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KEEP
CALM
AND
CARRY
ON

HOW THREE BANKS ARE TACKLING COVID-19

EDITOR'S LETTER

FROM THE EDITOR

The first half results flagged by two of the major banks has signaled a new normal as banks confront the reality of rising bad debts, unpredictable earnings and capital management challenges. It is as some in the industry say the cost of being on Team Australia – the termed coined by Treasurer Josh Fydenberg when he announced the bank buy-in for its support packages back in late March. Despite these challenges, the banks remain committed to backing their customers during the challenged months ahead. But the health pandemic challenges are not just confined to the big end of town. Mid-tiers and smaller banks are also helping their customers navigate these troubled times. Our cover story (pages 6 – 9) this month profiles three banks that are tackling the COVID-19 challenge. What was consistent in all three organisations was a commitment to innovation. By embracing the latest technologies, these businesses were able to improve on initiatives such as digital banking and remote working. Interestingly the crisis has also helped pave the way for further improvement.

Digital banking has always been crucial in the area of addressing financial inclusion. RFi Group's Anna Shaw (pages 14 – 15) pinpoints the key recommendations from a global report by the Bank of International Settlements and the crucial role for fintechs in helping the unbanked. Other themes around the pandemic are the shift to remote working, which seems could be part of the new normal once this crisis ends. Evidence to date suggests that people are embracing this shift and we explore how banks can make it work for their teams (pages 20 - 21). FINSIA will also be bringing back the Young Financial Professional of the Year Award (pages 18 – 19). Not only are the awards a platform to recognise future financial leaders but also it is an initiative that supports professionalism in the industry. As the last winner of the award, MyLifeMyFinance's Mark Sawyer said: "It presents an opportunity for all banks within our industry to raise our standards." some tough times.

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MONTHLY MARKET SNAPSHOT

HOW THE CORONAVIRUS PLAYED OUT

APRIL 2ND
The Commonwealth Bank will provide further support for its cusotmers impacted by the coronavirus including its home loan and credit card customers.

APRIL 3RD
The Australian Payments Network confirmed that contactless card PIN limits will increase from $100 to $200 for three months to help reduce the risk of COVID-19 transmission.

APRIL 6TH
Banks and the wider financial services industry have agreed to a revised approach to credit reporting in a bid to address the impact on credit scores from payment deferrals that have been offered under the COVID-19 support packages.

APRIL 7TH
Ahead of the Reserve Bank's decision to hold the cash rate steady, the Commonwealth Bank dropped its variable rates on its home loans but only for new customers.

APRIL 8TH
APRA temporarily suspended new licences for banking such as the neobanks and fintechs for at least six months in response to the economic uncertainty created by COVID-19.

APRIL 8TH
Bank of Queensland reported a lift in its commercial and housing loan portfolios underpinned by its niche play.

APRIL 21ST
The government confirmed the appointment of nine customer-owned banks to its $40 billion Coronavirus SME Guarantee Scheme

APRIL 22ND
FinTech Australia put forward a submission to a senate inquiry regarding challenges confronting the sector including funding issues and loopholes in the government's JobKeeper allowance.

APRIL 24TH
Open banking on track despite exemptions

APRIL 26TH
The major bank CEOs announced that they will "personally encourage" their staff to follow their example and download the government's COVIDSafe app.

APRIL 27TH
National Australia Bank brought forward the announcement of its first half results [originally slated for 7 May] reporting a 51.4 per cent fall in cash earnings to $1.4 billion and a revised strategy

APRIL 28TH
Westpac announced a $2.2 billion credit impairment charge ahead of its first-half results including a $1.6 billion COVID-19 overlay.

APRIL 30TH
ANZ announced a 60 per cent fall in cash profit to $1.41 billion underpinned by credit impairment charges of $1.7 billion including $1 billion credit provision for the impact of COVID-19.

CONTENTS

A commitment to innovation allowed a number of banks to swiftly respond to COVID-19. Christine St Anne assesses how three banks navigated the challenges.

Like the bulk of the industry and society for that matter, no one really knows how long this pandemic will last including RACQ Bank CEO Michelle Bagnall. For Bagnall, the bank was already well down the path to automation, but the advent of COVID-19 certainly sped things up. "The current decisions that we're taking for our members and our people are on the assumption that we are prepared for a marathon, but we need to now operate at sprint level."

RACQ had readied the business for a challenging environment ahead of the health pandemic. In fact, six months ago, off the back of the royal commission, the mutual and customer-owned banks needed to comply to a tougher regulatory environment even though no bank in that sector had confronted the public inquiry.

"We were already preparing for some form of challenging environment. We already had a very clear roadmap of what it looked like to build muscle into our business." This "muscle" included developing a paperless and seamless process for both its members and staff. An innovation process was already underway but what the pandemic did was fast-track the strategy.

Over the last four to six weeks as the pandemic unfolded – AB+F spoke to Bagnall in early April- RACQ introduced digital signatures, digitizing documents as it shifted itself for a paperless back office.

The bank also executed on a digital KYC solution. Other initiatives included mapping out a digital deposit experience, rolling out online and video interviews and fast tracking "the click to check functionality" throughout the bank. The bank has also moved to automate income and expense validation.

Towards a remote world

> **"I think what this crisis has done has created a sense of velocity. It's actually pushed us faster and removed barriers to getting things done,"**
>
> *Michelle Bagnall, RACQ Bank*

"I think what this crisis has done has created a sense of velocity. It's actually pushed us faster and removed barriers to getting things done. Added to that, was we already had that roadmap in placed that would fast track innovation."

Similarly, Gateway Bank was already prepared for the challenged environment. "Our ability to work remotely from the server was tested long before the outbreak of COVID-19, so despite the uncertainty and scale of the pandemic, we always knew we had the capability for the entire organisation to work remotely," Gateway Bank chief technology officer Peter Buzek, said.

The bank managed to ensure that remote operations were working seamlessly from day one. "We had already tested customer support capabilities, loan processing and financial functions," Buzek said.

The bank also continued to deploy its video conferencing and had already rolled out software such as Microsoft teams even before Gateway had to push its staff to work from home. "Our efforts focused on optimisation and unification across all Gateway Bank's departments. What we are trying to achieve now is a similar experience for our employees working from home as they would in the office," Buzek said.

"We talk about the 'beautiful constraints' of being a smaller, agile business. It was a necessity for us to be prepared to have our entire operation working digitally, so the ability to have all of our staff working remotely was almost by design."

It took less than 24 hours for neobank 86 400 to shift its entire workforce remotely but for the neobank's CFO Belinda Hogan, this was a lot easier given that it was digital-only bank.

Nevertheless, the bank still had people working part-time in the office. "We would never have imaged that we would have had 100 per cent of our people working from home for such a lenthy period of time. That is our reality now," Hogan said.

