FINONYX

TOPIC 1

Using AI and Machine Learning in Fighting Financial Crime

While a global pandemic seizes the world, there has been an economic and financial pandemic on the rise with new developments on the technological front. With a sudden surge in the transition to digital mode of payments across the world, to avoid contact and ensure ease of payments, online frauds have significantly gone up across the world. Right from the German Health Authorities getting duped by a Spanish website for face masks, to the rise of phishing activities by 667% in India, criminal groups are taking advantage of this opportunity. Know Your Customer (KYC), Anti-Money-Laundering (AML) and such crimes are only fueling the terrorist bodies, human and drug trafficking in the dark world of web. Patterns of new criminal activities indicate the need to develop sophisticated products and solutions to counter the same.

The Need to Move Fast

Fast evolving technology is forcing regulators and banks to adopt new ways of countering such critical issues. Not just monitoring and supervision, but the financial authorities need to pace up vigilance through digital tools including data analytics. Adopting Artificial Intelligence (AI) and Machine Learning (ML) based tools, provides an edge towards countering such activities, and fit within the financial compliance domain with ease. Adopting AI and ML based technology enables financial institutions to become more agile, efficient and equipped to detect crime.

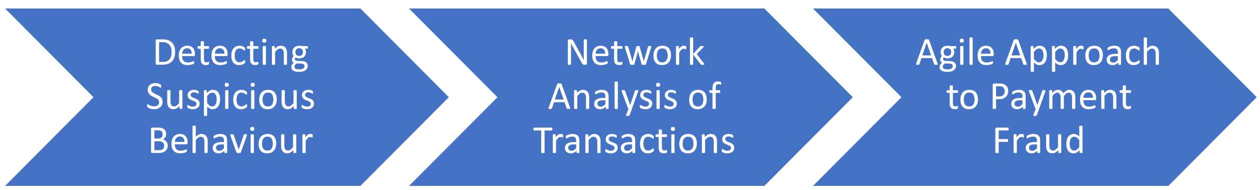
While AI seems to be the buzzword in every field, for FIs it can be broken down into simple steps of testing, governance or compliance and management in terms of monitoring. With large chunks of data being available on daily basis and then being processed, AI and ML further mine this data to suggest transaction trends, recognize movements outside of default settings, and provide due diligence reports.

AI is making an impact in the following areas of financial world:

- Transaction monitoring and screening alerts
- Compliance reviews
- Payment fraud modeling
- Surveillance investigations

AI is enabling effective use of resources which focus on reviewing the most pertinent information, providing feedback on accuracy of the sources and making ultimate decision on customers risk level. This is dissolving the need for lengthy manual searches while providing a cognitive approach from technology through data.

Mapping the financial Crime journey through AI and ML



How can use of AI enable customer ecperience in the financial world

With strong systems and processes incorporated, the fiancial institutions have been the hallmark of security. It is imperative to maintain this as billions of people around the world manage their wealth through such mechanisms. Customers are privy to facts of fraudulent activities being undertaken by crmiinal minds, but they are also well aware of the technological advances that can mitigate such risks.

The need for AI in fiancial services revolve around few areas like:

1. Building for speed and resiliency – Faster turnaround with regards to detection of unusual activities, mining through data that provides information and has foresight of what's legitimate through deep behavioral profiles created.
2. Future ready payments infrastructure – stability and scalability are of utmost importance especially in the upcoming real-time payment options being provided, with no minimum value limit. With the numbers of transitions increasing digitally, it is becoming imperative to have a robust infrastructure to support ease of use.
3. Move from rule based to algorithm driven model – Eliminating or minimizing human intervention in fraud determination through high level segmentation of previous transactions, location history, compliance checklist, can all be ascertained through AI algorithms
4. Simplifying investigation and audit reporting – Providing solutions through collected information once fraud alert is triggered. To be able to map where customers risk decision is coming from, providing analytical review through data sources, works well for an audit report that decides rationale behind various such activities.

Getting Ahead of the Curve

According to McKinsey and Company, banks that invest in data-aggregation, process automation and advances statistical modelling using AI and ML can decrease compliance error rates, from over 30 percent to less than 5 percent and cut false positive alerts to below 50 percent. Industry leaders identify with this as a tremendous opportunity to accelerate the use of AI as a catalyst to improve competitiveness, drive growth, elevate customer experiences and keep ahead of changing regulations and cyber security threats.

