, people can take advantage of including their near and dear ones in the list of poor people", a top executive of a leading commercial bank said.

"Opening such accounts without validation of persons and KYC compliance is highly risky and allows fraudesters to grab others money and lounder cash to terror financing", a central bank official said.

Some MFS operators have opened millions of accounts as per the lists of mobile SIM owners without following the KYC protocol as per the Regulations of Bangladesh bank and AML&CFT Guidelines of BFIU.

Such account opening opportunity allows many people to open multiple MFS accounts of some operators and make frauds and financial crimes untraced. Besides, MFS accounts opened based on mobile user's registration ignoring KYC compliance enforced by Bangladesh Bank and BFIU, fraudsters would be able to do social engineering to grab money from genuine recipients.

In this age of digitalisation more people are opting for mobile banking everyday due to its fastness. While this particular mode of transaction does save valuable time, it still has its risks that are steadily increasing every day.

Digital fraud seems to have become an inevitable consequence of this process. According to several law enforcing agencies, mobile banking is top on the list of methods conmen use to swindle people out of money.

So disbursement of social safety net allowance through Mobile Financial Service (MFS) providers may face jolt, according to reports published in leading dailies. The Number of fraud incidents has increased significitenly over the time.

BB's Limitation In MFS Supervision

Bangladesh Bank, the financial regulatory authority of Bangladesh is unable to supervise all MFS acconts properly as Nagad, the MFS operator of Bangladesh Post Office is operated by a fintech firm under a different law without its supervision.

Nagad and some other MFS operators have opened millions of accounts based on NID photo copy without proper validation of Bangladesh Bank. Besides, have opened accounts based on the subscriber lists of mobile phone operators. To subscribe mobile phone, subscribers do not need to give details of transactions and other information necessary for KYC compliance.

"It means, if you open banking account based on the information given in SIM card registration, you are giving the opportunity to make frauds. Account information must cover KYC compliances to check any money laundering", said a central bank official.

"The problem is that the BB is unable to validate Nagad accounts opened on the basis of information given in SIM registration. Because, all data related to SIM registration is preserved with BTRC", he said.

" We have requested BTRC to provide data related to SIM registration to validate MFS account. But BTRC is yet to response", the central bank official said on condition of anonmity.

Currently, 15 MFS operators including bKash, the leading MFS player of the country with more than 5.00 billion customers across the country mostly who are poor and low income people and living in remote areas have been operating under the regulatory scrutiny of Bangladesh Bank since 2001.

But Nagad, the digital financial service of Bangladesh Post Office is still waiting for approval of Bangladesh Bank. As a result, accounts opened by Nagad are not validated by the central bank.

Since its launch, the operator has refrained from taking approval from the central bank and was running its operation under The Post Office Act and made some rulebreaking incidents offering higher transaction limit compared to other MFS operators and obfusscated pricing.

However, a central bank instruction issued on March 5 this year asked all the scheduled banks not to provide any banking services or transactions facility to unlicensed payment service providers (PSP) and payment system operators (PSO).

The BB also said that the customers' confidence in legal PSPs and PSOs would be hurt if any illegal entity closed down operations after cheating people. The country's overall economy may face instability due to electronic currency creation by the illegal entities and use of those for trade.

Given the situation, the BB asked the banks not to facilitate custodian accounts, trust-cum-settlement accounts or any other accounts or transaction facilities and banking services to the entities which were running mobile or e-wallets as payment system operators or any other payment service provider without obtaining licence from the central bank.

After the BB's instruction, the banks which were providing services to Nagad had stopped providing services that prompted Nagad to file an application with the BB for MFS licence. Based on the application, the BB issued the six-month NOC to Nagad.

In Bangladesh, the central bank (Bangladesh Bank) is the only regulatory body which oversees and supervises banks and non-bank financial institutions. Although MFS operates under licence issued by Bangladesh Bank, yet it is not clear to what extent BB oversees their operation.

From oversight perspective, Bangladesh Bank follows different standards as their oversight measures are very strict for banks while comparatively less for non-bank financial institution and very nominal for other financial entities like MFS.


THE ASIAN AGE

your access to information

Sending allowances thru' MFS may face bump

P R Biswas, *AA*

The government is going to distribute different allowances worth Tk 29.4 billion under social safety network through MFS service providers Nagad and bKash among 50 million account holders across the country but disbursement of allowances may face bump due to faulty accounts opened by the operators without know your customers (KYC) compliance, industry experts warn.

"Opening such accounts without validation of persons (face to face interaction) and avoiding KYC compliance is highly risky and allows fraudsters to grab others money and launder fund for the purpose of terror financing", said a central bank official. As a result, the concern has been raised as some MFS operators have opened millions of accounts as per the lists of mobile SIM owners without following the KYC protocol as per the Regulations of Bangladesh bank and AML&CFT Guidelines of BFIU. Such account opening opportunity allows many people to open multiple See page 11 col 5

In the modern monetary system, all financial institutions, irrespective of their status as banks or non-bank, are considered to play equal role in the monetary system. Even, the concept of indirect deposit usually mobilised by non-bank institutions is drawing more focus during low or negative interest rate era.

Moreover, from regulatory perspective, non-bank and other financial entities should be placed under stricter oversight than bank as the latter itself performs some self-regulatory roles by complying with many national and international rules and regulations.

Easy and quick service providing companies are always exposed under fraud risk. Therefore, fraud guarantee is one of the primary conditions for allowing fast pacing service involving monetary transaction. So, people's interest must be protected first.

The easiest and quickest means of service cannot be made foolproof against fraud but its eventual impact and public repercussion can be minimised by introducing fraud guarantee. Bangladesh Bank and other concerned authorities should take appropriate steps in this regard.

Fraud Through MFS Accounts Rising

Mobile banking frauds are going on unabated across the world as fraudsters are blending old tactics with new technologies to steal money from mobile banking accounts. Taking advantage of the widespread use of mobile banking services, scammers continue to target vulnerable users, mostly illiterate persons and those with little knowledge about technology.

In Bangladesh, the mobile banking frauds are rising and poor people are becoming the target of fraudersers. Police in some recent incidents said there are organised fraud groups who have members tasked with certain assignments.

Frauds previously used to acquire people's account details by impersonating as mobile banking officials. Cons arrested in different police raids also revealed that they used to steal money by cloning the account holders' SIM cards.

The Cyber Police Centre of Criminal Investigation Department (CID) says although the fraud victims previously were less willing to file a complaint, the picture has changed since the centre started dealing the cases through a Facebook page and the round-the-clock hotline.

