

Banking on Digital

What is Digital Banking?

A full-fledged digital bank is a financial institution that offers financial services solely through a digital platform. Digital banking leverages on highly digitalised and automated workflows connecting front, middle, and back-end processes which allow seamless integration for data-centric work. The bank's lean operating models and analytics capability allow it to reduce costs, while achieving higher efficiency and better customer experience.



The Digital Banking team in Deloitte Malaysia: Justin Ong (3rd), Financial and Regulatory Risk Leader; together with Norhayati Yakap, FSI Audit Director; Siti Hajar Osman, FSI Co-Audit Leader; Anthony Tai, Financial Services Leader; and Sharon Kok, FSI Audit Principal.

"Banks have gone through multiple transformations to keep up with rising customer service expectations and to rival growing FinTech startups, but is it enough?"

With the introduction of digital banks, incumbent banks are forced to push the boundaries of its traditional business models, to remain relevant in this age of digitisation.

On the other hand, it opens doors to non-banking players to join the banking revolution and directly compete with incumbent banks."

Justin Ong, Digital Banking Leader at Deloitte Malaysia.

What is the role of Digital Banking?

Digital Banks have an important role of driving financial inclusion by ensuring that the unserved and underserved communities have access to basic financial services and technology enabled advancements.

What does the unserved and underserved landscape look like?

Access to new technologies changes the shape of the conversation for banks and provides a means to engage the unbanked population, as part of Malaysia's journey towards becoming a full-fledged cashless society.

The Shared Prosperity Vision ("SPV 2030") also highlighted the need to address the widening disparity in the contribution of Bumiputera SMEs to economic growth.

Who are the 8% unbanked adult population?

92% have either no/low income

64% from age of 15-24 years old

51% from North & East Malaysia

Source: Bank Negara Malaysia

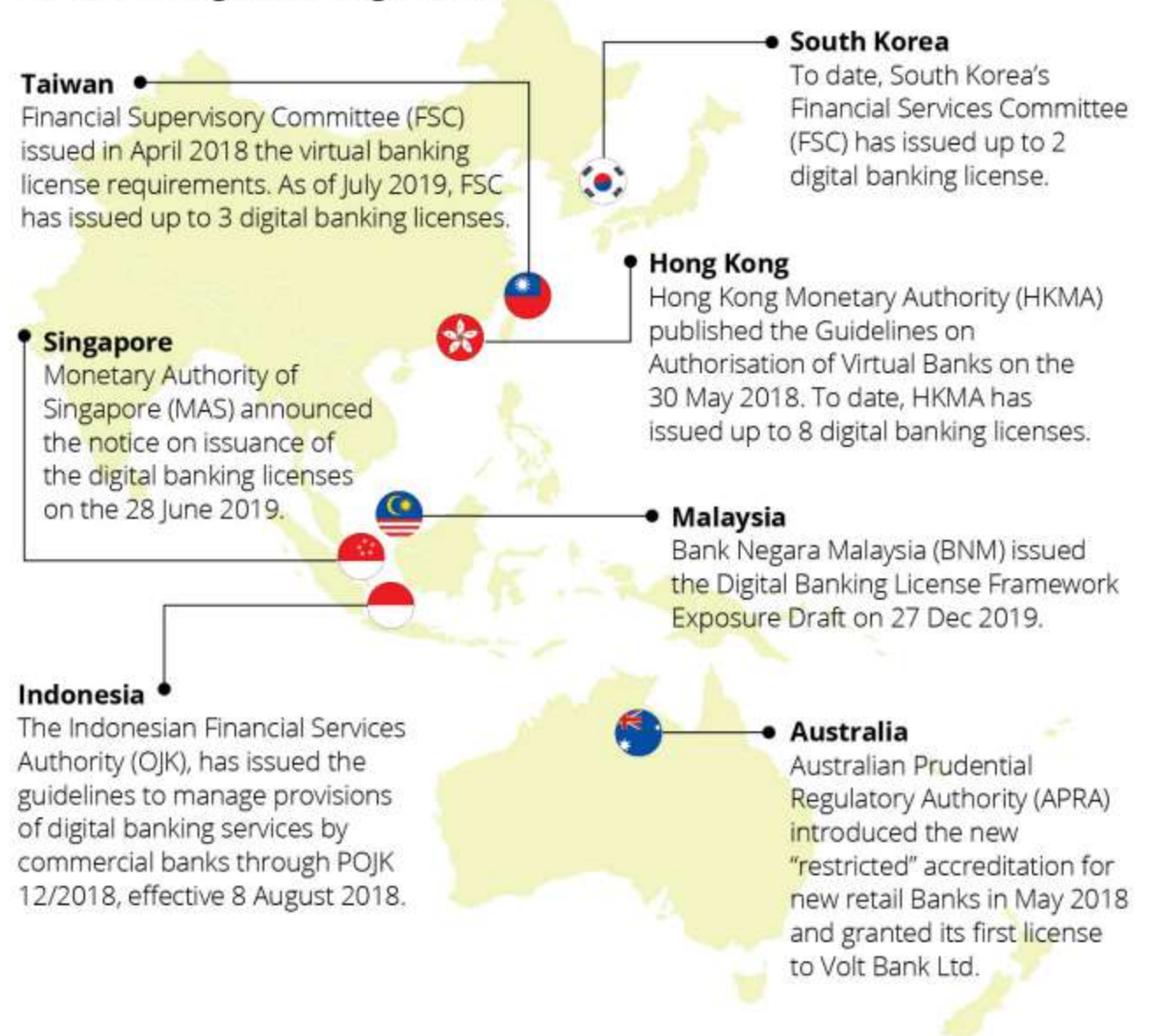
Bumiputera SMEs contribution to economic growth remains low

The average value-added by Bumiputera SMEs is lower than non-Bumiputera



Source: Shared Property Vision 2030

Overview of digital banking in ASEAN



What is the future of Digital Banking in Malaysia?

On 27 Dec 2019, Bank Negara Malaysia (BNM) issued the Digital Banking License Framework Exposure Draft, laying down the conditions for a Digital Bank applicant;

- Omnipresence**, in which no establishment of physical branches is allowed
- Secure**, where robust risk management capabilities is a must
- Sustainable**, injected through a strong business plan and with the right ecosystem of support
- Self-sufficient**, through development of a viable exit plan

Aligned with Malaysia's aspirations of becoming a global Islamic hub, we foresee that this will also present an opportunity for Islamic Banks to go digital.

What does it mean for Malaysian consumers?

- Intelligent automation**, providing customers with a platform for frictionless banking experiences, while remaining behind the scenes
- Customised and personalised**, through lifestyle integrated bundles
- Receptive and predictive**, where big data and the Internet of Things means better analysis of a customer's spending patterns and financial needs
- Rewarding**, where operational cost efficiencies translate into lower cost and higher returns for customers

The five critical success factors of a Digital Bank

- Clear strategy and credible business plan
- Sound organisational structure and governance
- Advanced technological infrastructure and efficient operations
- Detailed Treasury and financial management
- Ongoing regulatory compliance and robust risk management framework



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