A very compelling case in terms of adoption of these new technologies is being made with 80 percent of financial institutions agreeing to the reduced risk through them and a 61 percent reporting on its benefits to the extent of demonstrating a positive ROI as well. Pre-pandemic budgets in this arena are being revised to include the current change in scenario, which reaffirms the need for in-house solutions which are a combination of relevant and adaptable products, solutions that convey the journey and infrastructure in terms of consultation and reporting being provided.

Finonyx has been making a mark in this domain for over a decade and continues to chart new territories in application of AI and ML technology in the financial world. With risk detection and reduction being the top most priority for all financial institutions, capabilities at Finonyx have been thwarted through updated resources, team and technologies, making it a winning proposition for most across the globe. Deploying SMEs (Subject Matter Experts) for all stages of the financial fraud detection lifecycle, Finonyx has customized solutions and responses to different parts of technology adoption. Ranging from digital transformation to compliance tracking and infrastructure management, Finonyx is revered for its excellence in quality and delivery by the global communities it serves.

For more on what Finonyx is creating for the global financial world, lets talk at contactus@finonyx.com

TOPIC 2

How much will Banking change in the Post Pandemic world

The world is never going to be the same again. This is one common fact everyone agrees on. One of the most defining industries globally, banking has already seen a transformation while trying to live through this pandemic phase. There is so much more in store as it moves towards creating a purpose-driven culture with the new normal setting in. The pandemic has been the inflection point, more so in this traditional and relatively conservative industry. Right from the customer adaptability and usage, data preservation and analytics, to more environmental fundamentals like the technology interface and people up-skilling, all of it will be on an upward drive in the post pandemic world for banking industry. A shift in the way people bank, the future of work, use of modern technology and value of brands will all depend greatly on the time it take to settle into new ways of operating.

Going digital overnight

While large percentage of companies spoke about digitization, only a 15% managed to really implement it before pandemic. Once the calamity hit, and all transactions moved online across globe, it was only a matter of time that the technological setup was accelerated for smooth offline to online process. This was more adaptable by the large businesses, but SMEs did not fall behind for long. Both segments one which drives higher ticket size and other the number of transcations, are now going to be pushing the bar for banking firms to strengthen their platforms. With increased interactions, lack of human intervention and strategic mergers of capabilities, businesses are going to drive the need for banking to become as easy as grocery shopping online.

With digital engagement increasing close to 40% increase, the need for product innovations and immaculate customer service has risen. Artificial intelligence and machine learning will become an important part of such product developments, which could also see an in-house move into the banking systems. Moving away from a control based structure, banking industry would need to convince every segment of the customer on its strong security culture through reduced risks, increased accessibility and robust compliance structure.

Digital customers rise as work changes

As 60% of the workforce struggle to convert one of their rooms into an office for an indefinite time period, their mode of purchasing and digital consumption remains an upward graph. A string of service providers are now vying for the customers attention, more with the telecom integration seeping through the rural sectors as well with platforms like Jio. Decision making among individuals, families and businesses is getting more strategic, with high-end transactions also being considered online, as opposed to the previous conventional need of bank visits or talk with the local branch manager.

Leveraging data like never before

For all corporate and retail banking, data has been always available but will now be looked at in a different light. Building an agile network where systems and processes flow to keep the chain of steps, a robust banking system will be driven by data that has been , and more of what will come in through intensive interactions that get recorded. Analytics and mining are going to be at the forefront for any banking regime that has a long term vision of deriving customer requirements and building products which are scalable. Customized and personalized approach which was a premium feature before, will become a part of the existing banking lifecycle. The aim is going to be able to enhance and leverage information towards giving a stellar experience, which would drive eventual dealings.

Regulators get Robust

With safety and digital security being of prime importance, as the world moves online, banking systems are going to see a string of changes on this front. Complex detailing would be limited to the back-end as ease of use and maximum digital interface is propagated by the banks. With the governments and large business associations being a part of the economic revival across countries, the need to collaborate and facilitating crisis management would be imperative to induce confidence in the economy. Regulatory compliances will become stronger as the need to counter fraudulent activities, phishing attacks, cybercrimes would be top most priority. Technical expertise to not just create but also sustain such an infrastructure will be paramount for the industry.