86 400 did a company-wide test on a Friday, the team came to work on the Monday assessed what they had learned and went to full remote the next day. At the time [AB+F spoke to Hogan in early April] the bank has entered the 4th week of its staff working from home. Here technology was key. "We are one of the few banks that are 100 per cent cloud-based." For Hogan, the initial testing phase revealed that some of the bank's team did not necessarily have a workplace at thyme that was conducive to long-term working from home. However, that was easily overcome by the business providing its people with the necessary supplies.

Shifting an entire workforce also comes with it the challenges around engagement, productivity but also importantly wellness. For 86 400's Hogan, it was really crucial that the organization understood that the impact from the pandemic was going to differ across its staff and their families.

"As leaders we really had to step up and find different ways to support them in line with their individual needs. For example, some of our team members had young children with the additional challenge of having to oversee home schooling," Hogan said.

Staffies, otherwise known as office drinks were also important with the neobank also offering online gaming to lunchtime dance exercise and virtual running groups. Equally important was also continuing its regulatory meetings including 86 400's stand up showcases. "Having a routine is very important to supporting our peoples wellness and mental wellbeing."

It was also important for the business to continue rolling out its priorities – it was in the second week of April when 86 400 rolled out another campaign that encouraged its existing customers to sign on their friends and family.

> **"We do recognise that we are going to need to adjust to a new way of working. That means some projects may need to be prioritised a little or may have to be tackled a different way. But we are not going to slow down,"**
>
> *Belinda Hogan, 86 400*

"We are definitely not stopping any projects. We do recognise that we are going to need to adjust to a new way of working. That means some projects may need to be prioritised a little or may have to be tackled a different way. But we are not going to," Hogan said.

Gateway Bank's head of customer operations Zeb Drummond's role is squarely focused on managing its people including the sales team, broker distribution, direct, underwriting, transactional and settlement teams. A key priority for Gateway's Drummond is checking in regularly on his teams. "We have a huge focus on well-being at the moment, obviously in acknowledgement of the challenge facing everybody." Echoing Hogan's views Drummond also acknowledges that each person is different. "Everyone's situation at home is vastly different. And by and large, out of our control. Some people are now home alone when previously they used to work in an office with, 50 people," Drummond said.

Sliver linings

> **"What we are doing is using media and technology to make sure that our people are not just talking to each other but are seeing and connecting with each other. It's been a big priority for us."**
>
> *Zeb Drummond, Gateway Bank*

"My concern is that humans intrinsically need to be with each other. Now they feel like they are kind of being robbed. What we are doing is using media and technology to make sure that our people are not just talking to each other but are seeing and connecting with each other. It's been a big priority for us."

His CTO adds that replicating the bank's seamless office environment for those working from home were crucial.

"Given the current unclear outlook for a return to normalcy, we hope to replicate a seamless office environment for those working at home. This includes not just unification across departments through the cloud, but a comfortable home set up too," Buzek said.

As these banks shifted to remote working, maintaining data security was crucial. "Cyber security, financial crime, privacy and data protection have all been top of mind for us, RACQ's Bagnall said. In particular, it was crucial that the bank deployed secure platforms such as Microsoft teams.

Gateway's shift to a paperless environment even when its workforce was not remote has enabled the bank to operate under the same security principles when its teams worked in the office. "By and large we don't operate in a paper environment when we are in the office. This means that our data and customer information remains secure," Drummond said.

"Even before we moved to a remote environment, our people were also highly trained around data security and cyber crimes and all forms of fraud. This meant we were coming from a good place as far as an understanding of security was concerned."

Gateway Bank also hosts data across several data centres, which are run independently of its office location. "Our data was fully secure but maintaining that security of information was of paramount importance," added Buzek. "We knew the fundamentals were in place, so our focus in the initial stages was on maintaining and ensuring a secure connection across the organisation."

For RACQ's Bagnall, the pandemic has in a way forced a re-think in the way the bank engages with both its teams and its members. "As they say, necessity is the mother of all invention. Our push into the digital platforms has been an incredible positive. And we're getting exceptionally good feedback from both our staff and members," Bagnall said.

RACQ has seen uplift in its key metrics in the past few weeks go up. For example, its net promoter score right now sits in the 70s satisfaction levels.

She also feels the teams have overall felt connected. There is also a sense that they are getting work done more quickly. "We've seen an incredibly positive response from our members to the way that we're operating now. For Bagnall, this shift to remote working and a greater reliance on technology will drive a rethink in the way an organisation will work and engage with its staff and customers.

"This has been one of the silver linings that I would call out from the crisis that we're going through. It has actually has forced us into new routines and into new habits that we will take into the future. Even this all ended tomorrow, it is most likely that we will not be letting go of this new way of working and engaging with our customers." AB+F

Zeb Drummond

Belinda Hogan

Michelle Bagnall

AN UNCONVENTIONAL BUT SUCCESSFUL JOURNEY

Interview with

SOPHIE GERBER

co-CEO at fintech TRAction

Sophie Gerber, co-CEO at fintech TRAction talks to Kate Weber about her journey into fintech following her award as RegTech Australian Female Founder of the Year.

For Gerber, it was inevitable she would find herself working in fintech after starting a legal compliance company roughly 11 years ago.

The company was called Sophie Grace Compliance and Legal, and specialised in helping firms build and maintain a financial services and credit business in Australia.

Here, Gerber worked across a broad range of financial services - including funds management, derivatives, financial planning and stockbroking.

But it wasn't long before clients began requesting help in compliance as new rules entered the sector in 2015 which saw reporting on over-the-counter (OTC) derivatives became more complex.

"So, I rang up [Quinn Perrott] who used to work for one of our clients and said look, I'm really going need your help, trying to figure out how to get this done because there's a lot of technological aspects to getting the information out of the trading platforms and I don't have that particular skill.

"I happened to be travelling to Hong Kong, and he was living in Vietnam at the time so we decided to meet up in Bangkok. That's basically where we agreed to form the business in Bangkok"

From their meeting in Bangkok, TRAction began in March 2015 and Gerber and Perrott began working with the trade repository in Australia.

Since then the fintech has expanded with offices in Australia, the UK, Singapore and Cyprus.

Gerber describes the partnership as a "lucky coincidence and a lucky combination" that led to the formation of TRAction, combining Gerber's skill with ASIC regulations and Perrott standing in the wider community.

"We had a lot of people coming to sign up with us after a couple of months of trying to do the reporting themselves. A lot of people said, we want to do it ourselves, we want to keep it internal, we don't want to outsource this. After a while they just said, look I just can't do this, it's time consuming. That definitely built up over time."

The winner of the RegTech Australian Female Founder of the Year award always wanted to start her own business despite the "unconventional" path it followed. Even from high school Gerber took a liking to economics. She even worked as a bookkeeper in her father's businesses throughout university. Gerber earned her Commerce degree incorporating a year exchange at Boston University as well as a Law degree from the University of Sydney where she also worked part time at Macquarie Bank and at a funds management firm.