Digital banking fraud across all platforms increased a staggering 75% in 2018, with the incidence of fraud via banking app alone increasing 54%, the latest crime statistics released by the SA Banking Risk Information Centre. In 2018, 23,466 incidents across banking apps, online banking and mobile banking amounted to R262-million in gross losses.

The worldwide move to remote home working has contributed to a massive rise in cybercrime costs which are expected to top $1trn for the very first time this year. A report from cyber security firm McAfee, along with the Center for Strategic and International Studies found that the cost of cybercrime will increase by 50% from the 2018 total and will account for more than 1% of global GDP.

The good thing about technology is that it allows us to do things quicker, cheaper, more efficiently, and with fewer people. The bad thing about technology is that it allows miscreants to do things quicker, cheaper, more efficiently, and with fewer people. And thus, when ill intent is coupled with technology, we unfortunately have more potent ills.

So, MFS accounts should be the top priority before any big fund disbursement like the government's allownce for poor people.

The Bottom Line

A number of recent news reports have chronicled the use of mobile money transfer services by miscreants to carry out fraudulence activities. We need to take things into perspective. Not doing so may result in raising an alarm in people's minds. That would be harmful for a service that has the potential for broader socio-economic benefits while it is in the infant stage of development.

To avoid any disructions, industry experts say the government should disburse its funds through MFS channels that comply all rules from opening to mainetance MFS accounts including KYC enforcement as per the guidelines of Bangladesh Bank. ■

MARKET UPDATE

BB issues guidelines on 'Bangla QR' payments

Express Report

The Bangladesh Bank (BB) recently issued guidelines on 'Bangla QR' (quick response) code-based payments for building a safe, affordable and efficient payment and settlement system at retail level.

According to the "Guidelines for 'Bangla QR' Code Based Payments", one individual can transact up to Tk 20,200 in case of static 'Bangla QR' based transactions.

The guidelines said it will help promote low-cost technology for all merchants, including the small and micro ones, to be a part of the digital payment ecosystem using QR codes instead of the currently practiced expensive acquisition process using Point of Sales (POS) devices.

QR code is a two-dimensional barcode, initially invented for the auto industry. It eventually became popular in processing payments worldwide as a contactless payment method.

One can simply 'scan to pay' by accessing application of any mobile or digital financial services and by scanning the QR code displayed at the merchant's checkout counter.

'Bangla QR' is an interoperable code-based payment acceptance solution.

Merchants will be able to accept funds by using 'Bangla QR' from various payment instruments, including bank account, debit card, credit card, pre-paid card, MFS account and e-wallet account, the guidelines noted.

However, the number and amount for daily transaction for each account category will be determined by the issuers as per their existing policy.

The central bank will determine any transaction limit deemed necessary and will provide notification to the participants regarding such limits from time to time.

The BB guidelines mentioned that some banks, payment schemes, MFSs, PSPs and PSOs have already prepared their own standards and infrastructures for facilitating closed loop/proprietary QR code based payments. This, however, has increased inefficiency in the overall payment systems.

Against this backdrop, the central bank, in consultation with the stakeholders, has developed a National QR Code Standard, named 'Bangla QR', for retail open loop interoperable QR code-based payments.

The BB adopted EMV® Merchant-Presented QR Code Specification (EMV® QRCPS), where a merchant will display its QR code and a customer will scan the QR code using his/her financial institution's solution.

Those, who have already introduced non EMVCO/proprietary standard QR code, have to replace with 'Bangla QR' by 31 December 2021.

To ensure the uniformity of National QR Code Standard, the central bank has developed a logo termed as 'Bangla QR'.

This logo represents the interoperable QR code-based retail payments, and should be displayed in each merchant point to facilitate 'Bangla QR' payments.

The logo of 'Bangla QR' must be developed according to the format, provided by the central bank in the guidelines. The acquirer will also comply with the template, as per the guidelines.

The 'Bangla QR' template should be clearly visible and readable to the customers, and apart from paper or sticker, 'Bangla QR' may be displayed in virtual form on any device screen.

According to the guidelines, all successful 'Bangla QR' transactions must be authorised by the issuer, and transaction completion information will be notified to customers and merchants concerned intantly. ■

No of active MFS users drops to record low in 2020

Express Report

The number of active users of mobile financial services platform dropped to its lowest in 2020 in November which sparks a gloomy signal to the government's effort to build a Digital Bangladesh promoting cashless movement.

According to Bangladesh Bank dats, about 3.8 crore active users out of the 9.8 crore registered accounts, had made a transaction over the previous 90 days ending November 2020.

The decline comes at a time when another new MFS player just stepped into the ring and the government is promoting cashless movements through MFS players in order to build a truely Digital Bangladesh, a CEO of a leading commercial bank said.

The active customer number had hit a high in July, when it stood at 4.3 crore.The spike could be because of the need to pay for coronavirus tests with government institutions with MFS, according to Mishuk.

"There was no scope to pay with cash, so many people dusted off their MFS accounts or opened one", said another bank noting that the trend is worrying but temporary.

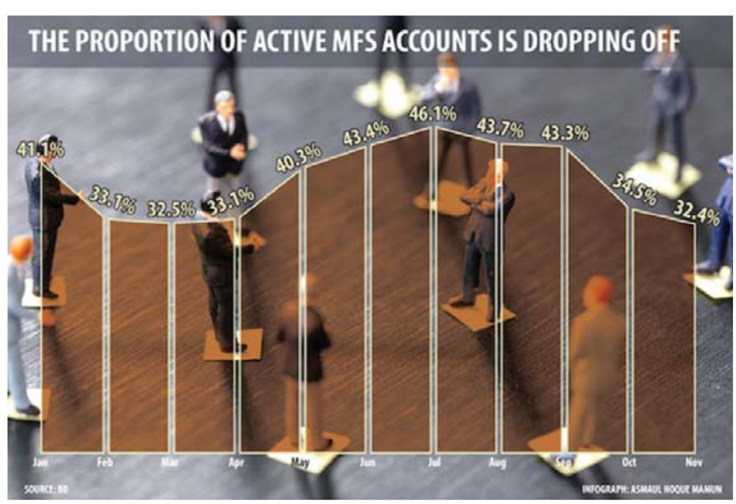
He said increasing fraud incidents, unfair competition among market players and rule breaking by some MFS operators are discouring people to use mobile phone to make payments.

Recently, Nagad, the digital financial service of Bangladesh Post Officehas made some controversaries in the highly regulated markets by exploiting customers in the name of lowest cash out prices.

Nagad is yet to get Bangladesh Bank license to conduct MFS business, which concerns people to use MFS tools, said a senior banker working in a private commercial bank.

People are using MFS platforms more and more, which is a good sign, according to Kamal Quadir, chief executive officer of bKash, the leading MFS player.

