



Why payment methods need to be the focus for BFSI transformation

In this episode "Why payment modernization needs to be the focus on BFSI Transformation", Hanh Ngo - Product Owner of KMS Solutions - will analyze the continuous changing of customer behaviors and demands, traditional payments with OTP thefts' threads in #Banking

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TECH ON MIC

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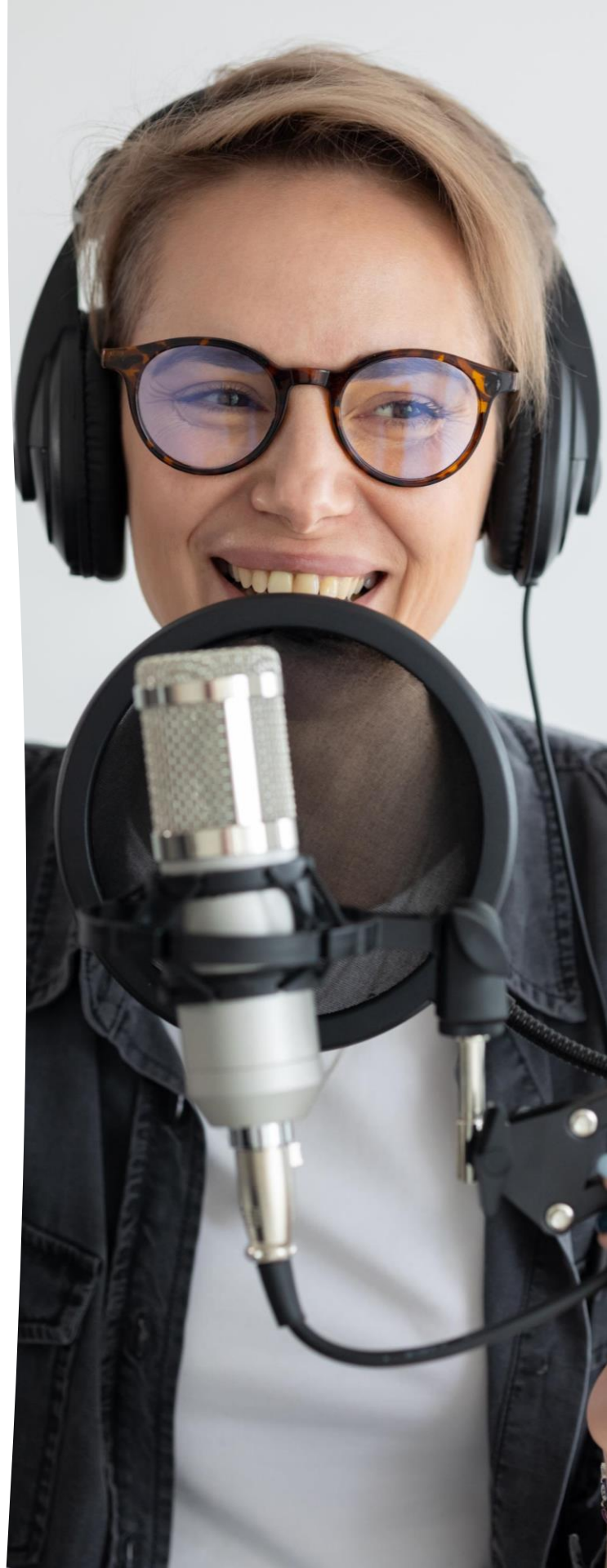
Who should listen

Top executives, leaders of business and tech; C-suite in companies; innovators and tech evangelists leadership, business and technology



KEY POINTS

- ✓ Market situation, potential, and risks where customer behaviors and demands are changing
- ✓ Comparing the traditional payments that banks already have vs new transformation payments adoption
- ✓ Embrace alternative payments, delivering technology change while maintaining security and stability
- ✓ Understanding the threads - fortify the system and requirements in Payment Services: ways to guard against bank accounts - OTP theft





Jewel: Individual customers, businesses, governments, charities,... when they purchase something online, they all expect the payments function to be: fast, stable, secure, easy to use, low cost, and transparent.

That is good news for everybody. ...
um well, not quite everybody.

To fulfill the demands of Millennials or Gen Z in payments, banks are now faced with the huge problem of modernizing their business models and outdated technological systems.

Hanh Ngo: And we also see the big competition in this game. We met Fintech, Big Tech, Payment Companies,.. They also entered the playground and started taking the banks' lunch money.

We have Momo, Zalopay, Paypal, Timo,... and so many more.

Jewel: Can banks build something better than what they are doing? What are low-risk and lightweight payment options for banks at this racing moment?

Hanh Ngo: Banks should be aware that, It's not simply about processing payments; it's about adding value to the business.





Jewel: Hello everyone, welcome back to Tech On Mic - a podcast series that keeps you updated with all the trends and topics in Digital Transformation. I'm one of your hosts, Jewel. I'm excited to say that this is the 2nd episode now, following the last episode "How to win customer hearts with new Banking Platforms" with Mr. Tu Duong, Country Sales Head of KMS Solutions.