Being integral to all new businesses

As the economic activity struggles to get back to normal, a large number of people are starting new businesses from the comfort of their homes. Trading has never seen a boom as before, as people build brands and create customer experience par excellence. An exemplary payments system is mandatory for such businesses spreading across every home who are leveraging their baking skills to their data analytics training capabilities. With all basic requirements which were formerly only perceived to be delivered best offline like education, exercising, entertainment etc, the new world is going to see a rise in the way people will consume work and fun online together. While the pandemic has moved families closer and questioned the need of moving for work, the online systems are ensuring a whole new world of opportunities open up for people. Banking is playing a critical role in connecting these dots as it remains the pivot around such consumption trends.

The world post pandemic is marked to be different, for individuals, businesses, governments and countries at large. While suffering is at large, there are opportunities being created and thrived upon to make the world a better place, a more connected place despite all odds. Banking has always been an important holding block for the society, and now it is only going to increase and move forward. With the norms being relaxed to let business houses open up banks, non-banking financial institutions getting more leeway, payments platforms being accepted as the new wallet, the financial world is going to see an inflow of activities. It is the right time to evaluate and strengthen the systems, technology and consumer behavior for all decision makers in this industry. Finonyx is enabling such decisions through a structured approach. For a detailed conversation on how technology can be made an integral part of your system, mail in at info@finonyx.com to connect with our associate.

TOPIC 3

Going digital is normal – there is nothing new

Evolution can be defined as growth due to natural progression. Digitization is doing just that in the banking industry, making it inevitable for every growing organization to adopt. Some digital journies are just getting started, while some have a considerable headstart and are already seeing results of this transformation. Changes in IT, new products and service developments, changing market scenarios are all driving the digital adaptaion and its veering towards the new normal tag than something new. It is the smooth transition that is being key to how quickly an organization is able to get rolling with the digital infrastructure in place.

Becoming more agile, customer centric, innovative and organizationally flexible will drive this digitization movement in the right direction. Certain reasons demand for banks to become digitally savvy like:

1. **Move from traditional to futuristic outlook –** Banks are no longer for just maintaining incomes, deposits and withdrawals. Customized banking where every individual feels the need to be valued, throughout his journey in life at different stages, has become the norm. right from account openings to loan approvals to insurance policies, etc all are now a part of an individuals life, and moved away from the traditional branch operations. Digital adaptation is making this possible, and enabling customers to be more in charge of their financial planning than ever before.
2. **From banking to business –** Traditional banking concept is now more wired towards serving as a business, where multiple channels are available for revenue generation. This is being made possible through digital reach as with a click of a second the customer has best services available, without the additional costs of staff, space and service to be paid for.
3. **Internet speed is changing** every other year which is making digital adaptation much easier and less cumbersome. Reasons for not to be on this platform are getting removed as ease of being online it much effective than ease of doing business. With the influx of information and data increasing, having robust systems in place is being made possible through high speed devices and connections.
4. With **the rural and urban divide closing in**, and the tier 3 cities of developing countries also being well connected, getting that market share which holds a majority is being made possible through digitization. Young adults in these locales are faster acclimatizing to digital than any other generation before, giving rise to the need to be connected with them and make them a part of the new banking circle.
5. **Becoming a brand and keeping the brand** value is another key aspect of what digitization is driving in this industry. With multiple banks vying for the same user base, staying on top of the mind through exceptional services, ease of use, support and infrastructure, is becoming increasingly important.

Every banking company, executives at the top level and strategic stakeholders would be able to implement the above by being equipped with the right transformational resources. These resources include the technology, the people and the operational flow being worked in tandem to deliver the new banking culture to each customer.

TECHNOLOGY is not limited to just the backend but an end to end cycle is being mapped right from defining user needs, UI/UX interface, data recording and monitoring, followed by immense focus on customer delight. Strong financial products are the backbone of banking, which is being leveraged through technology. Banking customers are leaving behind a trail of clicks, swipes, comments and searches, which is being picked up and transformed into creating meaningful relationships for long sustainable transactions. The divide between real and virtual is narrowing and banking is a core area contributing to this sphere. Analytics is proving to be specially profitable with financial industry estimating that getting relevant meaning from business information directly affected 10% of revenue and 10.1% costs in the last year.

PEOPLE including the ones are centre of this core transformation, their ability to adapt, function, redesign and deploy is of utmost importance in this digital journey. The need to personify digital culture at leadership level is only the beginning, and needs to seep through the entire organization. Developing a customer centric and tech savvy culture works top down, support by value systems driving it. Inclusion of all teams across levels through learning and development followed by intense training and working at ground level would be of paramount importance, and even more so with experts maneuvering the entire journey to reach desired conclusion of becoming a ‘technology first’ company. Complementing people with processes fit for following and accomplishing goals, is required for a seamless integration.