By the time her compliance company was up and running it was clear a legal element was needed while Gerber finalised her Master of Laws degree. "I always wanted to start my business so it seemed like a good time to do it when I was young and didn't have a lot of obligations. It was a very unconventional path really started by the compliance firm and then it just became clear that we needed to add the legal side of things onto it."

Gerber hired lawyers to run the incorporated legal practice using the time working under them on the legal side of things to build up while Gerber worked for her unrestricted practising certificate. "So I went about it a bit backwards. Start a law firm and then got the rest of the qualifications without ever having actually worked in a law firm."

A recalibrated approach needed on regulation

It's been a successful journey since then with Gerber attributing success to "respect and honesty." More flexibility around contracts alongside good customer service is what separates TRAction from the competitors said Gerber.

TRAction offers more freedom for clients by not locking in contracts but believing working out the "points of integrity" that will ensure consumer satisfaction with partners ranging from the London Stock Exchange, FinTech Australia and CME Group.

Moving forward however, Gerber believes there needs to be a "recalibration of the regulatory approach in Australia." "ASIC has been hard on a lot of people, but I think some of the responsible lending and other rules that are coming in are taking things so far into a point being practically impossible to do everything right."

Gerber said the regulator should contemplate the tight restrictions that can hinder progress through well intentioned rules." They need to be focusing on the people who are actually doing the wrong thing and not just making more rules for the people who are trying to do the right thing. Responsible Lending is another one of those areas where we're watching this space but it's becoming difficult."

She adds that it is going to be particularly difficult for neobanks as they move into home lending given ASIC's tough stance on responsible lending. Gerber said the dream for Australia to become a financial services hub "has pretty much died" with the message across the globe that Australia has a challenging regulatory environment.

"Don't be difficult for the sake of being difficult, because we need to become a service economy. "The country that wants to be a financial services hub is the country that can create a trustworthy regime and also, a workable regime. I don't think we have struck that balance between trustworthy and workable."

While Gerber understands the difficulties regulators face however, one area Gerber would like to see overhauled is the research and development (R&D) tax incentive.

The R&D tax incentive is the federal government's headline industry assistance program designed to encourage research and development in Australia to create jobs through new innovative products, processes and services.

Companies can expect a 43.5 per cent refundable tax offset (payable in cash) for companies with annual R&D aggregated turnover of less than $20 million, this applies to either start-ups with no income.

In comparison, companies which do turn profit returns include a 13.5 per cent refundable tax offset, payable in cash after any taxes are offset by the ATO at time of lodgment, for companies with annual R&D aggregated turnover of less than $20 million who are trading in profit.

To Gerber it doesn't make sense to reward people who arent´t making money, and punish those that do. "A review of how that system works and why it's structured in that way, I'd love to know that. I haven't yet been able to find what the reasoning is for the differentiation in tax benefits for profitable and not profitable companies.

"Those sort of things are competing on a world scale and we're getting pushed from the UK and various other countries to move our resourcing and R&D there. The R&D process is competing with other countries and we need to make sure our system is comparable to that. We have to look at that every time we make an investment decision because the tax benefits we get here is likely not to be as good as it would be elsewhere."

Gerber believes that anybody looking to step into the role of business owner is advised to not take the journey lightly. "There will be times when you're alone at night thinking, oh no have I stuffed this up?"

When dealing in an industry of regulators and overwhelming paperwork, Gerber believes "honesty is always the best policy" It's really important that companies are supported and acknowledgement given to what the companies are trying to achieve on behalf of all regulated entities." ABF

LENDING IN A VIRTUAL WORLD
TIME TO REACT, ADAPT AND LEAD

The pandemic is no doubt challenging but will reshape the way industry engages with their customers. However, there are strategies that banks can now harness to ready them to lend in a more virtual world, writes **Avnish Datt, EVP and Global Head Marketing & Strategy, Nucleus Software**

It is clear that the impact of COVID-19 will be significant, but the exact dimensions of the impact are not clear. Initial impacts are extremely worrying - in the week ending April 4th, the US Department of Labor reported that more than 6.6 million Americans filed jobless claims, with 16 million jobs gone in just three weeks. The International Labour Organization reported that more than one billion workers are at risk of a pay cut or losing their jobs. Some industries will be hit harder than others. For example, the International Air Transport Association (IATA) has said the pandemic will cost global airlines US $314 billion. Bain has reported that two months of heavy mitigation efforts could result in the US permanently losing up to one-quarter of all business establishments, accounting for $4 trillion of revenue (about 10% of total national revenue). They expect other advanced economies to suffer disruption on that scale as well. As per the UN, the global economy could shrink by up to 1 per cent in 2020 due to the coronavirus pandemic, a reversal from the previous forecast of 2.5 per cent growth.

1. Governments are not sitting still. In addition to fighting the health war, they are also rolling out comprehensive policy measures along with the Central Banks to help their economies and businesses mitigate some of the effects. The IMF policy response tracker mentions 193 such policy initiatives across the globe. The World Bank Group expects to deploy up to $160 billion over the next 15 months to help countries protect the poor and vulnerable, support businesses, and bolster economic recovery.

2. Retail banks have a pivotal role to play as they fuel the economic cycle for consumers and businesses. The banks themselves have been impacted – shutting down branches, operating with reduced staffing, and enabling a portion of their staff to work from home while also ramping up their digital channels. The banks have also been working to accommodate the local regulatory guidelines as they are announced. There is the added challenge of some existing customers not being able to make their payments due to curtailed operations. There are three main phases. Firstly banks need to 'React', i.e. mitigate the immediate challenges posed by the situation, secondly they need to 'Adapt' i.e. align to the short or medium term implications and finally they need to 'Lead' i.e. use this as an opportunity to emerge stronger, more agile and more competitive than ever before.

3. The customer needs to be at the forefront of the React strategy. Business processes need to be realigned to cater to the reality of social distancing norms, people working from home in lockdowns and not being able to provide the information in physical modes. Being digitally available for service anytime, anywhere across the channels is something customers expect. They also expect banks to swiftly implement the regulatory guidelines and provide them the relief as applicable. These include deferment on loan repayments, reduced interest rates, repayment holidays, relaxation in asset classification, change in provisioning norms and the waving of charges. These could include complex scenarios across multiple lines of business and the prevailing condition of the account. To further add to the complexity, these requirements are dynamic and may see changes being announced frequently depending on the situation. Some customers who are significantly impacted may also be looking for a tailored approach to help them manage the situation.

4. Banks also need to look at business continuity by enabling their staff to operate more effectively in smaller numbers and through remote working. End-to-end digitization of crucial business processes in areas such as lending would play a crucial role in this enablement. Ensuring complete reliability of systems, cyber security and back-up mechanisms will make a difference in the way they deal with this. Automation of business processes, scheduling of back-end operations and enabling straight-through –processing (STPs) for key areas can help in ensuring smooth operations. For existing loans, banks can use the analytical models to predict which loans are more likely to have an impact and to what degree from the creditor's paying capacity perspective. Accordingly, a proactive relief plan comprising the repayment holidays, relaxation in term etc. can be put in place to ensure that the customer's needs are addressed and the risk is mitigated adequately. For customer segments that are likely to see a surge in interactions, an automated communication plan and strategy can be put in place to ensure customer service levels do not get impacted. The payment touch points for collections need to be made seamless and wider for customer compliance.

