IPBS - Across the Bow – Volume 23

This year has seen the biggest global upheaval in recent times with entire nations entering lockdown in order to combat Covid-19. The impact on business has been stark. Many employees were furloughed, and many more jobs have been lost or are at risk. Those that remain in the workforce face an entirely new challenge with remote working.

Technology has had a crucial role to play in helping companies to adapt to the new normal (whatever that means!), and this newsletter announces an exciting new partnership between IPBS and Liquidus which opens up significant digital onboarding benefits to our customers. We cover some interesting viewpoints on the role of technology, as well as the latest cyber threats thanks to our partner Sequrest, and finally revisit The Bahamas as a vital International Financial Centre and look at how it has changed in recent years.

During this difficult time for many, the most important thing remains our health and wellbeing and I hope above all else that you and your families remain safe and well.

Regards
Bruce G Raine
Bruce Raine
CEO and Founder
International Private Banking Systems

New partnership with Liquidus offers digital onboarding to our customers

We're delighted to announce our partnership with Liquidus, a Regtech identity solutions provider to the financial services sector.

The agreement covers the Caribbean region and opens up the potential for customers to benefit from an estimated 75% reduction in onboarding time and cost with improved AML and KYC compliance.

Liquidus is a Bahamas based technology company that delivers innovative digital identity onboarding and compliance solutions. Their technology creates a 'master digital identity' of end users on Liquidus' proprietary Hyperledger Fabric blockchain which keeps them in a 'constant state of compliance'. This can automate the KYC and AML validation process, and open up the end users to the burgeoning market of digital assets and payments.

With private banking and wealth management being driven towards the digital realm by both our customers and regulatory bodies, we see huge potential in the partnership, allowing customers to benefit from:

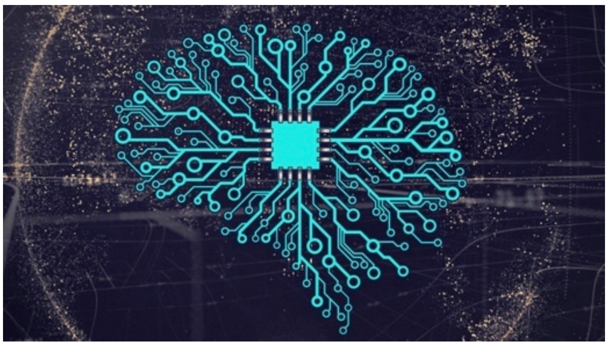
- Digital onboarding capabilities to meet the growing demand from customers to open accounts via simple online web forms.
- Up to 75% reduction in onboarding time & compliance cost by digitising the process.
- Automation of one-off and ongoing KYC and AML validation checks including international sanction screening.
- Automation of the compliance process to meet regulatory requirements.
- A master digital identity of each customer on the Liquidus blockchain that enables greater control for individual customers over their data.
- Customer 'wallets" attached to each master digital identity, opening up the possibility of managing digital currency as easily as mainstream currencies.
- A payment service provider license to offer financial institutions multiple payment mechanisms.

Our customers are keen to embrace digital onboarding especially in light of the Covid pandemic which is driving new contactless and digital processes. By working with Liquidus, we are looking to make it easier for our customers to do business with new clients. Royal Fidelity is our first client to pilot the solution and Mike Anderson, President and CEO, outlines the benefits, "The ability to safely and effectively remotely onboard clients from across the Caribbean is a key benefit. In addition to helping expedite and manage our ongoing KYC and AML requirements, we will be able to provide custody services for digital securities as well as integrate digital currency solutions with our core banking services."

Matt Hinkley, Founder and CEO of Liquidus explains "financial institutions and asset management companies face a competitive environment due to the increased utilisation of technology and are being driven to increase customer satisfaction, improve compliance and offer new products and services. A 75% reduction in onboarding time and compliance costs is revolutionary and this is just the initial advantage of using a blockchain based infrastructure. Reducing onboarding barriers can result in scaling a financial institution into new markets and the ability to manage a lot more clients with the same internal staff. Our technology will change the way financial institutions work, offering early adopters the opportunity to take significant market share. We're really excited about the road ahead with IPBS, their experience together with our onboarding solution; we believe enormous value can be generated within the Caribbean markets."