OPERATIONAL FLOW being the lifecycle management of customer right through his need for banking, transactions, efficient and effective interactions, personalized and approachable devices like mobile apps. With defined decision making to make this model transformation a success, organisations need to lead from front. The operating model can vary or change from being a digital project, to becoming a part of the business to becoming a core value. Basis these the long term planning, vision for action, communication and application will take place. Depending on which stage of the digitization journey you are at, these three operating models would apply to you.

Digital has by far been the game changer in the last decade. It is now gearing up with industries across the globe to hop on and become a part of defining the future. Taking action towards making your organization digital in the banking world is a motto we are working towards at Finonyx. To get started, lets have a conversation at info@finonyx.com

Topic 4

Open Banking – Redefining the Banking that we Did

Banking is rapidly evolving to become a robust eco-system that this giant industry so well requires. With the emergence and ready acceptance of open banking among the early adopters globally, banks, third party providers (TPPs) and consumers are all seeing a wealth of transformation in the initial four years of its inception. While open banking as a practice provides third-party financial service providers open access to consumer banking, transaction and other financial data from banks and non-bank financial institutions through the use of APIs (Application Programming Interfaces), it has become a major source of innovation that is poised to reshape the banking industry.

With a keen set of benefits like better money management, borrowing and instant payments being made, open banking can do a lot for these initiatives. This includes:

1. Facilitating business loans – Easier documentation process as data can be pulled out beforehand instead of going through reams of paper-work. Timely action as per requirements are another proactive measure for TPPs and banks to monetize on.
2. Automated accounting – Businesses and consumers can benefit from automated accounting processes integrated with systems that automatically update transactions as done. This enables better preparation of taxation work at both consumer and business level.
3. Streamlined Lending – Enabling open banking systems makes borrowing and additional top-up's or refinancing more convenient as well. All manual intervention is reduced to bare minimum as information from various sources can be sought from one place, with consumers permitting the same.
4. Personal Financial Management (PFM) Tools – PFM tools are a game-changer in the industry with technology playing an important role in the development and usage of same. App developers, with the use of artificial intelligence can easily suggest and create products most suitable for consumers basis their spending and general money management habits. Products and services which would enable such use, through proper marketing, can also be recommended like referrals, affiliate fee etc.

While banks have the larger umbrella of consumer finance with them, fintech companies are going to be the value add to their repertoire. Consumer experience is the differentiator in today's world for all banks. Taking in an account, whether person or business, is largely dependent of the speed, suaveness, and commercially viability of the services a bank provides. This can largely be integrated with the work fintech companies are doing through the open banking channel. This is an opportunity to innovate and transform core services for a bank, as the institutions become more customer centric.

Financial behavior of consumers is going to be more accessible for companies through open banking, allowing immense level of customization and target profiling to provide the required customer experience. Moving away from just a transactional nature, open banking is leveraging day to day financial routines of consumers, with recommendations and insightful suggestions which are just a click away. Being able to pay through single clicks and contactless cards means it is otherwise hard for consumers to be on top of how much they are spending and on what.

Small and medium businesses also see a slew of changes with real-time consumer data being made available. Borrowing from different lenders, doing a comparative, and assessing what works best for the business, is much easy, as is for the lending party who has all information at hand without much administrative effort.

India launched the Unified Payment Interface (UPI) in 2016 with a hybrid model of being driven by both the market as well as the government. This catapulted into emergence of players like Neo banks, digital banks and API aggregators that are now simplifying lives of customers and creating new business models. While UK surpassed the adoption rate of open banking portals in this year, globally this phenomenon is catching up, though much slower than anticipated.

Open banking provides a collaborative edge to banks and financial institutions. Staying ahead of competition, strong data sharing agreements with fin tech companies, and other finance providing institutions gives them the leverage.

A futuristic insight into how technology will shape up banking industry is a prime driver of open banking. Having the foresight of changes that might occur, through data that is being managed, reported and analysed is making decision making more powerful in an already power consuming sector.

The need for customer-centricity in this day and age cannot be more emphasized. The open source technology is making banks a pivotal part of a consumers life and vice versa as loyalty is a two way street and fulfilling constantly changing demands is only going to make it stronger.

Fintech companies are also riding high on this bandwagon as they get the first hand opportunity to educate and engage consumers in this field of financial management. Finance, accounting and credit, which are largely spoken of only when required, are now becoming more of regular parlance with fintech companies making the most of this opportunity.