5. When the tide turns for the better, banks need to be ready to lend in a more virtual world with completely digital and contact-less credit applications, assessments and onboarding. Customers should be able to apply for loan completely digitally from multiple channels. Underwriters should be able to perform their tasks much faster, digitally and if required, remotely. The contracting process can also be made digital using e-sign mandates as per the local guidelines. Existing portfolios may require re-evaluation so that they can be treated accordingly to mitigate risk. Banks may need to look at extending their reach to new customer segments, which were not catered to earlier, using more comprehensive and data driven approaches for credit worthiness assessment. Tailored loan products with innovative features may need to be rolled out swiftly to cater to the new requirements. Using APIs to quickly plug into the wider ecosystem players, FinTechs and other service providers may come in handy. Virtual advisors, automated and integrated communications will help extend the outreach in a short timeframe. The use of AI powered Chatbots and other technologies will help banks operate more effectively as customers demand more support and hand-holding.

6. While the transition to this new world may not be easy and equally effective for all the players, it is evident that those who use this situation as an opportunity to gear up for the current challenge and the future, are more likely to be successful. Technology is an enabler, it has always been a force multiplier and it will continue to power those that choose to take the plunge. AB F

The banks themselves have been impacted – shutting down branches, operating with reduced staffing, and enabling a portion of their staff to work from home while also ramping up their digital channels.

NUCLEUS SOFTWARE

FINANCIAL INCLUSION AND THE ROLE OF FINTECH

RFI Group client insights manager Anna Shaw explores the crucial role that fintechs can play in addressing financial inclusion

In Australia, 17 per cent of the adult population are fully excluded or severely excluded from financial services[3]. This is made up of Australians who either hold no financial products or only one financial product.

Financial inclusion refers to the provision of accessible financial products and services to all. When individuals are financially excluded through being unable to access banking products, insurance products or credit it becomes increasingly difficult to cover expenses and can lead to negative health and wellbeing outcomes[2].

Having access to a transaction account is arguably the most important financial product for an individual to have, as not only is it a gateway to taking out additional financial products, it enables money to be deposited, cash to be withdrawn and purchases to be made both in person and in online stores.

Against the backdrop of a thriving fintech sector - Australia has over 800 Fintech companies[1]. – financial inclusion and fintech have an important relationship particularly with regards to improving access to financial services and payments products.

In April 2020, the Committee on Payments and Market Infrastructures and World Bank Group released a report titled Payment aspects of financial inclusion in the fintech era4. This report provides a framework for improving access to and use of transaction accounts and other payments products, and was released following significant developments in financial technology, with fintech enabling increased accessibility and usability of payments products. The 2020 report is a follow up from the first report that was released in April 2016, titled Payment aspects of financial inclusion (PAFI).

The original PAFI report explored some of the challenges for financial inclusion with a specific focus on transaction accounts. Some of these challenges include low income customers being exposed to accounts with high fees, where some customers may be unable to meet minimum deposit requirements[5]. There are also indirect costs associated with limited access to bank branches or ATMs in regional towns, where individuals and business owners may be deterred from opening accounts. In areas where individuals or businesses rely on cash as a sole method of making and receiving payments, transaction accounts can be viewed as less attractive while cash becomes the preferred payment type, thus lowering uptake of accounts[5].

What can Fintech do to help financial inclusion?

Fintech can improve financial inclusion through the provision of accessible, low cost transaction accounts. The April 2020 PAFI report explores specific developments in the fintech space and the role of fintech in increasing accessibility of financial products and offering new ways to make payments. Some of the fintech developments explored in the report include the growing use of application programming interfaces (APIs) in financial services and payments; big data analytics and the role of artificial intelligence, machine learning and deep learning; biometric technologies for identity authentication; cloud competing to enable payment delivery models; and contactless technologies.

RFi Group data shows that over the last seven years, the volume of contactless payments in Australia has gone from 1 in 4 payments in 2013, to 3 in 4 payments in 2019, driven by usage of both contactless plastic cards and mobile payments. Debit card usage also continues to rise in Australia while use of credit cards has fallen, and although cash is still being used in the typical month of an Australian consumer, usage of debit is catching up as a regular method of payment.

Considering the rapid growth of fintech in recent years, the 2020 PAFI report reviewed the original guidance that was proposed in 2016 and illustrated the role fintech can plan in improving opportunity for positive financial inclusion outcomes. Rather than suggesting fintech will contribute directly to achieving certain outcomes, the report recommends that the potential of fintech be harnessed by public and private sectors, with careful consideration into the relevant risks, to better increase the opportunity for success. The 2020 report outlines seven guiding principles, and highlights how a fintech focus could improve the implementation of these principles.

Some of the guiding principles outlined in the report include the commitment of public and private sectors, with relevant fintech stakeholders being part of the objective for all individuals to have access to at least one transaction account, and that fintech expertise be leveraged to support efforts of financial inclusion. The second guiding principal is focused on legal and regulatory frameworks, where it is suggested that new technologies be utilised to assist in the management of risk, compliance and protection of customer funds and data privacy.

With regards to transaction accounts specifically, the fourth guiding principal is focused on payment product design, where a fintech focus can enable transaction accounts and payment products to have improved designs aimed at improving customer experience and avoiding exclusion of individuals based on factors such as financial literacy or age. The guiding principal refers to the concept of transaction accounts being able to meet a range of customer needs at little to no cost, utilising innovating payment technology and leveraging creative approaches in commercially viable ways.

An example of innovation in the Australian context is new, digital only banks known as neo-banks offering streamlined transaction accounts that are low or no fee to use and have mobile applications that provide personal financial management (PFM) tools such as spend categorisation. Up bank, powered by Bendigo & Adelaide Bank, offers no fee transaction accounts with a mobile app that provides clear insights on spending, categorising payments (e.g. groceries, clothing & accessories, rent & mortgage etc.) and providing monthly spending insights. This is one example of many of innovation in the Australian transactional banking space.

While awareness of neo-banks in Australia is a key barrier to adoption, RFi Group data shows that in the last 12 months, awareness of neo-banks has grown from 7 per cent to 23 per cent. Australian consumers who indicated interest in the concept of a digital only bank were drawn in by the idea of a bank that offers better deals and rates than their current banks, and the perception that these new banks will offer convenience and increased ease of access due to their digital presence. While consumers are typically more comfortable with traditional banks with physical branch access, there is growth in the appeal for new types of banks, particularly for younger consumers.