Today on the topic that is no less intriguing "Why payment methods need to be the focus on BFSI transformation", I'm honored to welcome Ms. Hanh Ngo - Product Owner. Hello Hanh and welcome to the podcast.

Hanh Ngo: Hello Jewel, thank you for your introduction. I'm Hanh and I am a Product Owner of KMS Solutions. I've worked in software development for 9 years in Product Design and Customer Success in Banking, Public Sector, and Cyber Security domain. I am so excited to join this podcast to share why we should focus on modernizing payment methods to attract the younger generation.

Jewel: So looking back over the past 2 years, there have been a lot of changes, not only in the way we live but also in how the world operates. During the COVID-19 pandemic, lockdowns, online shopping or e-commerce, and the fear of viruses drove the shift toward all sorts of online payments. Apps like Momo, Paypal, and Wechat have grown in popularity, with massive user growth in 2020-2021. So clearly, we can confidently say that this transformation is giving rise to digital payment companies across the world.





Hanh Ngo: Yes, and I could say that the Payment Function is the beating heart of banking. It's moving money around the financial system to support all financial transactions. Right at this moment, we could see a wave of electronic wallet services, contactless payments, P2P payment apps, and digital uses of credit, such as Buy Now Pay Later. It has been completely adopted by Gen Z, and the new rising generation called Alpha.

Jewel: How amazing yet so terrifying / that we are living in a century that has so many changes. We have seen years, if not decades of how the business works - change within a matter of months. We now have Blockchains, Metaverse, NFTs, virtual lands, and homes,... everything is shifted online, everyone is digitizing their life.

Hanh Ngo: And it will be a major loss if businesses are reluctant to transform. Many people think that developing a mobile application is a digital transformation. But it's not enough. Technology is more than that, digital transformation is more than that. The outdated core banking is one of the culprits to blame for. Payments, loans, mortgages, accounts, as well as backend technology, are the components of core banking. And they directly affect the speed and reliability of every operation.

Jewel: So how do they know what they need to change, where to start or if their payments function isn't meeting the standard anymore?

Hanh Ngo: We can start by looking at the challenges of payment transactions and how they were initially underestimated. For electronic payment systems, security is a critical factor.





Hanh Ngo: Banks now face the critical challenge of authorization, authentication, privacy, theft, and data corruption. With modern digital assets, we give ourselves freedom of space, time, and a large part of the middlemen involved with money transactions. That is where cyber-criminals step in, Jewel.

Jewel: I agreed. Historically speaking, OTP has been an effective tool to authenticate users, and it is mostly delivered via SMS or through mobile apps. However, cyber-criminals are continuing to become more sophisticated and clever in stealing customers' information, including compromising credentials, hijacking OTPs, SIM Swapping, fake bank brand names... Right?

Hanh Ngo: That's right, Jewel. As we head into 2022, customers are more likely to bail out any banks that they feel insecure about - with any information (good or bad) they gather. There are so many competitors out there, that I believe banks should take action fast, and ditch SMS OTPs for good.

Jewel: But here is one thing that I think Banks or any enterprise trouble the most: it is how to change fast without investing so much time, work, and money. What solutions out there are fit for the business. There are a lot of solutions - services from hundreds of companies.

Hanh Ngo: At KMS Solutions, we often get questions like this. In the Payment Function, there are tons of solutions out there. We believe that there isn't a perfect solution that could apply to all. But there will be a suitable choice for each bank, depending on their business and legacy system, as well as their vision.





Hanh Ngo: This is not a fashion show, being trendy is not the end goal for banks. Trying to adopt new technology as much as possible, develop applications, and apply services without a sustainable strategic roadmap, will be costly for businesses in the long term.

Jewel: For true that payment service presents the face of the brand, it is the critical customer touchpoint. Building an in-house team just to develop a function - an app, Banks may be forced to choose between equally costly, difficult, and human resources. Another option is to outsource the project. And here comes another question to ask: what if they end up paying too much money, and then they are stuck with rising costs with no satisfaction.

Hanh Ngo: Modernization is always urgently required. However, it is incorrect to state that the only option is either build or buy. There is a middle ground. This starts with banks recognizing their starting place and articulating a clear vision for the role that payments will play in the future. The focus should be on flexibility. They could use the core technology for banking that is easy to integrate, adapt, and custom. It's important to innovate by putting customers in the center of business.

Jewel: Yeah and apply the right solutions, banks will no longer invest too much in OTP SMS. Each OTP code sent via SMS costs about 500 VND, which, if multiplied by 50-80 million transactions to be authenticated monthly, can accumulate to dozens of billions.

Hanh Ngo: There's no doubt that SMS is costly and still vulnerable to hackers. Nowadays with the help of modern technology, many solutions can be integrated into banking products thanks to pre-built APIs. Moreover, its interface can be customized to suit banks' brands.





Jewel: So how do banks know what factors should be considered?