In November, person-to-person (P2P) transfers on the platformsurpassed the Tk 16,000 crore-mark for the second straight month. It stood at Tk 16,108.8 crore, accounting for the second-biggest share of the total transactions made during the month.



November's P2P transfers were an increase of 63.5 per cent from a year earlier.

Deposits accounted for the biggest share of MFS transactions in November: Tk 16,353 crore, the second-highest amount after July, which was a record-setting month for the platform by all accounts.

While the platform has always been popular among the unbanked population for sending and receiving money, it has turned out to be particularly handy in making payment at a point-of-sale terminal, salary disbursement and utility bill payment during the pandemic.

In November, merchant payment through the channel stood at Tk 1,879.2 crore -- the highest yet. It hovered below Tk 600 crore until June, when the economy was reopened.

The platform, which allows contactless payment by way of QR code, then particularly became convenient to make payment at POS terminals in the time of coronavirus, which lingers on surfaces for hours.

From July, merchant payment through MFS has been exceeding the Tk 1,000 crore-mark.

"It demonstrates that customers are increasingly doing less cash-out transactions. This helps in capturing multiple benefits for customers," Quadir said.

One, customers avoid cash-out cost; two, customers find convenience in not carrying cash to enhance security; three, during a pandemic, customers act intelligently by avoiding to use cash.

"The more customers capture the values of digital transactions, the better it is for all," he added.

In November, Tk 14,826.2 crore was withdrawn through the platform.

Merchant payment holds much potential for the platform, according to Mishuk.

"It is still very much limited to Dhaka and Chittagong, whereas there is a much bigger customer base outside of the two cities."

The majority of the MFS users in Bangladesh still use a feature phone and the merchant payment by way of QR code can only be done by those who have a smartphone, Mishuk added. ■

bKash tops 'Employer of Choice'

Final year BBA & MBA students from selected top 16 universities participated in 2020 Campus Track Survey conducted by Nielsen

Express Report

As per 2020 Campus Track Survey, bKash, the largest MFS provider in the country, has emerged as the number one 'Employer of Choice' among 53 multinational and local companies across all sectors, for the first time.

bKash has also been chosen as the 'Dream Employer' for the 2nd year in a row with significant margin in both categories. Final year BBA & MBA students of 2020 from selected top 16 universities in Bangladesh took part in the survey including IBA- University of Dhaka, IBA- Jahangirnagar University, Bangladesh University of Professionals, Rajshahi University, Khulna University, Chittagong University, North South University, BRAC University and so on.

Nielsen, the globally reputed organization specialized in research, conducted the survey. The survey was carried out based on three parameters: i) Industry Preference, ii) Job, Salary and Campus Activities and iii) Aspirational Factors. In terms of Campus Recruitment Index (CRI) across all organizations, bKash excelled in all parameters with its campus activities, students' preference, attractive salary range, work environment, growth opportunity and job security.

During the survey, the final year business school students mentioned mostly about Multinational FMCG and Financial Technology (Fintech) or Mobile Financial Services (MFS) sectors in terms of best career opportunity for employment; this was followed by Banking and Telecom sector.

In terms of CRI (across all industries), bKash appeared as top-of-the-list among all 53 multinational and local companies. bKash was able to retain its first position as the 'Dream Company' due to goodwill of the company and good work environment.

This achievement is a recognition by students for the actions bKash has been taking consistently over the years. In the survey, it was observed that top 5 important factors driving choice towards employers are: good reputation of the company in the market, learning opportunity, total salary package, independence and decision making scope at work and opportunities to work with and learn from in-house top talents. ■

bKash becomes the Best Brand of the country 2nd time in a row

Express Report

bKash has won the country's Best Brand Award for the second time in a row in a consumer survey conducted by Bangladesh Brand Forum. A total of 105 brands were recognized across 37 categories and bKash was selected as the 'Overall Best Brand 2020' by consumers.

At the same time, bKash has been selected as the 'No. 1 Mobile Financial Services Brand 2020' for the fourth time in a row in the MFS category.

Bangladesh Brand Forum (BBF), powered by AIUB, in partnership with Nielsen Bangladesh and in association with The Daily Star, organized the event virtually for the first time on recently month.

The survey was conducted by Nielsen's world-class survey method 'Winning Brands'. This time, around 7,600 consumers across the country participated in the survey.

To inspire the brands of the country, Bangladesh Brand Forum has been honoring the most loved brands through Best Brand Award for the last 12 years. The objective of the Best Brand Award is to demonstrate and celebrate the success of the brands, achieved through tough and effortful initiatives.

Closeup and Ispahani came in second and third position among the top 15 brands overall, after bKash.

Recently, BBA final year and MBA students from 16 top universities of the country have selected bKash as the best 'Employer of Choice' through the 'Campus Track Survey 2020' conducted by Nielsen.

Launched in 2011, bKash, a joint venture of BRAC Bank, US based Money in Motion, International Finance Corporation of the World Bank Group, Bill and Melinda Gates Foundation and Ant Group, operates as a payment service provider offering broad range of digital financial services under the regulation of Bangladesh Bank. ■

Kamal Quadir, CEO of bKash handed over the emergency medical supplies to Abu Hena Morshed Zaman, Director of Central Medical Stores Depot (CMSD) in presence of Dr. Ahmad Kaikaus, Principal Secretary to Prime Minister at PM's office.

bKash donates over 300 more ventilators

Express Report

bKash handed over 300 more ventilators along with 300,000 emergency health toolkits like infrared thermometers, masks, protective clothing and medical goggles donated by China's Alibaba Foundation and Jack Ma Foundation to accelerate COVID treatment during this winter.

Prior to this, bKash handed over 650,000 medical supplies including 50 ventilators from Alibaba Foundation and Jack Ma Foundation to PM's Relief Fund in June, 2020 in virtual presence of the Honorable Prime Minister.

Kamal Quadir, CEO of bKash handed over the emergency medical supplies to Abu Hena Morshed Zaman, Director of Central Medical Stores Depot (CMSD) in presence of Dr. Ahmad Kaikaus, Principal Secretary to Prime Minister at PM's office.

Md. Abdul Mannan, Secretary of Health Services Division and Major General Sheikh Md. Monirul Islam (Retd.), Chief External and Corporate Affairs Officer of bKash were also present at the program.

This time, the donation of 36.7 ton medical equipment includes 300 ventilators, 250,200 KN95 masks, 30,000 medical disposable protective clothing, 200 infrared thermometers and 85,000 medical goggles.

Besides these, bKash from its own fund, has provided 30 ventilators to Dhaka Medical College Hospital, Dhaka Shishu Hospital, Dhaka CMH and Central Police Hospital as part of social responsibility to increase medical capacity of the top hospitals of Bangladesh few days back.