Fintech and technological opportunities do not come without risk, however, and Sir Jon Cunliffe, Chair of the Committee on Payments and Market Infrastructures and Deputy Governor for Financial Stability of the Bank of England, says that" "technological innovation has made major inroads into financial services, which has implications for payments and their key role for financial inclusion. While fintech can support improved access to safe transaction accounts and encourage their frequent use, it is not a panacea and there are risks that need to be managed". Some of the risks and challenges that the 2016 PAFI report identifies include IT security and fraud, reliability of transaction account services and credit and liquidity risks[4]. These risks are echoed in the 2020 report along with the need to ensure cyber resilience, data privacy protection and cross border interoperability[2].

The 2020 PAFI report highlights the interconnection between technological innovation and payments, and the role fintech can play in supporting financial inclusion objectives. While the fintech industry in Australia continues to rapidly grow as a leader in contactless payment adoption, smart phone penetration and fintech regulation, it is imperative that financial services products such as transaction accounts are accessible to customers regardless of age, geographic location or level of financial literacy. AB·F

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MANAGING CYBER IN THE REMOTE WORKFORCE

As most professionals have shifted to working remotely from their homes, to access organisational networks and systems many of us are using our personal devices, as opposed to company-issued machines. By adding these devices into the organisation's environment it is increasing the attack surface for malicious actors.

Taking advantage of the COVID-19 pandemic and international lock down or 'work-from-home' rules, cyber adversaries now have an extended access to target and penetrate the organisation's most critical assets, its data, and operational environments.

Whenever there is haste to make change, people – both employees and those setting up systems – make mistakes. While companies relax their risk tolerances to maintain business continuity, this leaves their data and intellectual property vulnerable to opportunistic cybercriminals.

Cyber risk for virtual communications/ teamwork applications

Before the COVID-19 outbreak, 27% of users globally worked remotely on the average weekday.

A conservative estimate today identifies more than 60% of users work remotely.

As the necessity for these millions of professionals globally to meet and work with each other and their customers during COVID-19, has meant the quick adoption of various communication platforms including Zoom, Microsoft Teams, and Slack.

Observed threat: Without security controls in place, adversaries may access and join any meetings. We have all heard of Zoom 'bombing'. In addition, cloud-based communications platforms may allow cybercriminals to access sensitive information such as meeting details and conversations.

Suggested top actions:

- Ensure discussions over Zoom are not highly sensitive. If so, resort to an alternative platform.
- Secure all Zoom meetings with passwords at the individual meeting level, or at the user, group, or account level for all meetings and webinars.
- 'Lock meeting' once a meeting begins to prevent additional attendees.
- Integrate IT and security professionals on expedited tech projects, as well as new technology needs to integrate security controls and ensure the general implementation of IT controls.

Heightened volume of phishing targeted at employees

The economic impacts of COVID-19 have spurred a series of wage subsidies. As employees receive many communications from government entities and their employers, it is critical that they avoid phishing campaigns which are disguised as relief payment plans.

Between March 13-26, 2020 there were more than 400K incidents of spam emails pertaining to COVID-19.

The Australian Competition and Consumer Commission's Scamwatch has received more than 1000 of coronavirus-related scam reports since the virus outbreak. The Australian Cyber Security Centre notes thousands of COVID-19 related websites have been registered in the last few weeks, many of them delivering ransomware to unsuspecting users.

Observed threat: Recipients of the coronavirus relief payment from the government opened a phishing email from a criminal sender, with a malicious attachment that used macros to deliver malware to obtain their banking information. Recipients were based in North America and Europe. We anticipate that this threat will occur across many geographies as similar government relief plans are put into place.

Suggested top actions:

- Raise awareness among employees who may be receiving a relief payment of malicious phishing campaigns.
- Be specific on what will be shared by your organisation (format, timing, etc.).
- Bolster threat detection and response to promote proactive identification of malicious activity.
- Ensure that your organisation has a crisis response plan and has informed employees to avoid the spread of misinformation.

Increased use of personal devices to work remotely

Employees working from home using their personal devices is leading to a significant increased risk of cyber adversaries accessing internal infrastructure where data and intellectual property can be accessed.

Personal devices may not have the latest security patches and tools, or even a VPN connection to ensure a more secure connection to the business environment.

Tommy Viljoen

Our research shows that 1,000+ insecure personal devices connect to enterprise networks every day in 30% of U.S., U.K., and German companies without IT's knowledge.

Observed threat: A spam campaign was observed leveraging a fake 'Corona Antivirus' lure to distribute malicious software (malware). Using a fake COVID-19 themed website, threat actors advertised a 'Corona Antivirus', which makes bogus claims to protect users from the COVID-19 infection. However, the application infects users with malware.

Suggested top actions:

- Ensure IT teams develop and implement corporate security policies and guidelines for 'Bring Your Own Device' and require that corporate security software is installed on employee devices before such devices can be used to connect.
- Review and establish corporate firewall rules for remote access, User and Entity Behavior Analytics, and file integrity monitoring, to effectively implement for remote employees.
- Restrict unapproved personal devices from your corporate network and limit personal device access to only required corporate cloud services that are needed for critical business operations.

Key Actions:

BUSINESS CONTINUITY & FINANCING

Work and economic climates will continue to contribute to an increased volume of insider threats. Leadership should consider how the enterprise is equipped to pursue a risk-based insider threat monitoring program.

COMMAND CENTER

Security and IT executives should brief senior leadership regularly and ensure there is a clear understanding of leadership's expectations and their true level of risk acceptance. Threats from early opportunistic attacks can remain latent in the environment and pose sustained elevated risk.

CUSTOMER ENGAGEMENT

As markets recover from COVID-19, scrutiny will likely increase around consumer safety, privacy and regulation, influenced by Europe's General Data Protection Regulation (GDPR), the California Consumer Privacy Act (CCPA), various privacy regulations in South America, and regulatory activities in China, which are improving the cyber posture for organisations and industries across global markets.

DIGITAL CAPABILITIES

Companies should consider balancing their expanding digital footprints with a growing focus on cyber risk. Emerging technologies are often attractive avenues of opportunity for cyber criminals looking to expose weaknesses in an organisation's digital ecosystem. In the absence of a well-orchestrated cyber program, new products and services will be exposed to greater financial, brand, and regulatory risks, likely to slow their development and marketplace penetration.

WORKFORCE & STRATEGY

Many countries still do not have resilient cybersecurity infrastructure, efficient and agile institutions and emergency plans prepared. Investment in more technology, resources and people to strengthen cybersecurity posture will be necessary. Building on the global understanding of the importance of physical distancing, we can help train the world to help protect themselves from cyber threats.

Changing behaviors through awareness, education and training is key to the success of any new process. By looking for ways to augment your workforce, organisations can consider managed security services to either operate an existing security program, or onboard to a turnkey solution. As a result, organisations may be able to recover faster and with less strain to the broader enterprise. AB F

Tommy Viljoen leads Deloitte's Cyber Risk Strategy and Governance teams based in Sydney. With more than 30 years' experience in information technology, IT risk and cyber security governance across a broad range of industries, Tommy helps organisations with the development and implementation of cyber risk strategies and solutions, including, information security management systems, cyber threat management programs, cyber monitoring solutions, cloud solutions, third party strategies and secure by design solutions.