Fintech companies are also being leveraged by banks, for a collaborative effort to extend reach of operations and services into unapproachable regions. With data and information being readily available, it is now upto the new-age firms to understand, comprehend and simplify the use of financial matters. There is immense opportunity for firms to work on providing insights that enable further growth. With customized API developments, Finonyx is creating a niche space in servicing banks, NBFCs and fintech aspirants. To start a dialogue with our team, write in to us at info@finonyx.com

Topic 5

Fintech Revolution – Are Banks Making the Right Moves

Technology in the financial products and services sector is creating a revolution undoubtedly across the globe. These services are enabling consumers as well as banks to manage, move and store money via paying, lending, borrowing, investing, etc. These are broadly being classified under consumer banking, fund transfers, wealth management, asset management and insurance. The fintech segment is turning out to be a strategic partner to the traditional banking sector, allowing them to leverage the existing consumer base and access to capital more efficiently.

Banking issues that majorly lead to emergence of fintech revolution vary from these institutions being highly regulated, low value creation for customers with a taken-for-granted-attitude, low involvement of customers in offbeat products, going steady with the conventional way of working without any collaboration, being risk averse despite having the physical infrastructure of resources, and more.

Majority of the services offered by Fintech companies include e-wallet services, remittances, peer-to-peer lending, retail investment, funding services and cryptocurrency. With contactless payment, NFC enabled smartphones, cloud based PoS and digital wallets, and the entire industry is undergoing a transformation, with ease of use and convenience taking front seat. Existing players which includes banks should ideally opt for strategic collaboration across sectors to increase consumer acceptance, penetration of digital payments and create a lucrative model for each participant.

The fintech revolution promises open access to data, hassle free banking experiences and fairer deals for customers. While the investment of time and money has been considerable, the year of COVID-19 has accelerated the use and adoption of technology in this mainstream sector. Taking a new product like credit card, loan, to managing investments is all being done from comfort of homes, eliminating the human intervention and increasing quicker decision making process. While the average rate has increase over time, it is still limited to certain urban parts of the country, although the potential lies in the smaller pockets that demand more but have meagre supply for their advancement needs.

For fintech to be successful, banks need to ensure a technological structure that is resourceful, agile and strong to entertain the possible influx of users. Banks need to look at this transformation from a holistic perspective and not in piece-meal, so as to get a broader view of the operations. An inclusive set of systems and processes, and more importantly and agile form of interdependibility within the same, is going to work better in long term. Best in class technology, combined with futuristic enablements will give direction to the entire adoption of fintech across spheres. Cloud based platforms are reducing the time, complexity and human interference in all parts of the process, which is also accelerating the amount of data being shared, processed and analysed for better decision making.

What is it that banks can do to leap on the new revolution? How can they collaborate with fintech firms and create and ecosystem where everyone thrives with the customer being focus of attention? What will ensure cutting-edge technology being an enabler and not a dissuader of financial reforms on the future? There is only one approach of collaboration and innovation between banks and fintech service providers working together to solve this as the economy grows, gains momentum and acceptance to such a medium of transacting. This cohesive partnership will then enable:

1. Increased regulatory support and government incentives – While the governments back banks as a norm, they will be able to see validation with both parties coming together and opening up reforms
2. Creating an alternative stream of business – This collaboration can be a win-win for both as reduced rates due to lesser channels involved, with increase volumes of transactions
3. Increase products and service basket – Better of both the mediums is offered to consumers, with a larger chunk of products and services to choose from
4. Investing Together – With a combination of expertise comes the combined investment in technology, innovation and other accelerator programs targeting different areas of growth
5. Safe and Secure transactions – While banks can remain the transaction approving authority, they can leverage partnership with fintech firms to use their technology for smart, safe and secure transactions

The tide is fast moving towards products which have not been part of conventional banking like gold bonds, insurance covers, equity funds, etc. With the early adopters singing up for banking services at a much younger age, and with higher income than measured in last three decades, the needs to scale and pace up is very evident. Riding on this boom is critical for every bank, and more to ensure keeping their customers, fact apart that major consolidations in the banking sector have already disrupted the faith in this long standing sector. Technology cannot be viewed independently anymore, specifically in this industry and Finonyx has been building credibility in this area for close to a decade now. To have a more detailed conversation on what can we do within this space, write in to info@finonyx.com