The company also installed oxygen plant at the Diabetic Hospital (BIHS General Hospital) as a part of this continuous donation during the ongoing pandemic.

In the context of the urgent need of ventilators for the treatment of patients suffering from severe respiratory infections by Covid-19 in the country, concerned people have expressed hope that these ventilators provided by Alibaba and bKash will accelerate Corona treatment and make it more effective. ■

Prime Bank launches real-time remittance service

Express Report

Prime Bank has recently launched a state-of-the-art real-time remittance service- RemitPrime- for its subsidiaries in Singapore and the United Kingdom (UK). This is the first real-time, online platform launched by a Bangladeshi bank abroad.

Through RemitPrime, the expatriate Bangladeshis can transfer remittance in real-time to any account of Prime Bank and to any bKash wallet across the country. For all other banks, remittance will be transferred instantly as per the BEFTN* transaction cycle.

Along with the remittance, the new service also ensures payment of 2% incentive instantly*. RemitPrime also provides real-time information on the transaction to its users.

The expatriates from Bangladesh, India, and the Philippines, residing in Singapore, can now send money to their respective home countries through RemitPrime services by downloading Prime Bank's Interment Banking mobile app 'Prime Bank App' from 'Apple's App Store' and 'Google's Play Store' or by logging in www.remitprime.com.

Bank officials say Prime Bank has plans to extend its online remittance payment services to major remittance corridors like US, EU, Gulf Countries, Japan, Korea, Malaysia and so on.

Prime Bank's Acting Managing Director and CEO Faisal Rahman said, "Our customers maintaining account with Prime Bank will enjoy real-time fund transfer against their remittance from abroad. We also can make transfer to bKash Accounts in real-time with Remit Prime.

"With this new service, our customers are enjoying the convenience of receiving remittance at their doorsteps round-the-clock", he said.

"We believe these services will inspire expatriate Bangladeshis to send more money through legal channel and boost up the flow of remittance into the country. The remitters from other major corridors like KSA, Malaysia, and other countries will also receive similar facilities soon", he said.

Highlighting the capabilities of the RemitPrime mobile applications, Shams Abdullah Muhaimin, Prime Bank's Head of Transaction Banking, said: "RemitPrime platform is built on a machine learning technology which has automated majority of manual activities. The system can process thousands of transactions in minutes with real-time fund transfer to beneficiary accounts 24X7.

The mobile app version of the application is first of its kind launched by a local bank into overseas. ■

OK Wallet users will be able to buy GLIL's monthly savings plans

Express Report

ONE Bank and Guardian Life Insurance Limited have recently signed a strategic partnership agreement, said a press release.

Under the deal, ONE Bank's OK Wallet users will be able to purchase GLIL's monthly savings plans on the OK Wallet mobile app.

This partnership allows the bank's OK Wallet users to buy and claim an insurance policy completely paperless within five minutes through e-KYC.

The deal will facilitate a new era of easy saving with insurance for millions of users, said the release.

Guardian Life Insurance Limited chief operating officer Shamim Ahmed and ONE Bank MFS and agent banking head Gazi Yar Mohammed Limited signed the agreement on behalf of their respective companies. ■

City Bank executes first ever cross-border Shariah-based blockchain LC transaction

Express Report

City Bank has become the first Bangladeshi bank to execute a cross-border Letter of Credit (LC) transaction under a Shariah-based financing arrangement executed using blockchain technologys says a company press release.

City Bank has partnered with the International Islamic Trade Finance Corporation (ITFC), the trade solutions arm of the Islamic Development Bank (IsDB) Group, which was both the advising as well as financing bank. The ITFC financed the LC under the Murabaha Trade Finance line with City Bank.

The LC was issued on behalf of Debonair Group, a leading Bangladeshi RMG exporter, for import of accessories for garments industries from a Hong Kong-based exporter, Apparel Link (HK) Ltd.

The transaction was conducted on Contour's network, which was built using R3's Corda blockchain technology. Processing time for this transaction was extremely short - LC draft initiation to issuance and advising took only 38 minutes compared to the typical 24 to 72 hours required for regular cross-border LCs.

Blockchain technology allows parties to manage their own data while transacting and viewing shared information seamlessly and securely with their trading partners and service providers. This results in transparency in transactions, reducing the scope for forgery and fraud significantly. In addition, as all related parties and clients are members of the network, they can see and share all relevant information without the requirement of visiting the banks in person, a bigger challenge with Covid-19 restrictions. The ITFC, in this case, advised Apparel Link (HK) despite them not having any physical presence in Hong Kong. The increased efficiency results in a reduction of costs at all ends.

"City Bank is the leading digital bank in Bangladesh and is committed to using technology to provide efficient and satisfying experience to our clients. This transaction will pave the way for improved digital trade through blockchain technology," said Sheikh Mohammad Maroof, City Bank's Additional Managing Director "I would like to thank all related parties who were part of this pioneering transaction."

CEO of Contour, Carl Wegner said, "We're finally seeing the trade finance industry embrace digitization and reap the benefits of improved connectivity and efficiency in LC presentation. As we continue building the world's trusted network for global trade, we're keen to ensure this growing eco-system of banks, corporates and technology providers remains inclusive and accessible for all. This being the first sharia compatible transaction completed on our network marks an important milestone toward our ongoing goal."

Abou Jallow, Operations General Manager at ITFC commented on the transaction: "The Contour platform has the potential to make LC issuance, confirming and negotiating a seamless process. With this system, all parties involved will be using one platform where all can track progress and get notified when required, to take the next actions in the process, hence more transparency and trust. Amendments, notifications and acceptances are a lot faster when you go digital"

Debonair Group's Managing Director, Mohammed Ayub Khan said, "Debonair Group is excited to be the part of this digital transformation. ■

Trust Bank and Axiata flag off MFS venture

Express Report

The mobile financial service market is set to heat up with the entry of a new player, Trust Axiata Pay (TAP), a venture of Trust Bank and Malaysian telecommunications conglomerate Axiata Group.

Trust Bank holds 51 per cent stake in TAP and Axiata the remaining 49 per cent.

TAP, whose focus will be wallet-based services, got the no-objection certificated from the Bangladesh Bank last year.

"I believe this new MFS will play a key role in implementing Prime Minister Sheikh Hasina's vision of a Digital Bangladesh," said Army Chief Aziz Ahmed, also the chairman of Trust Bank, while inaugurating TAP recently.

To open a TAP account, a scan of the national ID card and a selfie will suffice, said TAP officials.

With TAP, users will be able to deposit/withdraw their money, pay utility bills, academic fees, armed forces-related recruitment fees, merchant payments, receive remittance from abroad, as well as top-upmobile balance.

