

Looking Back on 2006

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By Sherman Tan

As a whole, 2006 was a year of achievements and growths for many countries, in particularly emerging countries in Asia: China's economy grew 10.5% last year marking the fourth straight years that the world's fourth largest economy has grown at double-digit pace. Within the country, Industrial and Commercial Bank of China (ICBC) has overtaken HSBC Holdings to become the world's third largest bank by market value behind Citigroup and Bank of America. Vietnam, one of the fastest growing economies in Asia exceeded the country's projected 8% growth for the year. Back home, Singapore's economy grew by a stronger than expected 7.7%.

Against the backdrop of growths and achievements, many Asian countries were shut out from the cyberworld for a few days when cables from six major undersea networks carrying the phone calls, internet communications and e-mail of millions of Asian users were damaged by the Taiwan quake on 26 Dec 06. While the involved telecommunication companies struggled to re-route traffic from the damaged submarine fiber-optic cables; many companies are still counting the losses in their businesses and assessing the impact on current and future operations. In the age of internet and mobile phone, the question why is such an important communication channel riding on fragile undersea cables laid over an earthquake zone remains unanswered.

Setting aside this important question, the other episode that shocked the Asian stock market is the surprise move by the Thai central bank on 19 Dec 06 to impose currency controls on foreign investments. The short-lived measure sent the Thai stock market crashing 20 per cent in a day and a mini-crisis across the Asian stock markets. Although the Thai government decided later to abandon these measures, the impact was a grisly reminder of the 1997 Asian economy crisis that was triggered by the shock devaluation of the Thai baht.

Let's now look back on other areas involving the ATM, internet and mobile banking and branch delivery channels mainly in Singapore, Hong Kong and China.

Two-Factor Authentication Irritates Some Customers ⁽¹⁾

With internet banking user base growing rapidly in Singapore and the continued emergence of more sophisticated phishing websites that mimicked banks like OCBC and Citibank, the Monetary Authority of Singapore (MAS) has decreed that banks offering internet banking services in Singapore must provide a second level of security authentication on top of the typical user ID and password. With the Dec deadline, banks in Singapore scrambled to put in place this added security measure before the year ended a week ago. Banks took on different approaches to meet this requirement.

DBS Bank with the largest internet banking user base of over 920,000 users decided to provide its customers with a hardware security token. Maybank and ABN Amro in Singapore, though with much smaller user base opted for the same approach while Citibank offer a choice of both sms-based one-time password and a security token. Citibank, however was only prepared to issue a security token to customers who travel regularly to countries with tele-communication network that are not compatible with GSM-based sms. So far only OCBC offers the most flexibility to its 300,000 online banking customers: 3 options to select ranging from hardware token, software token and sms notification.

As customers usually have more than one bank's accounts, several have written to the local press requesting banks that provide hardware token as the only option to consider sms as an alternative choice for their customers. After all, mobile phone penetration exceeded 100% in Singapore and many users also found carrying a multiple number of these different hardware token both cumbersome and absurd.

There are many reasons why some banks adopt only a single approach and the most important consideration is the cost of concurrently supporting and maintaining different security authentication systems. The other reason is that sms technology does not offer the level of guaranteed delivery service that is critical for authentication. During the festive seasons, a sms could take up to minutes or in some cases a couple of hours to be delivered. From the customer's perspective, convenience and ease of use drives usage and banks will have to balance cost of implementation and reliability of delivery with customer expectation.

The Re-emergence of Mobile Banking ⁽²⁾

Despite the country's high mobile phone penetration; one of the highest in the world, most Singaporeans are still not using their mobile phone for their banking needs. One bank however is pushing to buckle this trend. OCBC Mobile banking which was launched initially in Nov 2005 on StarHub i-mode platform and only on the NEC handset was upgraded in late Jun to include users of the other 3 telcos in Singapore.

In mid-Dec, OCBC ramped up its promotion to sign up more users as their service can now be assessable by mobile phone users of the 3 telcos and supported on more than 20 types of phone models. In spite of the availability of higher bandwidth via 3G, lowering of 3G usage cost; the subscription process which requires logging onto the bank's website to download and install an application, smaller display size of the mobile device and limited banking services could deter the take-up rate.

Up against mobile banking adoption is the emergence of sub-notebook which is two-third the current notebook size but packed with much more computing power and capabilities than the latest smart phones. With free wireless hotspots sprouting up across the island; these slim machines are definitely much convenient and easier on the eyes than the small size mobile phones.

Since revamping its service in Jun, OCBC has signed up a few thousand new mobile banking users and announced that stock trading service will be made available sometime this year but it has to be seen whether Singaporeans will take to this new way of banking and trading. Meanwhile, rival banks are not pushing mobile banking and prefer to enhance their internet banking services.

The old "faithful" ATM ⁽³⁾

Introduced more than 30 years ago, the Automated Teller Machine; aka ATM was in the limelight in Singapore for the wrong reasons. First, a foreigner was caught using cloned ATM card in Feb last year, later two Malaysians installed a card skimming device at one of the DBS ATM and several of the customers' ATM cards were compromised. In May, a team of 6 foreigners were caught using cloned cards at an UOB ATM to siphon money from bank accounts stolen in Britain. Then in late Aug, the UOB ATM network hit a glitch and its customers were unable to withdraw money from the bank's ATMs or use payments via NETS, Singapore.