Well, typical examples are overdrafts or business lines of credit, credit cards, bridge loans, or invoice financing. These are typically short-term loans - often revolving credits - which are repaid partially or fully upon a certain event, for example after salary receipt, payment of invoices, or the sales of your home.

Hanh Ngo: Depending on the customer segment, the duration of the credit, and the type of loan (revolving versus installment), dozens of loan products have been invented to support these different types of financing objectives.

Jewel: I think to the audience here today, some of them might believe that transformation in banking is just developing a new app - a new platform and adding new features. But clearly, digital transformation in banking has banks of all sizes scrambling to adopt new technologies and services across the board.

However, adopting new technologies and changing the whole core system is not a 1 day 2 days work. So how can they accelerate this transformation without data risk and ensure the quality at all channels?

Hanh Ngo: For fast and efficient transformation, one of the ways banking businesses around the world is moving towards is the application of Scaled agile in the enterprise, especially in the software development process.





Hanh Ngo: We can consider Digital OTP (or known as Smart OTP). Smart OTP allows users to actively obtain OTP authentication codes.

However, in this Digital OTP, there is a new advanced technology that doesn't require the customer to enter the OTP or PIN code, called mobile transaction authentication signature (MTAS) - which allows bank clients to confirm their transactions in any digital channel (online banking, mobile banking, CNP operations, telephone banking, and others) with a high level of security and convenience.

Jewel: So basically, banks have 3 options for the Payment Function: OTP SMS (one-time password) which is the traditional payment process service; second is the Digital OTP - can be hardware or software OTP generators, static PINs, or even scratchcards; and lastly, the new method called mobile transaction authentication signature (mTAS in short). Right?

Hanh Ngo: Yes, that's right. I can say that right now, there are a lot of Banks that have adopted Digital OTP to replace the traditional OTP SMS. But for me, I'd prefer mTAS - mobile transaction authentication signature.

Jewel: How's the difference between the original Digital OTP and the new technique - mobile transaction authentication signature (mTAS)?

Hanh Ngo: First, with mTAS, customers no longer have to input OTP. That will make the customer journey simple and convenient.





Hanh Ngo: Second, it can apply with no denial of service in roaming and off-line modes.

Unlike OTP, mTAS is bound to the payment details and the user's smartphone. This solution protects from the most common security threats in digital banking such as SIM swap fraud, social engineering, phishing, account replacement, and many others.

Jewel: However, I think this method is still new and requires work and time for Banking. Do you have any suggestions for banks to apply for mTAS?

Hanh Ngo: Well, for this service, what's pop up in my mind right now is PayConfirm of Airome Technologies. Airome Technologies is a Singapore-based developer of cybersecurity solutions for digital banking and e-document management systems. PayConfirm can be integrated directly into the mobile banking app using pre-built APIs, and perform not only secure but also user-friendly interaction. Also, with PayConfirm, transaction confirmation was reduced by 3.5 times; the level of fraud in mobile and online banking was reduced by 70-75%.

Moreover, the thing that I like the most about PayConfirm is that PayConfirm can be easily embedded into the banking mobile application or work as a customized stand-alone app. So compared to such methods of transaction confirmation as SMS, scratch-cards, MAC-tokens, and others, PayConfirm makes the process faster, more secure, and user-friendly.

So that's why KMS Solutions decided to partner with the Singapore-based provider of banking cyber-security technologies to embed PayConfirm in its platform and bring it to the Vietnam market.





Jewel: So obviously this new method provides a superior authentication process in both convenience and security that helps authenticate important information through digital signatures on mobile devices, including electronic transactions and documents.

For the audience who listens to this podcast, I think it's important for us here to stress that careful research and considering tons of solutions out there is a must. While PayConfirm is a great option among many others on the market right now, what banks need to focus on is how to authorize banking operations with world-class standards of security for preventing unauthorized transactions caused by a man-in-the-middle, phishing, or social engineering attacks.

Jewel: Thank you Hanh, this is really helpful for not only the banking industry but also any businesses that do transactions online, why payment modernization needs to be the focus for BFSI transformation in today's market. Great to have you today.

Hanh Ngo: It's my pleasure. I'm happy to be here. Thank you, Jewel.

Jewel: Guys, you've been listening to Tech On Mic, an original podcast from KMS Solutions. I'm Jewel. Thanks for listening. If you liked what you heard, leave a review on our channels, and don't forget to subscribe so you never miss an episode. This week's episode was all about why payment methods need to be the focus for BFSI transformation. For more information about Digital Transformation for Enterprise, visit kms-solutions.asia to learn more. Thank you and see you again.



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KMS Solutions is a member of KMS Group, specializing in consulting and providing modern and advanced technology solutions to digitalize business, optimize business operations, improve competitiveness and grow sustainability in the digital age.

Through its global reach and strategic partnerships with many of the world's leading technology companies such as GoodData, Katalon, Mambu, Kuliza, Airome, Scaled Agile,... KMS helps develop, deploy, integrate, optimize and operate solutions according to international quality standards. KMS Solutions' success is ultimately measured by the positive impact that it makes on the client's business

For more information about KMS Solutions,

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