

Digital Banking Risk Management - POV

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Table of Content

1 Digital Banking Products & Services

2 Regulatory Guidelines

3 Challenges / Risks in Digital Banking

4 Our Understanding of Digital Risk Management



01

Digital Banking Products & Services



Digital Banking Products & Services

Digital Banking is about digitizing all the operations of the bank starting from onboarding of clients, providing of the services, account maintenance, to closure of accounts without any paperwork. In last few years, Digital Banking has grown exponentially due to adoption of smart phones, better connectivity, enabling regulation, advent of FINTECHs and push from the Government

Products & Services

- Fund Transfer
- Bank Statements
- Bill Payments
- Loans and Wealth Management
- Cards
- Payments
- Central Bank Digital Currency
- Customer Grievance Redressal
- Digital KYC / Customer Onboarding

Stakeholders

- Vendors, Technology Service Providers and API partners
- Account Aggregators
- Internal functions and other banks



Channels

- Mobile Banking
- Internet Banking
- Chatbots
- WhatsApp
- Smartwatch
- Digital Banking Units
- Banking outlets including Business Correspondents
- API Partners
- RPA

Regulators

- Reserve bank of India
- National Payment Corporation of India
- Unique Identification Authority of India
- International bodies like PCI

02

Regulatory Guidelines



Key RBI Guidelines for Digital Banking

RBI Master Direction on Digital Payment Security Controls

RBI's Master Direction covers a diverse area, including important security controls covering the Governance and Management of Security Risks, Generic Security Controls, Application Security Life Cycle (ASLC), Authentication Framework, Fraud Risk Management, Reconciliation Mechanism, Customer Protection, Awareness and Grievance Redressal Mechanism related to Digital Payments including Internet Banking, Mobile Payments and Card Payments Security.

RBI Guidelines on Digital Lending

The REs are advised to ensure that the LSPs engaged by them and the DLAs (either of the RE or of the LSP engaged by the RE) comply with the guidelines. The circular covers Customer Protection and Conduct requirements, Collection of fees/charges, Disclosures to borrowers, Grievance Redressal, Due Diligence of partners, Technology & Data.

Draft RBI Guidelines on Outsourcing of IT Services

Draft guidelines on risk management framework for Outsourcing of IT Services, on managing related concentration risk, its periodic risk assessment and aspects of Outsourcing of IT Services

RBI Guideline on Managing Risks and Code of Conduct in Outsourcing of Financial Services

The guidelines are intended to provide direction and guidance to banks which choose to outsource financial services to adopt sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from such outsourcing activities.

RBI Circular Online Dispute Resolution (ODR) System for Digital Payments

Payment System Operators (PSOs) and their participants are advised to put in place system/s for ODR for resolving disputes and grievances of customers for technology-driven, rule-based, customer-friendly and transparent dispute redressal systems

Key RBI Guidelines for Digital Banking

RBI Master Direction - Know Your Customer (KYC) Direction

RBI KYC direction has enabled digital onboarding of the customers through Video Customer Identification Procedure (VCIP), digital KYC procedure and aadhaar OTP based KYC. Further the direction also allow acceptance of e-documents of OVD and CKYC based onboarding.

RBI circular on Establishment of Digital Banking Units (DBUs)

Guidelines for setting up of Digital Banking Units (DBUs) by commercial banks. These are a specialized fixed point business hubs housing certain minimum digital infrastructure for delivering digital banking products and services as well as servicing existing financial products & services digitally, in both self-service and assisted mode.