James Nunn-Price leads Deloitte's Asia Pacific cyber practice. As a recognised cyber expert, James has led the implementation of many of Deloitte's global network Cyber Information Centres. His reputation as a leader in implementing good practice cyber operations, managed services and global cyber incident response capabilities, James has also led multiple complex award winning projects for clients.

CO-PUBLISHED IN ASSOCIATION WITH Deloitte.

LEADING ON PROFESSIONALISM AND TRUST

MyLifeMyFinance's Mark Sawyer is an advocate for raising professionalism in the industry. He talks to **Lewis Panther** about the important role FINSIA has in developing and recognising future leaders.

FINSIA's prestigious Young Financial Professional of the Year Award is back after a two-year hiatus is open for nominations.

The winner of the only independent industry-wide accolade will get to spend $10,000 on further education and training through the Hugh DT Williamson Scholarship.

Mark Sawyer, who was the last winner, today urged under 35s to grab the opportunity to put themselves forward and for line managers to nominate colleagues who deserve to be recognised.

The General Manager at MyLifeMyFinance, the bank owned by Catholic Super, said it's an important opportunity to "highlight the work that a lot of committed finance people bring to the industry".

The General Manager at MyLifeMyFinance, the bank owned by Catholic Super, said it's an important opportunity to "highlight the work that a lot of committed finance people bring to the industry".

Mark, who is also a Chartered Banker, said the award will help the ongoing process to repair the financial services trust deficit, a cultural challenge that the sector is addressing in the wake of the Hayne Royal Commission.

He added: "It's an opportunity to showcase our profession's achievements. Unfortunately, it's often lost on the media and wider public who underestimate the contribution banking makes to our society.

"The financial services profession is made up of a very diverse group of people who mirror the communities that they serve. By and large, these people show up every day to do a good job and help others. "So, I think this award in particular showcases where individuals are making differences within their organisations."

And while the winner will have an opportunity to use the scholarship that in the past has been used to go to Harvard Business School, Mark says all those who get nominated deserve recognition. "It elevates individuals in the sense that they feel valued within their organisations. They have a greater goal or purpose to strive towards," he said.

Taking up the issue around trust in financial services, Mark pointed out it has been a diminishing commodity since before the GFC, dating back to the 1980s and 90s when staff were turned into salespeople.

"Anything we can be doing to promote the good work of the industry should be promoted, and individuals rewarded for their efforts," he said. "The trust deficit is not new; it's been around since pre GFC times. "I think the genesis of that deficit started in the 1980s and 90s when banks turned the profession from one of being trusted advisors in their communities, to that of a salesperson essentially selling home loans."

While Mark says it's too early to be nominating staff from MyLife MyFinance, he sees this as an opportunity for his younger team members to strive for in the future. The former winner is proud of his bank's commitment to restore trust.

He said: "Thinking more generally about the trust deficit, it does give banks such as ours an opportunity to differentiate ourselves by showcasing the good work that we do, and to promote the value we're delivering to the members of Catholic Super through our personal banking service.

"Our bankers don't receive sales incentives, and we don't pay commissions to third-party distributors. We make fair and transparent product and pricing decisions. It's reflected in our Net Promoter score – an enviable +51 result. Equally, our trust index is +49 – a very high outcome when benchmarked against other financial institutions.

"All that is really important when you're thinking how banking needs to change and how the financial services industry needs to lift its focus. On top of that, it presents an opportunity for all banks within our industry to raise our standards."

Notably, the top award boasts a generous $10,000 contribution towards further education and training. For Mark, this highlights the industry's need to get behind professional qualifications and accreditation.

He said: "If you're thinking 'How can we encourage our staff to do the right thing?', part of it is about encouraging them to ensure that they have the right professional smarts. "I'm an advocate for enhancing the finance industry's reputation through professional qualifications.

"All our front-line bankers are encouraged to attain FINSIA's professional qualifications, with several at various stages of completing either their Professional Banking Fundamentals or Certified Practicing Banker accreditations. We want everyone – members and the wider public – to know that we have an ethical mindset and are committed to fairer banking. It fits in with our value proposition to our customers."

Mark recalls being humbled to win his category and the overall prize. "I certainly didn't expect to be a contender within the category, or, to be named as the overall winner. And I was very grateful to have been nominated by my line manager which was endorsed by our GM. It was a nice feeling to know that the change I was bringing to our division was important and valued." AB+F

Find out more about the FINSIA Young Finance Professional of the year awards.

FINSIA
The professional excellence pathway

SHIFTING TOWARDS A REMOTE WORKFORCE

As the banking and financials services have shifted their workforces remotely, many workers believe this may not need to be a temporary measure. **Christine St Anne reports.**

Australian workers are embracing working from home and believe the arrangement will be more common after the COVID-19 crisis.

A survey by intelligence workspace provider Citrix – who works with financials services including banks like ANZ and Commonwealth Bank - found that 78 per cent of these workers believe that this new form of working will be much more important even after the isolation restrictions lift when the pandemic ends.

The survey of 1,000 Australian office workers who are currently working from home due to the Coronavirus outbreak also found that 70 per cent of Australian workers believe their productivity is the same or higher when working from home compared to an office environment.

Australian workers also reported lower levels of stress from reduced commuting time and resultant gained working hours as the greatest advantage of working from home.

It's a trend that has already been embraced by the big bank CEOs. Speaking recently at an AFR Summit in March, both ANZ CEO Shayne Elliott and National Australia Bank CEO Ross McEwan believed that their current remote workplace will remain in part even after the pandemic ends.

"This notion of remote working, has always been there to some degree, but it had been accelerating over the last decade," Citrix chief technology officer for Asia Pacific, Japan Safi Obeidullah said.
For Obeidullah, issues around trust was commonly the barrier for many organisations not fully embracing a remote workforce.

