



Banking on Digital Revolution

At the India and South Asia Regional Conference 2019, organised by SWIFT, thought leaders shared valuable insights on trade finance digitisation, vulnerability to cyber-attacks, and risk management.

From conventional to convenience, the banking system has witnessed a transformational change. This has been primarily ushered by digital interventions and smartphone penetration in the Indian ecosystem. With the launch of United Payments Interface (UPI) and global payments innovation (gpi), the payment systems domain experienced major innovation. Digitisation has become the top priority for every bank. But with these revolutions comes major challenges in the form of security risks, customer unawareness, and lack of skills.

To discuss these paradigm shifts, SWIFT — a financial messaging services provider — hosted the India and South Asia Regional Conference 2019. The day-long forum that delivered keynotes and sessions by industry stalwarts, witnessed participation of over 450 senior executives from across the banking ecosystem. Veterans like Arundhati Bhattacharya, Chairman of Board of Directors, SWIFT India; Professor Deepak B. Phatak, IIT Bombay, Alain Raes, Chief Executive - EMEA & APAC, SWIFT set the stage ablaze with their sharp insights.

The industry leaders shared concern over fraud and cyber security and called for a need of a common set of security controls for corrective risk management. Unanimously, the speakers believed that retail banking has seen a rapid change but significant work still needs to be done on the wholesale side.

At the conference, BCG also released a paper titled “Unlocking Success in Corporate Banking Through Digital”.

“ We are an institution that has been created by the financial services community to drive digitisation, harmonisation, and financial communication between institutions. We were created about 45 years ago, and today we operate with 11,000 clients in over 200 countries. One of the key successes that SWIFT had in the recent past is gpi. We are now looking at new themes to support our community around APIs, data and beyond. India has a special place in the heart and mind of SWIFT, and India is the first country where SWIFT has set up a joint venture with the domestic banking community. SWIFT has also created local datacentres to support the digitisation needs in the country.

Our endeavour is to support the wholesale banking on the trade. The objective of the conference is to bring together industry leaders, opinion leaders that shape the future of trends in the country.

KIRAN SHETTY
CEO and Regional Head- India and South Asia, SWIFT



“ Some may not consider SWIFT a fintech but it is in our DNA, and the way we are innovating supports “the spirit of the fintech ecosystem.”

SWIFT - as a priority - wants to further accelerate the pace of innovation around the world. By innovating on data and APIs, SWIFT makes sure to not just remain a single network service platform but eventually open up to other services. SWIFT believes that gpi is one of the biggest innovations to have happened in the payments space in the last three decades. Two years after its launch, \$300 billion are being channelled through gpi-compliant transactions every day. We are in the process of developing three new products on the SWIFT India platform - e-stamping, invoice validation and digital bank guarantees. Through collaboration — with all banks, SWIFT India and Indian Banks’ Association — we will be able to deliver it to add efficiency in the banking space.

ALAIN RAES
Chief Executive, EMEA & APAC, SWIFT



“ The banking system has moved seamlessly from a manual, constrained environment to a technological leading position. Technology has become a key differentiator in the performance of banks. The retail banking system has been transformed but wholesale banking is still evolving, though at a slower pace.


There are many challenges in the trade digitisation journey - duplication, no movement of goods, stamping - besides the fact that the entire process is highly manual and paper oriented. Digitisation of trade finance is one of the major initiatives taken by the SWIFT joint venture in India. SWIFT is providing complementary channels for banks and corporates to communicate and manage trade, treasury, cash management operations, while at the same time ensuring harmony and security in operations. SWIFT is our answer to the tower of Babel (people fell apart because they all spoke different languages). SWIFT is one language that puts it all together. Therefore, it is important for us to build and innovate on this platform to take it to the next level.

