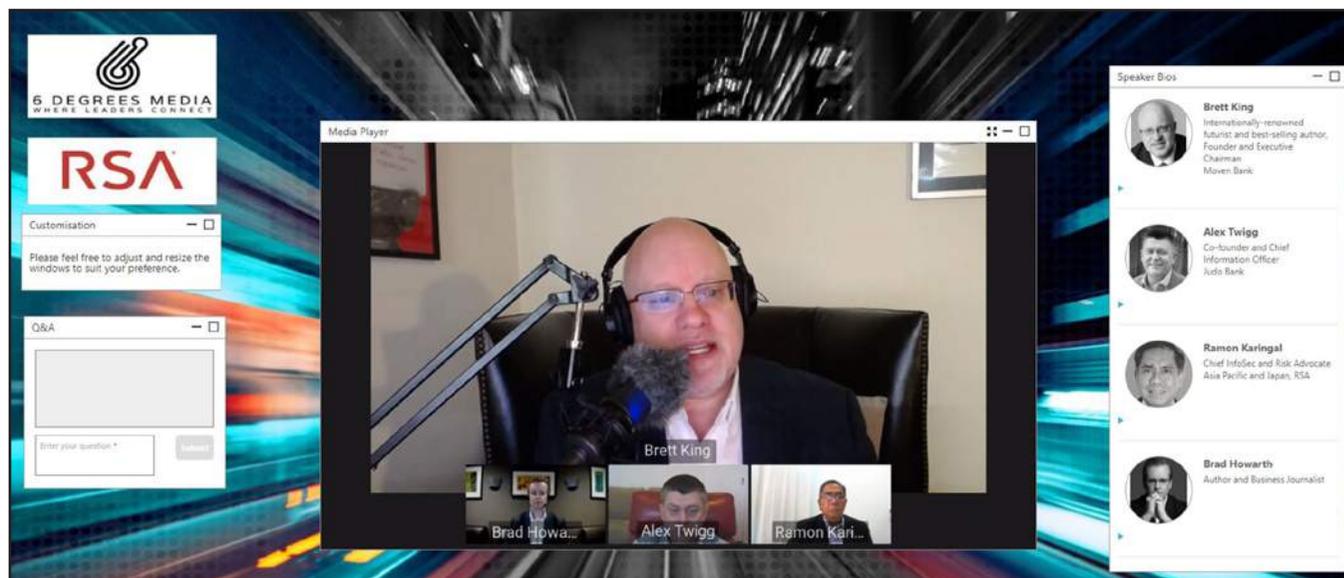




# **BANKING 4.0**

## **The CXO's Imperative Post Lockdown**

The challenge for CXOs in the rapidly evolving world of banking was the key focus for an in-depth virtual panel discussion, hosted by global enterprise security and risk leader RSA and 6 Degrees Media. The event gathered leading CIOs, CSOs, CROs and chief technology decision makers from Australia and New Zealand's banking sector. Hosted by journalist, Brad Howarth, guest speakers included internationally-renowned futurist, author and founder of New York-based Moven Bank, Brett King; RSA's Chief Infosec and risk advocate for RSA, Ramon Karingal; and founder of UBank and Chief Information Officer of neo-bank Judo Bank, Alex Twigg.



The financial services sector has evolved at an astonishing rate over the past decade as new and traditional players alike have embraced digital technologies to create new services and enhance customer experience.

Market participants have also faced changing customer preferences, such as the rapid adoption of digital payment mechanisms, and regulatory changes like the introduction of open banking.

And if these disruptions have not been enough to contend with, the COVID-19 crisis has also acted to accelerate the trend towards digitalisation, while also forcing leaders to quickly adopt extensive workforce management programs to keep their workers safe and productive.

Each of these changes has in turn created new security challenges, many of which have demanded an incredibly swift response. And new threats can always be seen building on the horizon.

## THE NEW NORMAL

Managing the COVID-19 crisis has required a monumental effort from banking organisations and their CXOs. However, as societies begin to emerge from lockdown, the focus of response now is shifting to adaptation to the post-lockdown environment.