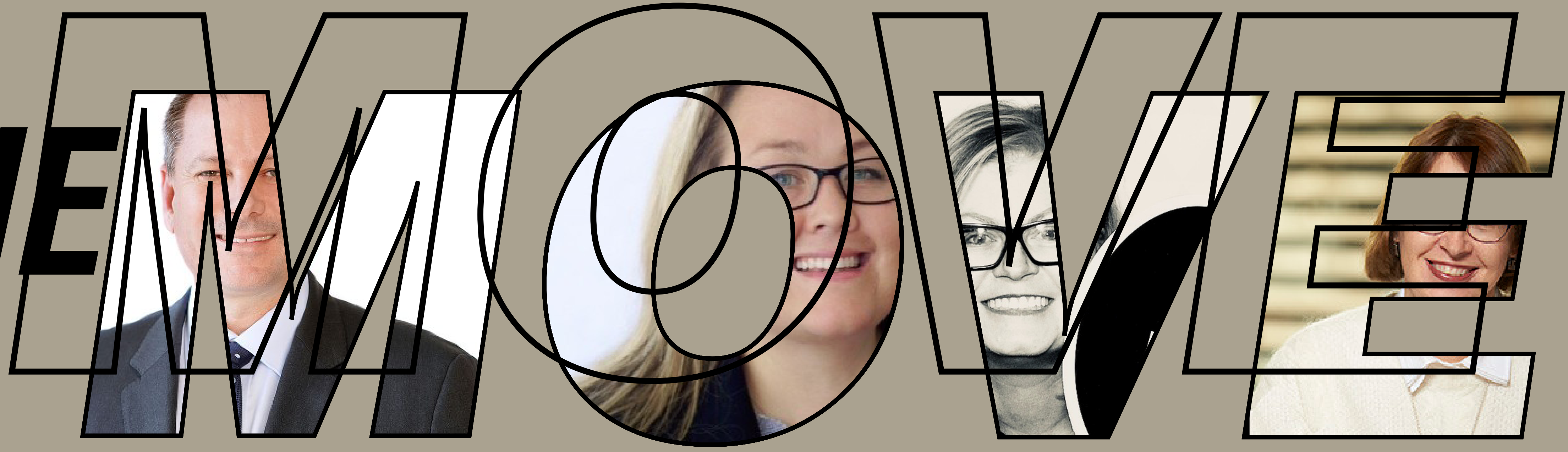
"Covid-19 has accelerated the acceptance of remote working now. The fact that many organisations have been mandated to work from home now, the hand has been forced.

"People are actually enjoying working form home particularly as they don't have to spend time on commuting. They get a better work/life balance. Equally employers are finding that their employees can be productive and can work from home. Granted some jobs can't work remotely – such as a doctor or branch teller, there is no reason why the bulk of the workforce can't remain remote given the technology."
On the point around technology, Obeidullah adds that at the same time there will be greater use of online services as well including digital banking which could lessen even the demand for branch services.
"There is definitely an opportunity for those industries to reshape how they engage with their consumers and customers."
Obeidullah also expects the momentum of embracing remote working to continue
The survey highlighted that Australian workers see the greatest advantage of working from home in the fact that they can make use of the time they would otherwise spend commuting.
Almost half – 49 per cent - said they use this time to be more productive while another 38 per cent claimed that they use it to spend more time with their family and/or on leisure activities.
Furthermore, 36 per cent of office workers also reported the removal of the office commute has also resulted in less stress during the work day, with the lack of traffic jams and overcrowded or delayed trains.
Obeidullah also highlights current challenges in the remote workplace amid COVID-19 with workers also having to look after children who would normally be at school and are restricted from going to restaurants.
"It's a very different environment. It's an extreme version of working from home and yet people are positive about it. I am pretty confident that in a normal work from home environment, people will find it even better."
Technology, however, will be key particularly around data security.
However, for Obeidullah technical infrastructure of many companies is apparently not yet equipped for the increased number of employees working remotely or from home.
More than half – 51 per cent - of those surveyed stated that they use apps for business purposes that they otherwise only use privately – such as WhatsApp or similar data exchange services.
However, such applications do not meet the security standards required for business-critical data, which is why companies are better advised to deploy suitable technologies in secure environments themselves.
"A lot of organisations have had to respond quite quickly with a solution or a minimal viable solution that will allow their employees to work from home. I think the important point is that we have to be cautious not to take shortcuts. And security in particularly in the banking sector is paramount. [
He said that Citrix is currently helping organisations with allowing their staff to access their applications and their files in a secure way.
"That's really the bulk of work that we have been doing over the last 30 years, especially over the last few months, in helping organization securely deliver all of the applications that files and data people need to be productive."

In order to raise productivity, respondents cited a separate workspace (51 per cent) and more opportunities to interact with colleagues (31 per cent) are the most important factors. While, of course, an employer has no influence on the spatial situation at home, it can provide employees with modern technologies and thus promote communication and – for example through single sign-on solutions or digital workspaces – productivity.
After all, 25 per cent of those surveyed see such technologies as a prerequisite for greater productivity.
Finally Obeidullah said that banks big or small should not see the shift to remote working as a one-off business continuity plan in response to a pandemic.
"The solutions that are put in place should not be just assessed as a business continuity solution.
"The framework needs to sustain an organisation as it shifts into new ways of working particularly as we come out of the pandemic. It will also put businesses ahead of their competitors as well." AB+F

Safi Obeidullah

ON THE MOVE



NAB revamps executive team

In line with its new organisational structure, National Australia Bank revamped its executive team. The former customer experience division headed by Rachel Slade will no longer exist. Instead Slade will take on the job as group executive personal banking.

Current executive general manager of group strategy and development Nathan Goonan will lead the newly branded group executive strategy and innovation.

The search for a new head of business and private banking is underway.

In the job, Goonan will be accountable for execution of the bank's strategy, innovation and transformation agenda and all mergers and acquisition activity.

Slade will oversee end-to-end accountability for the home lending and everyday banking needs of personal customers, including the branch network, direct and digital channels.

"Rachel and Nathan are talented leaders with deep experience in banking and will play critical roles in delivering for our customers and our bank," NAB CEO Ross McEwan said.

Airwallex hires brand expert

Airwallex has hired brand expert Susan Ho to lead its brand, communications and partnerships.

Ho has over twenty years' experience in marketing, most recently at international communications giant Brunswick, where she headed up their Hong Kong office as a partner.

She will play a leading role in building the Airwallex brand and furthering its expansion.

"Susan's appointment signals our ambition to strengthen the Airwallex brand and position ourselves to be the preferred financial services platform for clients today and businesses of the future," Airwallex CEO and co-founder Jack Zhang said.

IAG CEO Peter Harmer to retire by end of 2020 and Nick Hawkins appointed deputy CEO

Insurance Australia Group (IAG) managing director and CEO Peter Harmer announced his intention to retire by the end of 2020.

IAG is now searching for a candidate, supported by the board's ongoing succession planning that ensures a strong field of internal and external candidates is available.

Starting immediately, the board has appointed IAG chief financial officer Nick Hawkins as deputy CEO with accountability for the management and performance of IAG's day-to-day operations during the transition period.

IAG CEO Australia Mark Milliner will continue to hed the Australian business and remains focused on business growth, and responding to the bushfire recovery process, as well as the ongoing operational challenges of COVID-19.

CFO Australia, Michelle McPherson has been appointed acting group CFO.

IAG Chairman Elizabeth Bryan said that the company was fortunate to have two such experienced and well-respected executives in Hawkins and Milliner, during the transition period.

"The arrangements we have announced today reflect the strength and stability of our senior management team and will ensure the smooth operation of the company through challenging times.

"The Board has been in discussion with Mr Harmer for some time about his plans, following a period of illness last year, and the company is well prepared for a transition," Bryan said.

