

Business India

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June 26-July 9, 2023

- LOSING OUT WITH IRAN
- ANUPAM RASAYAN
- GEMFIELDS GROUP
- P S GROUP

Deepak Parekh
Chairman
HDFC Bank

GOOD GUYS
Can
WIN

SPECIAL REPORT

Losing out with Iran 26
 Basmati rice, tea exports in limbo



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Managing risks well

A technology-enabled monitoring solution helps banks closely observe their borrowers



Vaidhyathan: driving growth and innovation

This is important in today's context, where high volume, value and velocity of transactions make it difficult to monitor genuineness and end-use, resulting in innovative frauds, as well as challenges in tracing movement of funds. While banks already have enterprise fraud risk systems in place, these are focussed on channel frauds and apply mostly to the liabilities side, whereas the problem of credit frauds – which still account for a chunk of overall frauds – remain unaddressed. "This is the gap which the rt360 Real Time Monitoring System seeks to bridge," adds Vaidhyathan, whose company focusses on the risk management and regulatory needs of the banking and finance sector (BFSI), on a global scale.

Adopting emerging technologies

The core of BCT Digital's offerings lies in the ability to identify gaps and building solutions that are specifically suited to India and yet scalable to the global markets. BCT Digital, a niche player in the RegTech arena, adopts emerging technologies to enable financial institutions to mitigate risks, ensure liquidity and improve customer engagement.

Vaidhyathan has over two decades of industry experience across diverse portfolios, including product strategy, innovation, digital transformation, risk management and M&A. She combines her extensive knowledge of financial markets with disruptive new-age technologies to drive growth and innovation in India's leading enterprises and financial institutions.

An alumnus of the Cornell University and a CFA charter holder, Vaidhyathan's professional journey began on Wall Street in the US as an investment banker. Later, she joined HCL, where she was at the helm of large-deal businesses and had won the company's first massive \$780 million deal. Later, as managing partner, financial services, Accenture, she led complex global off-shore engagements, working with geographically dispersed teams. Today, she serves as an independent director on the board of UTI Asset Management Co and IndiGrid. She is also one of two external directors on the global board of PwC and one of two independent directors on the

In January 2023, the Reserve Bank of India (RBI) selected the rt360 Real-Time Monitoring System for the test-phase under the regulatory sandbox, on the theme 'Prevention and mitigation of financial frauds'. RBI has acknowledged that the product is a 'comprehensive surveillance mechanism for monitoring transactions and events from loan accounts on a continuous and real-time basis'.

"The rt360 Real-Time Monitoring System is a technology-enabled

monitoring solution to help banks closely observe their borrowers for signs of probable fund diversion, incipient credit stress, suspicious transactions, etc, on a real time/near real time, proactive basis, rather than relying on a *post-facto* audit," explains Jaya Vaidhyathan, CEO, BCT Digital, which is a part of the Bahwan CyberTek group, a global entity, which delivers disruptive FinTech, RegTech and CleanTech solutions to large organisations across diverse industries.

Customer case studies
Customer Success - Table demonstrating financial impact (savings) of three banks

Bank	Advances book	EWS Coverage	Data Processed (No. of records)	Alerts/month	Savings
Among the 10 largest banks in India	\$26 billion	10,000 accounts with over \$3 million exposure	3 lakh/day 90 lakh/month	~5,000	\$130 million per year
A PSU bank ranked in the top 100 on Fortune India 500 list	\$14 billion	4,000 accounts with Over \$12 K exposure	45,000/day 14 lakh/month	~13000	\$1.2 billion in 2 years
A private sector bank with over \$42 billion in Asset Size	\$22 billion	17 lakhs+ accounts with over \$12 K exposure	1.5 lakh/day 80 lakh/month	~27,000	\$2 billion in 2 years

PwC India Board, while serving as an advisor to high-impact social welfare organisations, like the Mastermind Foundation, an NGO that promotes rehabilitation of mentally challenged women.

BCT Digital is the market leader in the overall risk management space, including an array of products relating to rt360, such as credit risk suite; governance, risk & compliance (GRC) suite; model risk management (MRM); and asset liability management (ALM). Chartis, an analysts’ firm, had ranked BCT Digital amongst the top 100 risk management companies in the world in its 2022 and 2023 global Risktech 100 reports, in recognition of the rt360 product suite. In Chartis’ 2023 report, BCT Digital’s ranking has moved up by 17 places vis-à-vis 2022.

“BCT Digital’s rise this year reflects its robust market positioning and credit business,” says Phil Mackenzie, Research Principal, Chartis. “Its focussed strategy in specific geographies – notably the Middle East and the US – and a strong customer base have enabled cross-selling opportunities in other key areas of risk, notably GRC for energy.”

In fintech space, BCT has been impacting the balance sheets of some of India’s biggest public sector banks through the flagship rt360 risk management suite, since 2016-17. According to current estimates, BCT Digital’s client banks have recovered about ₹2,100 crore every year, which would have otherwise slipped into NPAs. It has created

history by waging a war against fraudulent borrowers that caused the huge NPA crisis in the Indian banking system, which had become apparent in 2015.

BCT Digital built the first technology-enabled point solution, rt360 early warning system, in 2016-17 to address a mammoth problem, which was untouched by large global IT product companies. Today, the product runs in many public sector banks that previously had large, highly complex and exhaustive manual processes, making fraud tracking impossible.

Risk factor

In 2015-16, NPAs of PSBs sharply rose to 7.48 per cent (₹442,192.46 crore of fresh NPAs) from 4.27 per cent (₹208,638.14 crore of fresh NPAs) in 2014-15. “Imagine the risk each bank and the country were facing with the sum total of all the assets just across the public sector banks in India. In 2016, there were no technology-enabled solutions to systematically track and identify defaulters, especially the wilful defaulters, before it was too late,” observes Vaidhyanathan. Under her stewardship, the company came up with a report, *Credit Monitoring Practices*, in India, in February 2017.

Soon after publishing the report, through extensive meetings and surveys conducted among veteran bankers across the country, BCT Digital launched the first-ever point solution for risk management, rt360-EWS. BCT Digital’s first client was a medium-sized

public sector bank in India, with a network of 2,885 branches, which gave it a mandate for monitoring an asset book of over ₹2 lakh crore.

Within BCT Digital’s India portfolio, rt360 EWS monitors corporate loan portfolios of over ₹21 lakh crore. With rt360 implementation and considering a minimum 1 per cent reduction in NPA levels, it is estimated that banks (cumulatively) potentially recover over ₹2,100 crore, which finally flows into the economy every year.

The results are evident in the banks’ annual statements. Over the years, the rt360 EWS is estimated to have saved \$1 billion of assets from fresh slippages into NPAs. Today, BCT Digital serves 10 out of the 12 public sector banks and financial institutions in India,

In 2022, BCT Digital has built products to track environmental, social and governance (ESG) for its clients, which impacts not just their individual performances, but the ESG performance of the overall industry. “Our belief is that investments in climate and sustainability are keys for businesses to become more inclusive, sustainable, display high ethics and integrity by embedding ESG considerations in their business decision-making,” observes Vaidhyanathan.

In recent times, the rt360 suite of ‘made in India’ products has been enhanced in line with latest regulations from prominent regulators, such as the Office of the Comptroller of the Currency in the US, the European Banking Authority, the Central Bank of UAE in the Middle-East and the Prudential Regulation Authority in Australia. This has helped BCT Digital expand to global markets, including the US, and the Middle-east. ♦

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