Its users will also be able to avail T-Cash's unique facilities such as payment of academic fees of 56 institutions, NID and passport-related fees.

TAP has been in the works for a while now.

In 2015, the two parties formed the joint venture company Trust Axiata Digital after the Malaysian company's designs to offer digital financial services in Bangladesh was met with a roadblock thanks to the local regulations.

Axiata, the parent company of the country's second-largest mobile operator Robi, offers digital financial services in Malaysia, Sri Lanka, Cambodia and Indonesia alongside its mobile business.

DFS products include various savings schemes and business loans.

But in Bangladesh, mobile operators are not allowed to run MFS, sending Axiata to explore other avenues to further its DFS agenda.

In the end, it struck a partnership with Trust Bank, a concern of the Army Welfare Trust.

TAP's entry into the MFS arena comes at a time when the platform's popularity is fast rising amid the pandemic.

Transactions through the platform stood at Tk 53,258.8 crore in October, up 41 per cent year-on-year, according to data from the Bangladesh Bank.

October's figure, which is up 8.5 per cent from a month earlier, is the second-highest since MFS was introduced nearly a decade ago.

While the platform has always been popular among the unbanked population for sending and receiving money, it has turned out to be particularly handy in making payment at a point-of-sale terminal, salary disbursement and utility bill payment during the pandemic.

In October, merchant payment through the channel stood at Tk 1,746 crore -- the highest yet. It hovered below Tk 600 crore until June, when the economy was reopened.

The platform, which allows contactless payment by way of QR code, particularly became convenient to make payment at POS terminals in the time of coronavirus, which lingers on surfaces for hours.

From July, merchant payment through MFS has been exceeding the Tk 1,000 crore-mark.

What is more encouraging for the platform is that person-to-person (P2P) transfers overtook cash-out to become the most common MFS transaction in October.

P2P transfers stood at Tk 16,566.5 crore, accounting for the biggest share of the total transactions made during the month. ■

INDUSTRY UPDATE

The Top 21 Security Predictions for 2021

As we recover from the worst pandemic in a century, what will the New Year bring in cyberspace? Here's your annual roundup of security industry forecasts, trends, themes and cybersecurity predictions.

Farhan Ishark Ahmed, From London

2021 Security Industry Prediction Trends

Moving on to predicting 2021, here are some major trends that cut across a large number of cybersecurity industry prediction reports:

- There will be huge security impacts in the coming year from the move to work from home (WFH) fueled by COVID-19. More attacks will occur on home computers and networks, with bad actors even using home offices as criminal hubs by taking advantage of unpatched systems and architecture weaknesses.
- The rush to cloud-everything will cause many security holes, challenges, misconfigurations and outages.
- More growth in the security industry. Our numbers of new products and new year mergers and acquisitions will cause network complexity issues and integration problems and overwhelm cyber teams.
- Privacy will be a mess, with user revolts, new laws, confusion and self-regulation failing.
- Identity and multi-factor authentication (MFA) will take center stage as passwords (finally) start to go away in a tipping-point year.
- Tons of high-profile Internet of Thing (IoT) hacks, some which will make headline news.
- Ransomware will get worse and worse - with new twists, data stealing prior to encryption, malware packaging with other threats and very specific targeting of organizations.
- Lots of 5G vulnerabilities will become headline news as the technology grows.
- Advanced Persistent Threats (APT) attacks will be widely available from criminal networks. The dark web will allow criminals to buy access into more sensitive corporate networks.
- Mobile devices, including smartphones, will be attacked in new ways, including app stores.
- Cryptocurrencies will play new roles, with criminals switching often for hiding advantages.
- As digital transformation projects grow, many plans will implode as security challenges mount. ■

Last year's challenges in financial crime will gather pace in 2021

Express Report

As Covid-19's shadow continues to stalk economies as we move into 2021, the stakes are high for merchants and institutions alike to adapt to the challenges it presents, according to new report on financial crime mitigation.

2021 has kicked off with banking industry body UK Finance pushing for the contactless payment limit to be raised to £100, only months after it was upped from £30 to £45.

This would open the door to almost the entirety of day-to-day shopping being conducted in this way. The previous increase saw contactless spending account for 64% of all debit card transactions and 46% of credit card transactions, according to UK Finance.

These numbers would be given a further surge by the upper limit for a contactless more than doubling.

However, as with any developments that increase payments' speed and efficiency, this will increase the pressure on financial institutions to protect customers from fraud, which can in turn cause greater friction.

This is one of the trends explored by financial crime prevention software provider, Featurespace, in its 'Financial Crime Viewpoint 2020-21' report.

Exploring the sizeable decline in the use of cash since Covid-19 struck in early 2020, the report explores the requirements that were placed on merchants and financial institutions, while also adapting to working remotely with distributed teams.

This could prove detrimental to the process of investigating and monitoring the security of transactions, leading to some being incorrectly classified as fraudulent.

"The consequences stretch beyond customer friction; cases incorrectly classified are the results of models (often rules based) not detecting 'true' fraud, leading to an increase in false positives," the report claims.

"With this inefficiency, more friction occurs in the shopping experience - leaving customers frustrated and the threat of loss of revenue for the rest."

On top of increased contactless transacting is of course the greater proportion of spending taking place digitally due to fewer bricks-and-mortars retailers being open.

Featurespace claims that the last 12 months saw more data breaches than ever before, with the threat that this will continue going forward as more online accounts are opened. ■

Cost of cybercrime to exceed $1trn in 2020

Express Report

The worldwide move to remote home working has contributed to a massive rise in cybercrime costs which are expected to top $1trn for the very first time this year.

A report from cyber security firm McAfee, along with the Center for Strategic and International Studies found that the cost of cybercrime will increase by 50% from the 2018 total and will account for more than 1% of global GDP.

Researchers noted a surge in both the number and types of attacks, ranging from phishing and denial of service attacks to ramsomware, spyware and cryptocurrency theft.

Weakened security as a result of the move to home or remote working was also cited as a contributing factor.

"The severity and frequency of cyberattacks on businesses continues to rise as techniques evolve, new technologies broaden the threat surface, and the nature of work expands into home and remote environments," said Steve Grobman, chief technical officer at McAfee.

"While industry and government are aware of the financial and national security implications of cyberattacks, unplanned downtime, the cost of investigating breaches and disruption to productivity represent less appreciated high impact costs."

Some of the less appreciated costs cited in the report include "lost opportunities, wasted resources and damaged staff morale".

The report, which canvassed 1,500 tech professionals in government and business in the US, Canada, Britain, France, Germany, Japan and Australia, worryingly found that only 44% of respondents have plans to either prevent or respond to cyber incidents.