People's behaviour in particular has already shifted, such as their move away from using of cash in everyday transactions in favour of electronic



payments, and it is hard to determine the lingering effects of social distancing and a looming recession on consumer confidence.

According to Brett King – globally renowned banking futurist, author and founder of New York-based Moven Bank, the COVID-19 crisis has accelerated many existing trends, such as the growth in digital interactions.

“We were on that trajectory already,” King says. “But of course, we didn’t know that Coronavirus was going to get thrown into the mix here, where you could only do banking and payments through electronic means for the majority of your day-to-day life.”

He says the crisis has reinforced the need for all organisations to have a strong ‘digital DNA’. “The use of the online commerce medium is for most customers going to be a permanent shift in behaviour,” he says. “They won’t go back to their old normal behaviours when it comes to banking.”

But while this behavioural change might prove challenging for some organisations, according to Alex Twigg – founder of UBank and Chief Information

Officer of the Australian online challenger bank Judo Bank – it might also present opportunities.

“What do customers need right now?” he asks. “They need sophisticated personal advice to help them through this crisis. We’ve seen a tremendous uptick in demand for our Judo products and services and the bankers that we have out on the road, and we’ve enabled them with the best technology to support that relationship.”

Unfortunately, as with any major disruptions, opportunities have also been exploited by those who seek to operate outside the boundaries of accepted behaviour.

According to Ramon Karingal, the chief infosec and risk advocate for Asia Pacific and Japan at RSA – and also former Managing Director of Citi Bank’s APAC division of 1,700 core infrastructure services staff – the rapid growth of digital transformation initiatives, including the greater propensity for people to be working from unsecured home environments, has impacted the threat landscape.

These new requirements are coming on top of existing problems that in many cases still have not been solved. “CXOs will need to juggle their priorities, like continuing to build their business resiliency, managing the emerging cyber threats, and then position the expanded dynamic workforce while trying to build more resiliencies through an expanded third party ecosystem, especially in their supply chain,” Karingal says.

In addition, Karingal points to the need to comply with new regulatory frameworks, while also preventing increasing fraud across expanding digital channels. “These are the challenges that will be faced by CSOs in the future,” he says.

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– Ramon Karingal, RSA

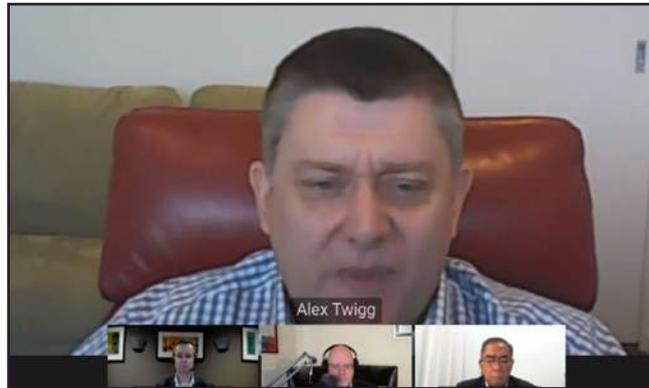
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– Alex Twigg, Judo Bank

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### **BANKING ON SECURE CX**

Karingal says the rapid growth of ecommerce has led to a complementary growth in online payments, with Mastercard and Visa recently reporting jumps in the vicinity of 40 per cent. This has in turn put enormous pressure on members of the payments ecosystem.

“In terms of convenience, obviously that means introducing more contactless payment channels to make payment more convenient to the customers,” he says. “If your system is easier, it’s easier to train your staff to use it, which will hopefully lead to more satisfied customers.”

As organisations strive to make their payments processing capabilities more reliable and secure – particularly with the ability to handle volume spikes – Karingal says they should also review the scope of their business continuity resiliency plans to ensure that services to customers are not disrupted under any circumstance. Another side-effect of the growth of digital payments is the acceleration of the death of cash. While physical currency might stay with us for many years, Twigg says in Australia the growth in mobile payments means cash has for most people become almost redundant.

“Our payment infrastructure has to become almost a limitless resource, and we are having to make sure that it is completely scalable, completely resilient, and will become invisible for the consumer,” Twigg says.

