

EVERYWHERE BANKING



Khan Bank, Mongolia's largest bank, supports rural and urban customers through the power and flexibility of TCS BaNCS

By Bala Apparao, Senior Consultant, TCS Financial Solutions



Genghis Khan Equestrian Statue



Mongolia has one of the fastest-growing economies in the world.

Earlier this year, The World Bank projected that Mongolia would be the country with the highest compounded annual growth rate through 2015. Much of that growth can be attributed to the development of the country's booming natural resource sector, which has an estimated value between \$2 trillion to \$3 trillion in copper, gold, uranium and rare earth metals.

"It's the Qatar of the future," predicts Arvind Joshi, CIO of Khan Bank.

Mongolia is the second-largest landlocked country in the world, measuring up to Iran and Peru in terms of size. At the same time, its population of 2.9 million ranks the country between Albania and Jamaica, giving Mongolia the distinction of being the country with the lowest population density in the world.

Fully half of the population lives in the capital city of Ulaanbaatar. With winter temperatures falling below -40°C , it's the coldest capital city in the world – and the winters last for six to seven months. It's even colder out in the rural areas, where many still follow a traditional, herding-based nomadic lifestyle.

Khan Bank was originally set up as an agricultural cooperative bank to support the rural economy. The pastoralist herders operate largely on a cash basis. "Herders have seasonal income cycles," explains Joshi. "They earn money during shearing and slaughtering season in the springtime, but they need money all year to feed the animals."

Khan Bank has 512 branches and 310 ATMs throughout the country. Many of the bank's ATMs have to be deployed with dual heaters and protective coverings to function in the extreme cold. "Our customers need access to cash constantly, and they

either get it from a branch or an ATM," says Joshi.

Mobile banking is available for rural customers, but it's limited to simple, SMS-based services because smartphones only work in the largest cities. Many rural branches are also limited by slow connectivity using VSAT antennas due to the absence of high-speed data connections. "Everything we offer in a rural branch is simple," says Joshi. "We can't do anything that's bandwidth-heavy, such as image capture."

At the same time, Khan Bank has to offer advanced mobile and online banking capabilities to its wealthier customers and business customers in the cities, who do have smartphones and expect a full spectrum of banking products and services.

Khan Bank plays an important role in helping people make the transition from rural to urban life. "As an example, lending and borrowing takes place when people move out of their *gher*

[portable yurt dwellings] into apartments," says Joshi.

Those business relationships grow as people open their own shops, restaurants, and service businesses. "Small business lending has grown dramatically in the last five years," reports Joshi.

Recently, Khan Bank has also increased lending for supply chain and logistics in support of the fast-growth mining industry and ancillary businesses. Khan Bank is an influential wholesale bank in the region, with offerings including treasury, trade finance, correspondent banking and payments.

In the final analysis, despite the distinctive characteristics of the country, the requirements of running a retail and commercial bank in Mongolia are similar to running a bank anywhere else. "Banking is the same wherever you are in the world," says Joshi. "If you can't give the customers what they want, they'll go to your competition."



SUCCESS THROUGH SELF-SUFFICIENCY

Khan Bank has been a satisfied TCS customer since 2001. “Every single banking product that we offer is based on TCS BaNCS,” says Joshi.

By building the bank’s entire core technology infrastructure on TCS BaNCS, Khan Bank ensures a consistent customer experience backed by unified support. The single-vendor approach also avoids the integration costs of patchwork solutions from multiple vendors. In addition, Khan Bank successfully avoided the risk of being stuck with abandoned or out-of-date technology by relying upon the long-term financial viability and demonstrated delivery capabilities of TCS.

The bank’s full range of products and services are available at every single branch, whether urban or rural. “All of the

branches have the same products on offer, from the day that it’s launched,” says Joshi.

New products can be easily formulated and rolled out using the parameter-driven capabilities of TCS BaNCS. “Once we get a request from the product division, we set it up on the test system and check it. Once the testing is complete, it takes a couple of our on-staff experts about 30 minutes to an hour to set up a new product on TCS BaNCS,” says Joshi. “From there, the customer service and training teams explain the new product over the phone to branch personnel.”

“TCS has taught us to be self-sufficient,” Joshi adds. “Being able to support the Mongolian-language rollout of new products is critical for us.”

Khan Bank is currently working with TCS to implement a new

FAST FACTS

- Khan Bank’s roots go back 80 years to the State Bank of Mongolia. In 1991, the rural assets and businesses were transferred to Agricultural Cooperative Bank, which was privatized in 2003. The name was changed to Khan Bank in 2006.
- Khan Bank is the largest bank in Mongolia, with 512 branches serving an estimated 70 percent of Mongolian households.
- With 2.9 million people living in over 600,000 sq. miles (1.56 million square km) Mongolia has the lowest population density in the world.

AT A GLANCE

Company: Khan Bank

Headquarters: Ulaanbaatar, Mongolia

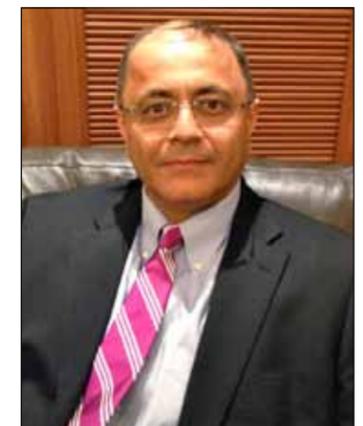
Business Challenge: To serve the diverse needs of both rural and urban customers in a fast-growing economy.

Solution: TCS BaNCS universal financial platform covering retail banking, corporate banking, correspondent banking and institutional banking, with modules including CIF, deposits, loans, treasury, trade finance, payments, general ledger, limits & exposures, user administration, fees & charges, and AML/KYC.



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Arvind Joshi, CIO, Khan Bank



loan origination system (LOS) within the TCS BaNCS platform. Also, Khan Bank has taken pre-emptive steps to adhere with the strict anti-money laundering compliance framework being requested by the central bank. At present, Khan Bank is rolling out, as part of TCS BaNCS, a full suite of anti-money laundering controls including online real-time checking of blacklisted customers, beneficiaries, intermediary banks, transport vessels, and other entities.

Previously, due to poor communications links and non-standard branch procedures, it was possible for customers who were declined for a loan at one branch to try again at another branch. The new LOS will prevent such activity, add automated credit scoring and also implement robust controls around the loan process. “Every branch will have an absolutely standard process of capturing loan data,” says Joshi. “Decision makers

will be able to see a full picture of customer data.”

A VALUED RELATIONSHIP

The relationship with TCS has been instrumental in enabling Khan Bank to maintain high levels of customer service and banking functionality in support of a rapidly-changing population with diverse needs. “TCS has high levels of product knowledge, technical expertise, and depth of capability throughout the organization,” says Joshi. “The team that works with us understands banking at a fundamental level.”

“TCS puts a heavy emphasis on its relationship with customers,” adds Joshi. “That’s extremely valuable for Khan Bank because we’re able to get access to skills and resources as we need them, when we need them.”