The financial services sector is generally subject to stricter cybersecurity requirements, however cyber risk still remains a concern for the industry, especially within emerging economies.

A recently published report from the International Monetary Fund stated that cyber risk is the "new threat to financial stability"and called for help to develop cybersecurity capacity in low-oncome countries.

"The COVID-19 crisis has highlighted the decisive role that connectivity plays in the developing world. As with any virus, the proliferation of cyber threats in any given country makes the rest of the world less safe," stated the report.

Regulatory innovation advances in face of Covid-19

While Covid-19 may have wreaked havoc across financial services, according to a recent report the pandemic has driven the urgency to prioritise and actively deploy fintech initiatives by regulators.

Express Report

The joint report from the World Bank and Cambridge Centre for Alternative Finance, '2020 Global COVID-19 Fintech Regulatory Rapid Assessment Study' outlines a sweeping view of the impact the pandemic has borne on the regulation of fintech and regulatory innovation initiatives.

Surveying 118 regulatory authorities across 114 jurisdictions, the comprehensive study overwhelming found that Covid-19 has only served to push fintech up the agenda for regulators across the world.

Philip Rowan, co-author and lead in regulatory innovation, Cambridge Centre for Alternative Finance (CCAF) comments that while an enthusiastic push for innovation can easily be marketed, "it's one thing to say that fintech has become a higher priority and quite another to see it practised in reality."

In a year riddled with buzzwords of 'financial adaptability', 'mobility', 'resilience', to see tangible impacts being made not only by the private sector but by the typically slower moving regulatory supervisors and infrastructure providers is refreshing.

Rowan explains that the report sought to achieve 4 core objectives:

1. To understand the impact Covid-19 bore on regulators and fintech around the world
2. The regulatory response to Covid-19 within the fintech sector
3. The impact of Covid-19 on regulatory innovation initiatives (such as taxonomy, how regulators have been innovating, sandboxes etc)
4. To better understand the lessons learned from regulators' response to Covid-19 and potential implications this will have on the sector into the future.

A fundamental internal challenge faced by one out of two regulatory respondents, Rowan says, was that of working from home. "If you're a company supervisor, site visits to particular companies have become very

difficult if not impossible in locations where there are strict containment enclosure/travel restriction measures."

On top of this 29% of respondents flagged a lack of access to data and insights as a significant obstacle.

"Regulators want to understand the impact Covid-19 is having on the markets, industries and sectors they regulate," Rowan adds.

"They simply don't have access to good data to make informed decisions within the context of Covid-19."

Notably, communication and coordination were also raised as hindrances to the planning and implementation of regulatory initiatives. 39% of respondents noted challenges regarding difficulty with external communications and coordination with other domestic agencies, while the prioritisation of funding and resources and speed of delivery also beleaguered initiative projects. 28% of respondents also cited that restricted access to and availability to necessary technology was proving to be prohibitive.

Despite these challenges, the pressure of the pandemic has sparked a surge in pace and progress for existing and new regulatory initiatives. Rowan furthers that "the report found up to 80% of regulatory innovation initiatives have been impacted in some way by Covid-19. Typically, but not always, resulting in the acceleration of these initiatives."

For instance, around one in three respondents say that Covid-19 has accelerated their regulatory sandbox initiatives.

"We've seen some public examples of this too - the Central Bank of Jordan has a Covid-19 specific cohort for their regulatory sandbox and they've said they will welcome applications that seek to address challenges related to Covid-19," Rowan says.

"Similarly, we've seen a number of innovation office initiatives that have accelerated or modified their offerings throughout this period of Covid-19, to adapt to virtual regulatory clarification services."

Rowan also highlights an increase in the use of technology by regulators themselves specifically regtech and suptech. He adds that this was clearly observed in developing markets where the importance of digital infrastructure around delivery of financial services remains key for those living in remote or rural areas.

"We're seeing regulators and other authorities accelerate initiatives to put things like digital identity initiatives or permitting electronic onboarding processes for customers."

Despite the challenges detailed above, Rowan illustrates that the clear momentum that has been witnessed will likely be here to stay, "especially as some of the key sectors - particularly in digital payments, savings and lending - will have a lasting impact and will likely keep digital services front of mind for regulators.

"Particularly if Covid-19 continues we're going to see perhaps a continued trend of measures and action, because regulators on the whole broadly perceive fintech as being positive for their objectives."

Looking forward, Rowan highlights two key takeaways as considerations which would assist regulators into the future - the continuous demand and need for skills development and the provision of technical support within regulatory bodies.

"This reflects fintech moving up the agenda and regulators clearly feel they should get up to speed in understanding the technologies, business models, products and services behind fintech in order to be able to more effectively regulate and supervise it. The development of regtech and suptech roadmaps for regulators were themes frequently raised and may assist regulators with their request for greater technical support."

Commenting on the release of the report, Caroline Freund, World Bank's global director for finance, competitiveness and innovation says: "Many regulators in jurisdictions that had gaps in the legal or regulatory framework for DFS have taken steps to support digital finance and close these gaps [...] We believe that it will help stakeholders in both the private and public sectors advance digital financial inclusion, speed recovery and support a more resilient economic system."

[The repot is prepered based on some global researd findings. ■

FCA Covid-19 resilience tests show 4000 firms at risk of failure

The UK's Financial Conduct Authority has identified four thousand regulated firms at low financial resilience and at heightened risk of failure as a result of the economic downturn caused by the coronavirus pandemic.

Express Report

As many as 19,000 solo regulated firms responded to an FCA survey designed to assess the impact of Covid-19 on their financial resilience. The watchdog also used existing regulatory reporting data, enhanced data purchased from a third-party provider and in-depth analysis of liquidity for a number of the most significant firms in determing solvency.

Of the four thousand firms identified as a at risk, Sheldon Mills, executive director of consumers and competition says: "These are predominantly small and medium sized firms and approximately 30% have the potential to cause harm in failure.

The survey results show that between February (pre-lockdown) and May/June (during the impact of the first lockdown), firms across the sectors experienced significant change in their total amount of liquidity. This was defined as cash, committed facilities and other high-quality liquid assets.

Three sectors saw an increase in liquidity between the two reporting periods: Retail Investments (8%), Retail Lending (8%) and Wholesale Financial Markets (83%), the latter seeing the greatest increase. The other 3 sectors saw a decrease in available liquidity: Insurance Intermediaries & Brokers (30%), Payments & E-Money (11%) and Investment Management (2%).