“That’s going to be the next big step, and something we need to be really careful of, because if you can start to generate that level of frictionless process you are going to see a big shift in customer experience.”

### **OPEN BANKING**

One of the key changes in the regulatory environment facing banks in the Asia Pacific region is the shift towards open banking and the creation of regimes which are more supportive of customer choice and data portability.

This is a concept that has been warmly embraced by many fin-tech organisations as they seek to win clients away from incumbents.

According to Twigg, open banking has the potential to really open the competitive environment, but he is disappointed with its speed of implementation and is concerned that the hype around open banking will result in missed expectations for consumers.

“The real game changer is going to come when you go back to intent of the legislation,” Twigg says. “Because the legislation is about consumer data rights, and not just when you can take in bank data, but when you can take in utility and phone data. Then it actually starts to become a holistic source of data which you can start to build propositions around.

“As an industry, we’ve really got to start to get behind these initiatives much more and start to create differentiated and compelling customer propositions that are meaningful if these large government initiatives and investments are going to pay off.”



But while open banking promises great benefits for consumers, Karingal warns that significant hurdles remain in the way of its adoption. In particular, he points to challenges surrounding scalability, solidifying digital identities for consumers, reducing friction for customers and, finally, minimising fraud in this ever changing world.

Karingal says this is where RSA stands out in the market – helping banks globally to meet their open banking initiatives and obligations. With a highly advanced FIDO2 enabled risk-based authentication at its core, RSA customers report one of the strongest NPS scores in the market, specifically with regards to enabling banks on-board new payment innovations whilst mitigating the risk of fraud.

“There will be more interoperability amongst banks domestically, but more so in the long term across different countries,” he says. “And that’s one area that must be resolved across different countries. Then they have to contend with all the different risks that will be arising.

“You have the managed processed automation risk. Any impact or potential disruption due to a breakdown

of automation should be managed. You have third party risk, and you also have to secure the cloud transformations, because there’s risk as you move your applications to the cloud.” He suggests a new approach will be needed, from ‘tick the box’ compliance to continuous process improvement.

## REMOTE CONTROL

The rapid onset of the COVID-19 crisis led to a truly heroic response from many organisations in keeping their workers safe and productive by equipping them to work from home. But this sudden change also led to immediate concerns about the security of home environments and the potential for data loss.

This change has also exposed a greater need that has long been present in digital banking – the need to determine that a person is truly who they claim to be.

According to Twigg, the banking sector has not yet made sufficient effort around ensuring digital identity.

“Most banking is still defined by using a physical identity document and walking into a branch and doing a 100-point check and signing a piece of paper, which just isn’t robust enough in the digital world,” Twigg says. “We really need to reach some consensus on the construction of a digital identity program that makes these online capabilities safe.

“Resiliency, security, identity and access management is absolutely key and critical in the way you operate your business moving forward.”

Karingal says it is vital that banks continue to create more robust digital identity processes by implementing continuous risk-based authentication – where banks seamlessly assess the risk posture behind the scenes with no visible to the consumer.

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**“We see the emergence of the ‘Smart Bank Account’ with value stores embedded in your phones that are responding in real-time to certain conditions and behaviours. Ultimately, by 2025 most people won’t need a bank for payments... but we will need to develop some identity infrastructure that makes the digital world safer.”**

– Brett King, Moven Bank

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## RSA FACTS:

- 30K+ Customers
- 50M+ Identities
- 1B Consumers
- \$60B+ Transactions protected per year
- \$8B+ Fraudulent losses prevented per year

“It can be very secure, but also provide the capability to be more frictionless,” Karingal says. “Risk-based authentication takes a lot of parameters, like where you are and what device you are using and also takes into account knowledge, like spending patterns. Banks can also step-down – or step-up – the authentication if they see customers are calling from a different location.”

## THE NEXT WAVE

Even as CXOs learn to adapt to the new normal, they must also keep an eye on those longer-term trends and challenges that lie ahead. One possibility is that as customers become more demanding, King says banks will the need to invest in better user experience, including the adoption of artificial intelligence to create more differentiated services.