ARUNDHATI BHATTACHARYA
Chairman - Board of Directors, SWIFT India



“ In this digital century, IT will become ubiquitous. But in this fast paced process, there will be two concerns. First, secured digital transactions with alerts and fraud prevention. Second, speedy financial reconciliation of information in structured documents. India may be one of the fastest in retail banking, but in financial reconciliations, the story is different. While SWIFT will ensure that an appropriate messaging platform is created, its utilisation, internalisation, adoption and reconciliation within the banks’ processes is where the lacuna is. There are three specific action agendas for the banking sector – 1. Orientation and perpetual training in security awareness and practices. 2. Adoption of new affordable technology. 3. When IT will become ubiquitous, it will become indistinguishable from banking systems. So, employees and leaders need to be prepared - New employees must undergo proper training, and all existing employees should be given reorientation.

DEEPAK B. PHATAK
Professor, IIT Bombay





Innovating the Service Experience

Innovation within the payments and trade industry has been long overdue and is much needed in an increasingly globalised world. The panel on “Winning customers through innovation in payments and trade” discussed various innovations that can bring down the time and cost of transactions.

Raj Kiran Rai talked about NPAs in trade finance. He says, “The risk was emanating from the customer’s customers, also called receivable financing. This is primarily caused because of lack of data. But with digitisation, this can be solved easily.” Trade finance is one area that is ripe for innovation and digitisation; where the sector needs support from the government and the technology players to come together.



V.G. Kannan said, “We are proposing e-stamping and are working towards a scenario where even the guarantee is in digital form.” Delhi’s state government has agreed to e-stamping and once it becomes successful in the capital state, this will be followed by others too. Through SWIFT and IBA’s initiative of digitisation of trade finance, the time efficiency will benefit the customers too.

Referring to gpi as the UPI for cross-border payments, Michael Moon shared the vision and future of gpi. He also said: “If you are a financial institution, then you should be working with partners that are at scale. And SWIFT is one such partner.” Adding, Atul Khadilkar says, “gpi brings in five key benefits - Reach, Transparency, Security, Quicker Settlement Times and Pricing. It is an opportunity for banks to leverage the gpi technology.”

Tech and policy: Enablers for growth of capital markets

Technology and new regulations are leading the transformation in India’s capital markets, with expanding investor categories, and increasing transaction volumes.

N.S. Venkatesh says that a lot has changed since 1964, when Unit Trust of India came into operation and the first mutual fund was launched. In 50 years until 2014, average assets under management was `10 trillion, which doubled by 2017. Since then, the numbers have gone up to `25 trillion. He pegs the growth on technology at different levels. “We looked at how to incorporate different technologies at asset management level, including in back-office interaction level, and for customer onboarding and customer interaction level,” says Venkatesh.

As India is a retail dominated market, even stock exchanges are looking at technology-led changes. “If the technology wasn’t making it accessible for buyers, this growth wouldn’t have come,” says Vikram Kothari. “We are (now) looking at

payment gateway providers or wallet providers who are taking memberships of exchange to offer trading on the mobile phone.”

However, Kothari and others pointed out that a standardised protocol should be mandated. “Interoperability and exemplary regulations will change the way markets work,” Kothari adds.

That will bring in trust. “The market has been hit, though the trust is there. The western market would need some indicators (of growth),” says David Jaegly. “The market is ready, infrastructure is ready. We need the help of the regulator to ease or lower the limitation that we can have.”

“The success of BFSI depends on adding value for the customer, keep on adding internal processes, keep an eye on mismanagement, and achieve all three in a cost-effective manner - which can be achieved with technology and innovations,” says Sunita Handa.



Collaboration is the key

Wholesale banking has gone through tumultuous times with shrinking revenues, credit issues, and frauds. The current process of trade finance is paper-heavy and expensive. An eminent panel at the inaugural session of the conference discussed how digitalisation of trade has helped progress many key initiatives such as e-stamping, digitisation of LCs, fraud surveillance on invoices, in addition to making the process quick and cost-effective.

less dependent on the relationship manager.