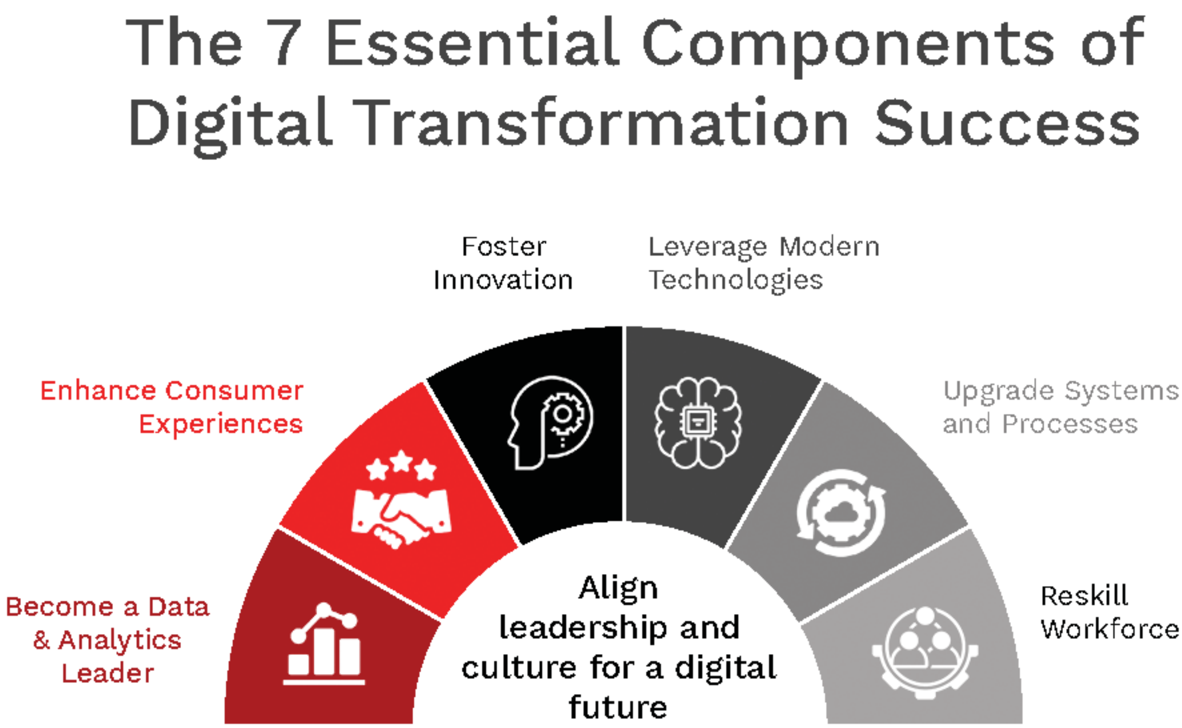
When asked whether they expected coronavirus to have a negative impact on their net income, 59% of respondents had said that they did. Of these, 72% expected the impact to be between 1% and 25%. Three percent expected the impact to be 76%+ within the next 3 months of the survey being taken.

The Payments & E-money sector has the lowest proportion of profitable firms, followed by Wholesale Financial Markets, Investment Management, Insurance Intermediaries & Brokers, Retail Lending and Retail Investments. For the firms that responded to this question the greatest decrease in profitable firms between February and May/June was seen in the Retail Lending sector (10 percentage points) followed by Payments & E-Money (9 percentage points).

Proportionately, Retail Lending had made most use of the available government support (49% of Retail Lending firms had furloughed staff and 36% had received a government backed loan), followed by Insurance Intermediaries & Brokers (44% had furloughed staff and 19% had received a loan), Retail Investments (37% had furloughed staff and 15% had received a loan), Payments & E-Money (36% had furloughed staff and 11% had received a loan), Wholesale Financial Markets (16% had furloughed staff and 11% had received a loan) and finally Investment Management (8% had furloughed staff and 3% had received a loan). ■

Top Digital Banking Transformation Trends for 2021

When the pandemic hit, most financial institutions entered a crisis mode of building digital capabilities that allowed consumers to bank without branches. As we enter 2021, banks and credit unions must rethink the definition of 'digital banking,' with the application of data, analytics, technology, innovation and people that will transform customer experiences.



By Jim Marous, Co-Publisher of The Financial Brand, Owner/CEO of the Digital Banking Report and host of the Banking Transformed podcast.

As we look back on 2020, financial institutions should be proud of the way the industry responded to a crisis that wasn't on any organization's radar. Faced with immediate branch closures, and the need to create digital capabilities ranging from end-to-end digital account opening and lending capabilities, to PPP small business loans, many firms did things that once seemed impossible - sometimes in a matter of days.

The ability to conduct business depended on how quickly banks and credit unions could respond to consumer needs, using technology to enable legacy systems and workforces to adapt to a new normal. The acceleration of digital transformation occurred across the entire banking ecosystem.

But the transformation was not fast enough and is far from complete. Research from the Digital Banking Report found that financial institutions ranked themselves lower in digital transformation maturity this year than they did in 2019, reflecting consumer expectations that are increasing at a pace faster than our collective ability to deliver. The report also found that innovation and data/analytics maturity in the banking industry also fell in 2020 for the same reason.

Despite the pandemic being an everyday reality for every person and business, organizations can not use this as an excuse to not push forward even further. New initiatives must be prioritized that can leverage data and analytics to improve the customer experience. Digital engagement must be improved, focusing on simplicity and speed far beyond what is currently provided. And, financial institutions must optimize the use of technology that is already in place.

Every bank and credit union must embrace the digital banking transformation trends that are forthcoming in 2021, doubling down on the commitment to improving digital customer experiences as well as the internal processes, infrastructure, products and personnel that will provide the foundation for future competitiveness.

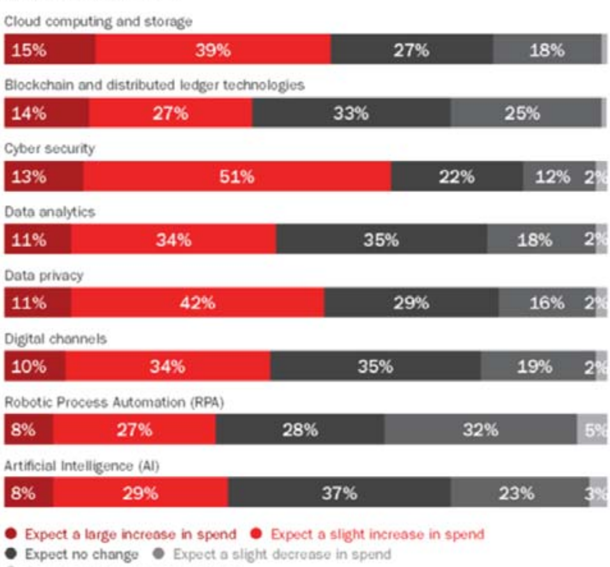
Focus on Digital Banking Experiences

Financial institutions will come under greater pressure to provide digital functionality that is both simple and fast. As opposed to new account opening or loan application processes that can be completed in 5-10 minutes (or longer), organizations will focus on internal processes, procedures and flow of data to enable completion in less than a minute to meet rising customer demands set by big tech organizations.

