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PurePoint Financial: disrupting the US retail savings market

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PUREPOINT FINANCIAL:
DISRUPTING THE US RETAIL SAVINGS MARKET

PurePoint Financial, the digital arm of California-based MUFG Union Bank, has attracted $3bn in deposits since its launch in February 2017. Unlike digital-only banks, PurePoint has opened financial centres in select urban locations, Pierre Habis, PurePoint’s president, tells Robin Arnfield.

MUFG Union Bank is the US subsidiary of Japan’s Mitsubishi UFJ Financial Group, one of the largest banks in the world.

Habis is president and MD, head of consumer banking at MUFG Union Bank, and a member of RBi’s editorial board.

Habis’ vision in founding PurePoint was to reimagine the way Americans save by creating a bank leveraging the convenience of digital technology and offering face-to-face interactions with specialists at its financial centres. So far, PurePoint has opened 19 financial centres in metropolitan areas such as Dallas, Miami, New York and Chicago, and plans to open a further three in the next few months.

One innovation is to display art from up-and-coming local artists on the walls of select financial centres. “We’ve created an art gallery in our New York location and are now offering it in other financial centres,” Habis says. “The gallery brings in people just to see the art who are not necessarily customers, and creates a conversational opening about PurePoint. Our market research found that customers are very attracted to art.”

Habis adds that PurePoint’s research showed that US digital-only banks miss a key component of what would attract people to use them. “The key thing we discovered is that people want to be able to go to a location where they can see a bank specialist,” he adds.

COMPETITIVE INTEREST RATES

“Our minimum opening balance is $10,000, and our customers tend to stay at or above that level,” says Habis. “We are targeting serious savers with our savings accounts and CDs [certificates of deposit], and between February and December 2017 amassed $3bn in deposits.”

PurePoint pays 1.60% APR for instant-access savings accounts with a minimum balance of $10,000, which falls to 0.25% APY for balances of $0.01-$9,999.9, and 1.55% APR on CDs with a minimum balance of $10,000.

Customers can calculate the extra interest on PurePoint savings accounts and CDs compared to lower-interest accounts from 10 top US bricks-and-mortar and online-only banks by using PurePoint’s comparison tool. This provides a sliding bar showing the extra interest paid on balances ranging from $10,000 to $3m for savings accounts and CDs.

HYBRID

“We call ourselves a digitally led hybrid digital bank,” says Habis. “PurePoint has a fully digital offering, complemented with physical locations that are different from traditional branches.

“Our locations are 100% paperless, as accounts are opened digitally by our staff using Microsoft Surface Pro touchscreen tablets. The only paper you would see in our locations is when someone comes in with a cheque to open an account. Customers are not issued with ATM/debit cards,” Habis notes.

PurePoint uses the term ‘financial centre’ rather than branch, as its locations have no tellers, no large desktop terminals, no safety deposit boxes and no ATMs. It refers to its financial centre staff as ‘professional bankers’. “Our centres are completely digital and leverage all the new technologies that many of our regional bank counterparts struggle with,” Habis continues. “We didn’t bolt our new technology onto old platforms. Our core banking platform comes from FIS, but we worked with some other partners for our user interface.”
GOOD RECEPTION

“Our financial centres have been very well received by our clients,” says Habis. “These people are early adopters who have gravitated to direct and digital banking, while the majority of Americans still bank via physical channels.

“We identified an opportunity to serve people seeking the benefits of a digital bank, such as higher interest rates, but also wanting to meet bank representatives in person if they have an issue or a complex question. Because we don’t have high-cost infrastructure such as ATMs and teller counters, we can offer high deposit rates.”

PurePoint also offers a call centre and online messaging including social media for its customers.

“We don’t need financial centres everywhere,” says Habis. “It is a thin network of financial centres, as we just need a handful of financial centres in the right places. PurePoint constantly evaluates new locations for financial centres.”

OTHER PRODUCTS

Although PurePoint is a savings bank, Habis is looking to expand into other depositary products and credit and lending products.

“We want to promote a real savings culture in the US,” explains Habis. “There is a spending culture here which needs to be more of a savings culture. The US Bureau of Economic Analysis says the savings rate was only 5.4% of disposable personal income as of December 2016. Also, there is $8trn in savings accounts in the US that earn less than 25 basis points – this money loses value every year due to inflation.”

As PurePoint does not have its own banking licence, like other divisions of MUFG Union Bank, it passes on deposits to its parent bank. “MUFG Union Bank is a very large and responsible lender in the US,” says Habis.

“Whatever PurePoint has on deposit acts as funds for the entire US bank holding company. But providing a source for funding loans isn’t the prime reason for launching PurePoint. Our goal is to build something to scale and to have a larger presence in the US.

“MUFG Union Bank has a strong presence on the US West Coast. But, instead of expanding by acquisition, we decided to use new digital technology coupled with the strength, stability, and reputation of the bank to reach a new customer base via PurePoint. I’m confident PurePoint will continue to disrupt the US retail banking industry with its new model.”

VISION

Much as he wants PurePoint to succeed, Habis’s long-term vision is to see the US savings rate return to the double-digit levels of the past. He is a passionate advocate for increasing financial literacy education among young people and adults.

“MUFG Union Bank sends its staff into schools in our physical footprint markets to educate pupils on the value of saving for the future,” Habis says. “We’re developing an app to help children and their parents appreciate the importance of saving.”