On the other hand, Shyamala Gopinath talked about the need for more collaboration, not just with the customer but also with the entire banking ecosystem. She also says that while technology can really help in origination of loans, but it should also help in recovery. “We need wisdom more than just cleverness.”

Sunil Mehta talked about the bank’s journey after being hit by a complex fraud — not just technology issue but people failure, too — and the corrective measures that helped the bank deal with the crisis. The panel also talked about gpi, which enables digital, seamless, cross-border payments. Eddie Haddad said that gpi is a little slow in adoption in India compared to the world, but is still growing at a great pace.

Zarin Daruwala shared some use cases of analytics and digitisation that the bank is spearheading. Zarin Daruwala said: “Post all the troubles that banks have faced on NPAs, we have consciously decided to use technology to solve some challenges.” Standard Chartered has worked with fintech companies to use technology to get early warning signals, making the cycle





Increasing efficiencies through Standardisation

Standards are critical for innovation and growth. As standardised processes decrease ambiguity, they can be an effective way to increase productivity and efficiency. Organisations that want to transform their operations need to maintain standards. An eminent panel discussed the benefits of the SWIFT platform in creating a standard for corporates. Edited excerpts:

On main drivers of innovative initiatives

Soumyo Dutta: The main reason is efficiency. Also, it can help scale. The moment one has standardised operations, it can be replicated across multiple banking counterparts. It also helps in mitigating risk.

On adopting the SWIFT platform

Debasis Nandy: We do a lot of remittances on behalf of our customers. As early adopters of the SWIFT platform, we came from the need of providing quick and better services to our customers. We compete with banks and therefore we need to be on the same platform as the banks. Also, SWIFT helped us reduce the backend work. These were the critical advantages.

The Chicken-n-Egg situation in the cyber-crime world

Since 2008, 130,000 cases of cyber frauds have led to ₹700 crore of losses. Of that, 58,300 happened in 2018, largely because of rapid digitisation in India.

Rapid digitisation has made the industry more vulnerable for cyber attackers. "Organisations or banks which are not so careful about network segmentation, authentication, and do not have a good response plan, are getting targeted," says Nandkumar Saravade, adding that attackers have evolved. "Multi-country, simultaneous withdrawals from clone cards, which was a sophisticated attack, has now become routine." Even the authorities are concerned. "It is a fiend fight and not a real fight, which needs real-time mechanism," says Brijesh Singh. "We get the perspective of threat... but somehow our whole perspective of security is different from that of an attacker."

With immense data from a host of platforms including wallets and payment gateways, financial supply chain ecosystem risks have increased. "There is a complex supply chain



India and South Asia Regional Conference

On digitisation trends in corporate treasury and payments space

Mukesh Mundra: APIs — which give real-time information — is one important trend. With the emergence of fintech companies, availability of RPA tools has also increased.

On adopting common standards

Soumyo Dutta: With SWIFT, first thing is to

increase adoption. Efficiency in such platforms comes from wider adoption and scale. As a corporate on SWIFT, I would like to see more banks active on SWIFT going forward.

Mohan Tanksale: The problem is that banks are at different stages in their technology cycle. And all of them will have to upgrade to the same level in order to have common standards.



India and South Asia Regional Conference

ecosystem, which is not just the banks," says Rama Vedashree. Preventing cyber-attacks is also about being more careful. "We invite the problems sometimes because we are not careful. We leave ports open and there are human errors sometimes. That's where we need training," says Michael Knorr. So, the focus needs to evolve. "Until now the focus was to prevent cyber-attacks... But as the folks on the other end have evolved, it is about how quickly one can detect a cyberattack," says Sameer Ratolikar.

SWIFT provides an in-network payment screening utility referred to as the Payment Control Service for banks to detect and respond to anomalous transactions", said Saqib Sheikh. "Furthermore, SWIFT gpi provides much needed traceability and control to reverse fraudulent transactions," he added.