Please contact us if you'd like to discuss this with us.

Artificial Intelligence and Machine Learning in financial services



Artificial Intelligence (AI) and Machine Learning (ML) will be one to watch in the 20's, offering potential cost savings of $447billion by 2023. According to surveys carried out by OpenText and UBS, 75% of banks with assets over $100billion and 46% of banks with less than $100billion assets are currently implementing AI strategies.

AI and ML promise to make financial services and markets more efficient, accessible and responsive to customer demands, but they also carry considerations in terms of how to use the growing quantities of data, the complexity of techniques and the automation of processes and decision making.

With the biggest cost savings seen across front and middle office, AI and ML create opportunities to drive efficiency across all functions of financial services:

Front office - AI can transform the customer experience by offering faster, more cost effective customer interactions. Creating frictionless customer identification and authorisation with the use of chatbots and voice assistance that mimic live employees, as well as providing personal insights and recommendations for marketing purposes can all be achieved.

Middle office - Anti-Money Laundering (AML) and Know Your Customer (KYC) regulatory checks using AI will detect and reduce fraud, offering a significant cost saving to the financial sector. AI can identify patterns in vast amounts of data and recognise potentially fraudulent transactions more quickly and accurately than human staff. Our latest partnership with Liquidus is a prime example of how we can utilise AI and ML to offer significant cost benefits.

Back office - Underwriting and pricing are examples of where ML is creating competitive advantage. By gathering and analysing data, employees are empowered to make better decisions with more accuracy based on trends and patterns.

AI and ML used in conjunction with safeguard measures such as 'human-in-the-loop' mechanisms and benchmark testing will certainly transform the way the financial services markets operate. But it will need to evolve over time.

It is important to note however that the most powerful AI in the world isn't going to be much use unless the quality of your data is accurate. Creating a central data 'lake' is a complex task in itself and it is this constraint that is the biggest challenge to the financial sector in adopting AI and ML.

2020: The technology landscape ahead

2020 is proving to be a dynamic year for technology in the offshore banking sector. In such a rapidly changing market of economic disruption, evolving customer demands, regulatory change and the pure uncertainty ahead, technology will be an area of prominent focus, with the lure of competitive advantage to those that lead the field.

We expect to see some key trends emerge:

- Offshore banking will continue to embrace technology to drive efficiencies in their business models and reduce costs. A prime example of this is in the client acquisition process where technology is removing the need for a physical presence to open accounts. Digital assistants and online chat bots assist in making the process more cost effective and offer audit trails for compliance purposes. It is also proving to be vital during Covid when many people are reducing the amount of face to face contact they are willing to have. [IPBS has just announced its partnership with Liquidus] to offer digital onboarding solutions to all customers.

- Further investment in cloud technology is almost a certainty in 2020. Better agility, scalability and reliability are seen as big enablers to allow the market to continue to drive leaner, more efficient operations. By deploying the IPBS system in the cloud, we have already enabled customers to benefit.

- There will be a growing focus on customer experience. The capability for technology to gather customer intelligence offers an exciting opportunity to give customers what they really want - mainly simplicity and better personalization.

- Fintech is driving new business models with clients benefiting from the ability to complete transactions at any time, from any location. However, with the increasing use of IoT and mobile devices, cybersecurity threats are only going to become more and more advanced. Institutions will need to invest time and energy to ensure that digital offshore banking remains a safe environment, and that customer data is adequately protected.

It remains for companies to decide whether they will be leaders, or fast followers in the race to gain competitive advantage through technology in 2020. Which one are you?

Contact us to discuss moving your technology strategy forwards.

Country focus The Bahamas : 2020 market focus

All the way back in 2008 we reported on how The Bahamas had earned its reputation as the 'Best International Financial Center in the Western Hemisphere'. Today, we look at how The Bahamas has progressed since then, and the market challenges it has overcome.

Following the global financial crisis in 2008, the strengthening of tax standards and changes in global risk appetite resulted in significant shrinking of assets for The Bahamas. The imposition of tax amnesties in other countries in 2018 led to many of The Bahamas' clients becoming tax compliance in their own countries, and resulted in a further reduction of assets.