Harmer will remain responsible for the overall strategic direction and performance of the Group during the transition period and will directly lead the company's response to the COVID-19 emergency.

Two new lead ombudsmen appointed at AFCA

The Australian Financial Complaints Authority (AFCA) has announced two new appointments to their team.

AFCA chief executive and chief ombudsman David Locke announced the appointments Friday noting the pair's experience in the financial services industry.

AFCA has appointed Natalie Cameron as investments and advice lead ombudsman, and Heather

Gray as superannuation lead ombudsman.

Gray is due to start with AFCA on Monday 18 May, while Cameron will start in the role on Monday 22 June.

Prior to joining AFCA, Cameron was the chief of customer operations for MLC Life Insurance and has held roles with AIA Australia and the Australian Securities and Investments Commission.

In 2005, Cameron moved into industry, where she operated as the general counsel and company secretary for AIA Australia.

Prior to joining AFCA, Gray led the national superannuation practice for Hall & Wilcox and has been a director of the legal industry superannuation fund Legalsuper.

Gray commenced her career at Arthur Robinson & Co (now Allens) and was a partner there for a number of years.

"Together, Natalie and Heather bring considerable experience and exceptional knowledge in insurance, superannuation and investments to AFCA," AFCA chief executive and chief ombudsman David Locke said.

"I am delighted to see them join the team and look forward to working with them more closely over the coming months."

Finding a new CEO

Data search engine Finder Australia has appointed a new CEO after a lengthy 18-month search.

Chris Ellis will take on the role effective immediately following a long career in digital services ranging from MySpace to co-founded start-up cloud management tool GorillaStack, GorillaStack

Ellis is the outgoing vice president of commercial and business development at ViacomCBS, the parent company of MTV, Nickelodeon and Comedy Central, has held senior roles with MySpace and AOL.

"I'm thrilled to be working closely with the founders and the crew to elevate Finder's offering in Australia and deliver on our mission to help Australians make better financial decisions every day – especially important in these uncertain times."

Ellis said his priority was to enable Finder to build on their success to scale up operations in a disciplined way, with a focus on deepening existing and building new partnerships.

Ellis's strong history in business development coupled with his long-standing digital experience made him the standout for the role, said Frank Restuccia, Finder Founder and Global Co-CEO.

"We searched high and low for the best candidate over a lengthy 18-month period and Chris was the standout person.

"Chris is a passionate digital business leader with an entrepreneurial drive and I am excited to have him lead our business here in Australia", Restuccia said.

New deputy CEO at FSC

The Financial Services Council (FSC) has appointed Blake Briggs as its deputy CEO.

Briggs, has spent the last two years as head of government affairs for wealth at Westpac. Prior to that he was the FSC's senior policy manager, superannuation.

He has also worked at the Department of Workplace Relations NSW, and as senior industrial relations policy advisor with the NSW Business Chamber.

Chairman of the FSC Board Geoff Lloyd welcomed Briggs to the FSC as CEO Sally Loane's deputy.

FSC CEO Sally Loane she is delighted to welcome Blake back to the FSC in this senior role. His depth of experience in financial services policy and government relations will strengthen the FSC's excellent policy team both now during the current period and into the future.

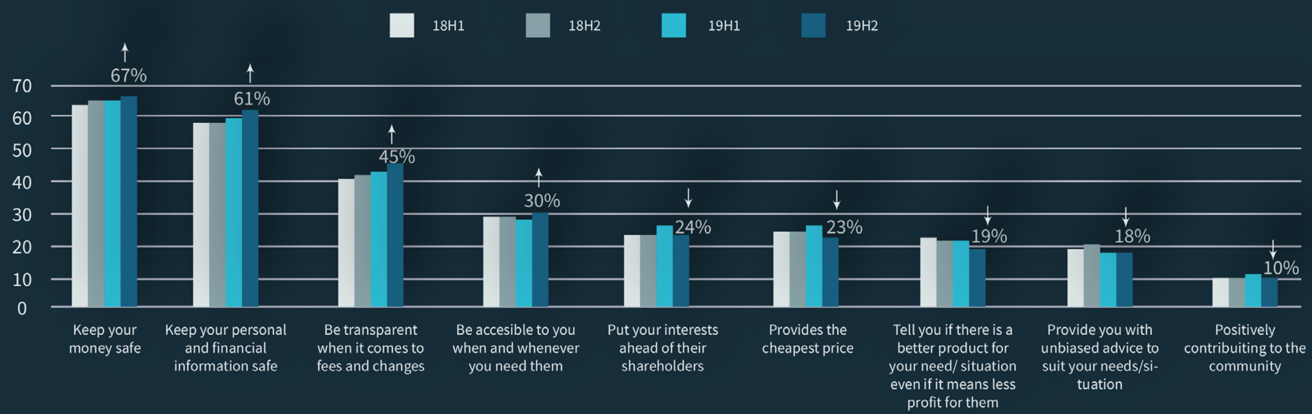
"Our members in financial services across the board - advice, superannuation, funds management and life insurance - are all playing a critical role in helping Australians, and more broadly in the economy, as the Government applies a raft of unprecedented financial measures to assist Australians during the COVID-19 emergency," Loane said. AB F

Banks are winning the digital war, but for how long?

RFi Group
Intelligence to bank on

HOW DO CONSUMERS DEFINE TRUST?

Thinking about the different providers, what do you consider most important for them to do to maintain your trust?
Ranked 1-3: Global average



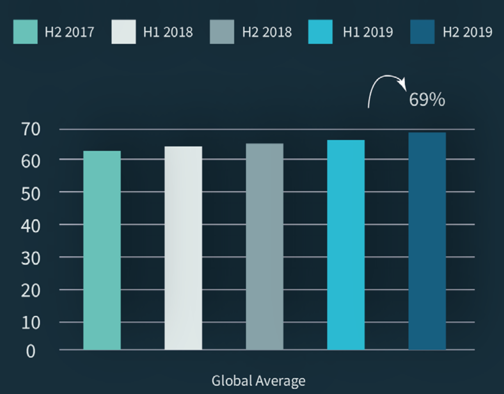
CURRENTLY CONSUMERS TRUST BANKS MORE THAN DIGITAL ONLY PROVIDERS

Please indicate the extent to which you trust the following to keep your money safe
Average score out of 10 – Global Average

Consumer trust in new digital-only banks and FinTechs to keep money safe notably decreases with age, while bank trust remains consistent across age groups.

HOWEVER, CONSUMER COMFORT WITH DIGITAL-ONLY PROVIDERS CONTINUES TO INCREASE

% Consumers comfortable (6+/10) using a digital-only provider



AND WHILE THEIR SALARIES LIKELY GO TO AN ESTABLISHED BANK, CONSUMERS ARE STARTING TO USE DIGITAL ONLY PROVIDERS FOR EVERYDAY SPEND

What do you mainly use each of these accounts for?
By type of account provider – Global average