“As people seek to recover from the economic downturn, they’re going to be looking for banks to differentiate using things like AI to help them get on top of their finances after a period of serious economic shock,” King says.

“We see the emergence of the ‘Smart Bank Account’ with value stores embedded in your phones that are responding in real-time to certain conditions and behaviours.

“The biggest shift that comes out of that is most people have a wallet or a value store on their phone, not necessarily delivered by a bank. Ultimately, by 2025 most people won’t need a bank for payments and day-to-day banking, but we will need to develop some identity infrastructure that makes the digital world safer.”

According to King, this means that over time more and more banking services will be provided by non-banks.

“The single most important piece of data to selling mortgages in the future will be understanding that someone wants to buy a home” he says. “And that data banks don’t have today. But Apple or Google may very well have that data.”

Numerous new forms of service providers will also emerge as entrepreneurs embrace AI and other emerging technologies. King cites the examples of Spriggy.com, a pocket money management app for kids which has grown to become an entire ecosystem that teaches children about how they interact with money with an integrated payments capability.

Another example is the Chinese service Yu’e Bao, which has used a micro-savings mechanism to become the largest singular deposit product in the world in the space of just 8 months.

“They did that not because it was offering a premium savings rate, not because they had branches but because they understood people’s behaviour and adapted to that uniquely,” King says.

“You’ll see the banks go back to what they do best, which is regulatory controls, safety and security, and provide those services into a digital ecosystem,” he says.

But while the options are many, the speed at which they will become reality is also accelerating relentlessly. So too is the speed at which new threats are emerging.

According to Karingal, the safest course of action for any security professional is that their efforts are made in coordination with the rest of their CXO team.

“Continue to protect the environment, but also have the conversation with your seniors in making cyber security part and parcel of the company’s culture,” he says.

# WHY RSA?

## INNOVATION

- Encryption
- Authentication
- Omni-Channel Fraud Risk Engine
- SIEM/SOAR
- Integrated Risk Management

## TRUST

- **35+** years
- **12,500+** customers
- **50M+** identities
- **2B** consumers
- **94%** of the Fortune 500

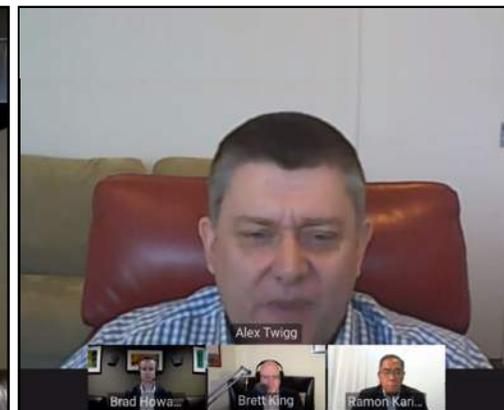
## LEADERSHIP

- Recognised leadership by analyst firms
- Industry leading events and thought leadership
- Expertise, guided by proven frameworks

## ECOSYSTEM

- **700+** practitioners
- **400+** global partners
- **1100+** product integrations
- Robust customer community





## ABOUT RSA

RSA offers business driven security solutions that provide organisations with a unified approach to managing digital risk that hinges on integrated visibility, automated insights and coordinated actions. RSA solutions are designed to effectively detect and respond to advanced attacks; manage user access control; and reduce business risk, fraud and cybercrime. RSA protects millions of users around the world and helps more than 90 percent of the Fortune 500 companies thrive and continuously adapt to transformational change. For more information, go to [rsa.com](https://rsa.com)



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## ABOUT 6 DEGREES MEDIA

6 Degrees Media was established by Angela Horvat, former Editor and Publisher of award-winning publications including Computerworld, Information Age, My Business, The Who's Who of Financial Services and Founder of FST Media; and Emma Charter, one of Australia's most connected and respected media and events strategists with more than 15 years' experience in delivering C-Level engagement strategies for clients in Australia and the UK. Together, they lead a team of Australia's most talented and driven conference producers, technology and business journalists and event managers to create content-driven experiences across C-level roundtables, custom events and large-scale conferences.