As a counter measure, DBS completed installing security devices to deter ATM card skimming at its 850 ATM late last year. Two devices installed are the Fraudulent Device Inhibitor and Jitter.

The inhibitor is a small piece of green translucent plastic. When fitted in an ATM card slot, it provides a physical barrier to anyone trying to fit an unauthorized device on the ATM. The Jitter, on the other hand, is a mechanism that shakes the bank card upon insertion and removal to make it nearly impossible for skimming devices to get a reading of the card data. OCBC Bank has started installing similar devices on its machines while UOB has plans to do the same.

On a more positive note, DBS Bank avails its ATM and internet banking services in Jun for the convenience of the public's donations to Indonesian earthquake victims. In late Nov, OCBC became the first in the region to introduce a new interactive ATM service that recognizes customers who need to update their contact details and prompts them to do so. With this service, customers can use a "virtual" keyboard on the ATM touch screen to update their contact details including address change, phone numbers, etc.

Then in early Dec, an email was circulating around advising customers to enter their PIN number in reverse should they be ever forced by a robber to withdraw money from an ATM. According to the email, the police will be notified if PIN numbers are entered in the reverse order. Banks contacted commented that no such service is provided at their ATM. Little wonder how many of us could be in the right state of mind to enter our PIN in the reverse order when there is a knife or gun sticking at us.

As a deterrence measure, Beijing police completed installing cameras on some 1000 ATMs and linking up the images to the police network, allowing the police control centre to see the faces of people using the ATMs. Most of Beijing's ATMs will be covered under the new security surveillance system by early this year.

Like Singapore, Hong Kong too has its fair share of "amusing" ATM stories. For instance, customers of HSBC discovered in late Nov that for some credit cards, they have to simply key in "111111" or "123456" at the ATMs to review the account numbers associated with the cards. Although customers cannot withdraw or transfer cash unless they provide the correct password, the issue was enough to raise the brows of some customers.

To encourage the elderly customers to use electronic banking and payment services, the Hong Kong Association of Banks is working with banks to implement "simplified and more user-friendly operating procedures and screens for cash withdrawal and balance inquiries" at all Joint Electronic Teller Services Limited (Jetco) and Electronic Teller Card (ETC) machines. These enhancements are expected to be implemented by end-Mar this year. Community-wide programmes will be held to educate elderly bank users unaccustomed to punching in their PIN and withdrawing cash through the terminals.

Finally, to promote greater usage of the ATM network, ICICI Bank announced on 20 Dec last year that it will provide free access to 18,000 ATMs including non-ICICI ones, across India for its customers. Customers will however have to maintain a quarterly average balance of Rs 10,000 to avail the free facility.

Bank Branches: The Preferred Customer Delivery Channel ⁽⁴⁾

Previously, this author noted that with the successful adoption of self-service and online banking services, banks are increasingly facing challenges to bring customers back to their branches.

With the younger population generally working longer hours, banks are also extending the traditional banking hours to Saturdays and in some cases on Sundays. The other area is in the investment of latest banking technology to enrich the customer experience when they are at the branches.

Standard Chartered Bank invested more than US\$1.5 M to set up its newest branch in Vivo City, a mega shopping centre in Singapore in Oct 06. More than 60% of the money was spent on technological innovations such as queueing system that notifies customers by text message when their queue number nears so that they are free to shop while waiting. To leverage on its investment and the locality, the branch provides Sunday banking from 10 am to 10 pm.

OCBC Bank on the other hand started offering full-service Sunday banking from 11am to 7pm, at 5 of its branches at Toa Payoh Central, Jurong Point, Hougang Mall, Northpoint and Whitesands branches. According to OCBC, the Sunday banking service was introduced after the bank's survey of 600 customers found that many Singaporeans like the idea of Sunday banking.

In Hong Kong, following HSBC, the Bank of East Asia (BEA) extended its banking hours of all its branches to 5 pm on Saturdays from late Jul 06. Six of its branches operate on Sundays. Standard Chartered followed suit in Sep 06 by extending its banking hours to 5 pm on Saturdays.

While some customers benefit from the extended hours and Sunday banking, the extended operating hours not only increase staff cost, it also strained employer-employee relationship. In late Aug, some 500 bank employees demonstrated against the implementation of 7-day banking operations.

Although OCBC reported that their Sunday banking branches see 3 times more customers than a branch on a typical weekday, the bank declined to disclose the additional costs incurred to operate these branches on Sundays.

In Hong Kong, less than 5 months after its introduction, BEA decided to scrap its Sunday banking service in end-Nov 06. Other banks are also reviewing the extended banking hours while some banks have "normalized" their banking hours.

While self-service and online banking will increasingly be adopted by customers, branch outlets will continue to be a key delivery channel for banks that are continuously been challenged to offer personalised services in wealth management and priority banking services.

The writer is the Principal Consultant & Director at Innovar Pte Ltd (www.innovar.com.sg).

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