But despite market set-backs, The Bahamas remains an ideal jurisdiction based on its robust regulatory framework, political and economic stability, advanced infrastructure, respected judicial and court system, strategic geographical location and highly skilled workforce. The Bahamas delivers a mature, resilient, and stable financial system and boasts decades of experience in private wealth and asset management.

Despite finding its way onto the EU's grey list, in 2020 it was removed from this, demonstrating its commitment and cooperation to the EU's tax governance. The Bahamas has always upheld high standards of transparency and tax compliance and clarified its enforcement of anti-money laundering provisions in its existing laws.

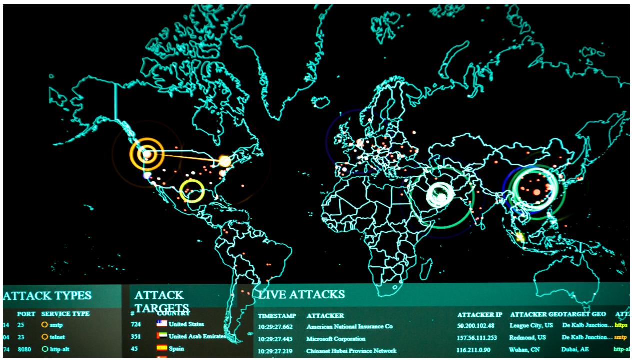
The Deputy Prime Minister and Minister of Finance K. Peter Turnquest commented "The Bahamas has worked diligently to demonstrate its commitment at the highest political level to international standards on information exchange, tackling harmful tax practices and dismantling artificial tax structures."

Today, The Bahamas provides all the benefits of a low-tax financial center without regulatory questions from the EU or other taxing authorities. Benefits such as the absence of direct taxes and double taxation, corporate tax exemptions and low real estate tax make it a favourable place to do business.

With its primary industry - tourism - being affected by coronavirus and hurricane recovery efforts, the financial services industry continues to be an even more prominent contributor to GDP, accounting for 30%. The government continues to incentivise investment with innovative tax laws and we see new trends emerge such as the growth of non-standard funds.

One thing that is certain is The Bahamas continues to retain its global strength as one of the largest offshore financial centres worldwide. If you are thinking of setting up operations in The Bahamas talk to us today, with over 25 years experience in this jurisdiction, we are perfectly placed to help.

Cyber attacks increase as a result of Covid_19



We are pleased to bring you the latest Cyber Security update from our partner Sequrest:

The shift towards a home working culture during the Covid pandemic has resulted in a proliferation in cyber attacks. An increase in DDoS attacks of over 500% has been reported in the first quarter of 2020 compared to the last quarter of 2019. These trends have been attributed to the rise in demand of online services by remote workers during lockdown, when consumers have been at their most dependant on connectivity and accessibility.

A DDoS (distributed denial of service) attack - where the attacker floods a victims site with multiple requests exceeding the website's capacity - disrupts the availability of the target's systems and can cause severe financial and reputational damage to the victim.

Cyber attacks have been targeted at multinational organisations as well as consumers, with companies including Virgin Media and IBM suffering outages, and Honda and NASA also falling victim in recent months. The largest DDoS attack ever recorded hit a European Bank in February with 2.3 Tbps; an attack which took 3 days to contain. 6 universities in the UK, US and Canada have been hit by the Blackbaud attack and 31 US companies, including Garmin Services, were hit by EvilCorp which has ties to Russia. UK NCSC reported that Russia has attempted to hack organisations within the US, Canada and UK, with Cosy Bear (an arm of Russian intelligence) being blamed.

Group-1B has exposed a Bitcoin scam which exposed the personal details of 250,000 people and TikTok is under scrutiny for harvesting data. India, Japan and the US army have banned TikTok following independent investigations, while a full ban in the US is being considering. TikTok collects data from your camera, mic, GPRS, photos and contacts as soon as it is installed but TikTok and China are denying that this data goes to China.

Cybersecurity is set to be an area of ongoing priority for the financial sector moving forwards as external influences continue to change the way we work, and attackers adopt new strategies to exploit vulnerabilities.

INTERNATIONAL PRIVATE BANKING SYSTEMS
POWERING DIGITAL WEALTH MANAGEMENT SOLUTIONS

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