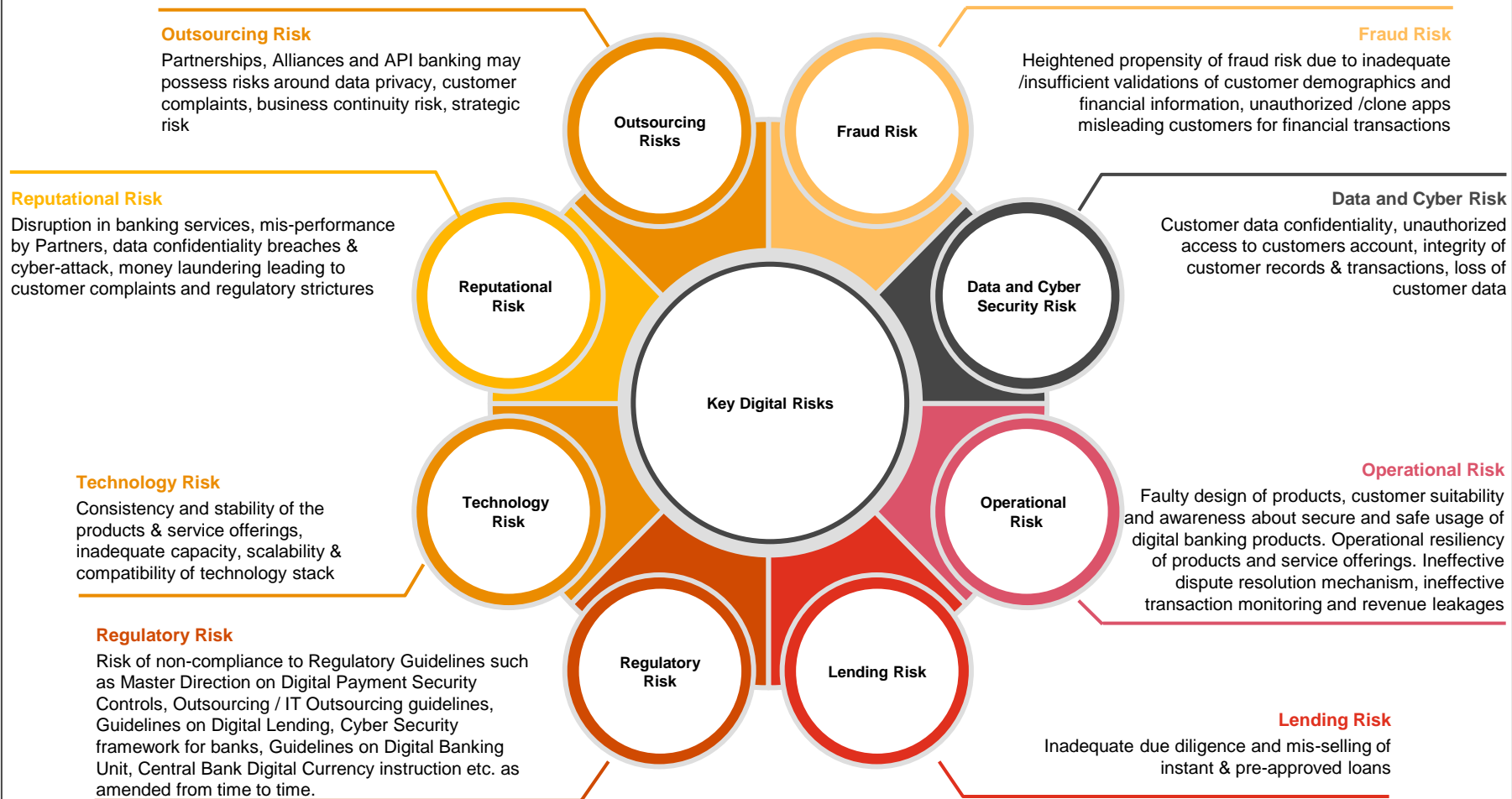
03

Challenges / Risks in Digital Banking



Risks & Challenges involved in Digital Banking

Risks



Challenges

While CDO positions is in place with most of the organization from Product standpoint, however issue of remit of the CDO and clear definition of Digital Banking remains issue within the Bank.

Digital Banking Risk & Controls is managed as horizontally with no verticalization or assessing the same holistically with bank wide view

Banks have put in place Digital Payment, Security & Controls policy, however the same remains in paper and management is done through Disparate Policies & Procedures existing within First & Second LOD

No Bank wide focused ownership & process for conducting Digital Risk & Control Maturity Assessment

04

How can we help you?



How can we help you?

In order to have structured & efficient Enterprise-wide Digital Risk Management, we can evaluate current Policy and Framework to analyze if the capability are aligned to regulatory standards and leading best practices that effectively manages Digital Risks.



Assess the current State

- Existing Product & Service Offerings
- Governance Framework, Policies and Procedures to manage the Digital risk
- Risk Appetite & Product Level Limits
- Roles & responsibilities of 3 LOD, senior management and board
- Digital Banking Product approval process
- Technology practices for development and launch of Product Offerings and Services
- Oversight and Monitoring through MIS, Dashboard & Operational Metrics
- Operational Risk and Information Security Program
- Outsourcing Risk Management of Digital Partnerships & Alliances
- Management Dispute resolution mechanism
- Product Suitability & Customer awareness
- Customer experience and ease of use
- Product benchmarking with respect to customer journey and product offering
- Revenue leakage

PwC | Digital Risk Management



Desired State

- Governance framework laying down clear roles & responsibilities of Board, Management and 3 LODs
- Risk management & Information Security programs for identifying, analyzing, monitoring and managing the specific risks
- Board approved Digital Banking Policy, Framework for introduction of New Products & Services, Framework of Vendor / IT outsourcing risk management and oversight
- Bank wide policies & procedures integrated and aligned with Board approved Digital Banking and Digital Payment Security & Controls Policy
- Availability of scalable & adequate infrastructure, data protection and dispute resolution mechanism
- Operational metrics such as Downtime / Uptime reports, Transaction processing capability & scalability, Security Incidents, KPIs
- Operational Controls such as UAT in multiple stages before roll out, sign off from multiple stakeholders, adequate safeguards to protect integrity of data, customer confidentiality and security of data, secure communication protocol, appropriate level of encryption and internationally accepted security standards etc.
- Periodic Risk Assessment programs such as RCSA, evaluate risk associated with technology platform & application architecture, review of source code, Vulnerability Assessment (VA) & Penetration Testing (PT)
- Monitoring of the product post go-live & reporting to senior management



Deliverables

- Detailed Gap report and recommendations
- Enhanced governance framework to identify, assess, manage and mitigate digital risk
- Refreshed Digital Banking & Digital Payment Security & Controls Policy in line with regulatory guidelines and best practices
- Bank wide Policies & Procedures having Digital Banking touchpoint fully integrated with Board approved Digital Payment Security and Controls
- Oversight and monitoring framework / dashboard by FLOD & SLOD
- Management & Board Reporting requirements
- Digital Banking Risk & Control matrix (Entity Level and Process Level) with Residual Risks
- Assessing digital risks and controls in ICAAP pillar II
- Annual digital risk & controls program for ORM & IS

Thank you

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