In some cases, financial institutions may separate their external presentation layer from their back-office data layer to create enhanced digital consumer experiences. An example of this shift is the Google Plex partnership with several financial institutions. Beyond enhanced account opening and the combination of checking and savings, the new service provides simple, seamless and personalized digital engagement.

The risk of not providing this level of customer experience will be the potential shift of new and existing business to organizations that have succeeded in rethinking legacy processes for a new digital reality. It's more than simplified account opening - it's an enhanced user experience (UX) across the entire customer journey.

CHANGE IN TECHNOLOGY SPEND EXPECTED FOR 2021 IN RETAIL BANKING



Source: Deloitte © November 2020 Digital Banking Report

According to Forrester, "Organizations will work to determine what really matters to their customers, identify projects to improve important experiences, prioritize the efforts with the biggest potential upside for customers and the business, and then train their employees (and give them new tools) so that they can deliver the right experiences consistently."

2. Use of Data and AI for Predictive Personalization

Financial marketers were thrust into the spotlight with the COVID crisis, needing to respond to unforeseen circumstances in an instant. Instead of selling services, marketers were being asked to customize communication to help customers deal with the financial impact of the pandemic. Blanket communication around branch closures quickly needed to transform to personalized messages around loan payment deferrals and how to use unfamiliar digital tools.

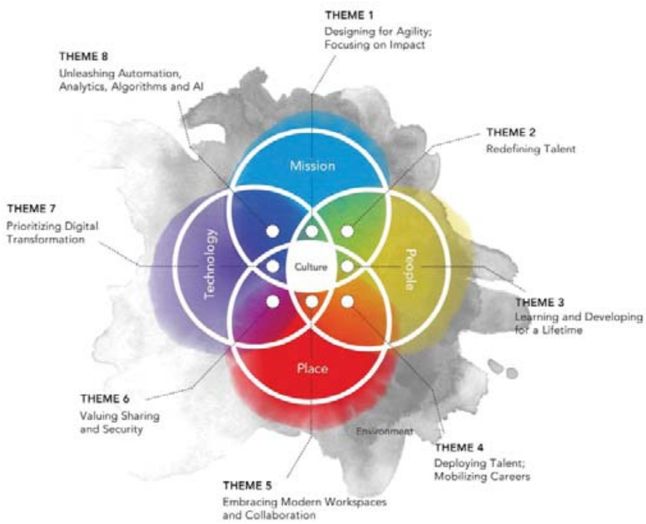
The coming year will bring the next evolution of financial marketing, leveraging data and advanced analytics to provide predictive personalization. This use of AI and machine learning will result in tailored websites, real-time financial recommendations, and a level of test and learn capabilities far beyond what was imagined just a few years ago.

For the vast majority of financial institutions, this level of personalization is playing a game of catch up in meeting consumer expectations. Accenture found that nearly half (48%) of consumers abandoned a purchase process when the website did not personalize the experience, with nearly all consumers (91%) saying they are more likely to do business with brands that know them, look out for them and reward them.

Unfortunately, research by the Digital Banking Report found that 75% of financial institutions considered themselves 'not adept' and using data and analytics to determine a next best action. Despite this performance gap, the accelerated growth in predictive personalization will be a key digital transformation trend for success in 2021.

Movement to Cloud Computing

The movement to cloud computing has been slower than anticipated in the banking industry, mainly because of concerns around security and perceived accessibility for smaller institutions. With the importance of processing increasing amounts of data



as quickly as possible, and the desire to provide increased accessibility to insights across organizations, the use of hybrid cloud infrastructures will escalate significantly in 2021.

This embracing of cloud computing will be considered by financial institutions of all sizes in the coming year because of increased investment in scalable and industry-specific capabilities by IBM and other providers. These solutions standardize many of the cloud capabilities, eliminating much of the up-front investment previously required. These solutions also address issues like privacy, security and compliance.

According to Daniel Newman, contributor to Forbes, "The widespread, sudden disruptions caused by the coronavirus have highlighted the value of having as agile and adaptable a cloud infrastructure as you can - especially as we are seeing companies around the world expedite investments in cloud to enable faster change in moments of uncertainty and disruption like we faced in 2020."

4. Automation Becomes a Financial Imperative

At a time when most financial institutions are concerned about the prospects of loan losses and the shrinking of revenues in a post-pandemic economy, the focus on automation and robotics seems natural. Robotic Process Automation (RPA) can increase efficiency by providing a cost-effective substitute to human resources both in-house and outsourced.

While still in its infancy, RPA provides the benefits of cost reduction. increased efficiency, enhanced accuracy, improved customer experiences, and seamless flexibility. Similar to the movement to cloud computing, this trend is gaining momentum because of the influx of external providers who have leveraged lessons learned over time to provide scalable solutions at a reasonable cost to small and large organizations.

"Global robotic process automation (RPA) software revenue is projected to reach $1.89 billion in 2021, an increase of 19.5% from 2020", according to the latest forecast from Gartner, Inc. "Despite economic pressures caused by the COVID-19 pandemic, the RPA market is still expected to grow at double-digit rates through 2024."

Investment in Privacy and Security Escalates

While virtually all financial institutions state that improving the customer experience is the top corporate priority, the same organizations are increasing investment in privacy and security solutions more than any other technology. The reason for this investment is clear. Not only are the risks of breaches increasing, but consumers are becoming much less tolerant of organizational mistakes.

Cybersecurity and data privacy will become a unique selling proposition (USP) for many financial institutions and big tech organizations. In an interview with the Banking Transformed podcast, David Birch believes consumers will be the ultimate owner of their identity, but that financial institutions will be the place the identities are maintained.

In this scenario, consumers will manage access to their data residing on applications, web and other digital channels, with the burden of complying with increasingly stringent regulations being the responsibility of banks. While the EU has built regulations around privacy and security with the General Data Protection Regulation (GDPR), this is only the beginning.

Redefined Future of Work

Across the entire banking ecosystem, financial institutions are rethinking the way work is done, where it is done, and the skills that will be required to do work going forward. What initially was remote collaboration necessitated by a global crisis, became more normalized as the pandemic extended from weeks, to months and longer.

More than ever, organizations realized the importance of flexibility, adaptability, self-sufficiency and teamwork during the pandemic. Without the benefit of in-person engagement, financial institutions still needed to create, innovate and collaborate at a pace never before imagined. For the most part, there was a surprisingly high level of success.