



# DAILY NEWS AT SIBOS

**FORM3**  
FINANCIAL CLOUD

Sponsored by  
Form3

PRODUCED BY FINTECH FUTURES  
THE ORIGINAL SIBOS DAILY 27 YEARS AND COUNTING

WEDNESDAY 25 SEPTEMBER 2019  
[www.fintechfutures.com/sibos](http://www.fintechfutures.com/sibos)

## ADAPTING TO SHIFTING GEOPOLITICAL & REGULATORY PRIORITIES

### Making payments easy across Africa and beyond

Thabo Makoko at Absa explores how the continent can improve its payments infrastructure.

### Steering the revolution in cross-border payments

Ed Thurman at Lloyds Bank analyses how global trading tensions are prompting corporates to diversify their trading.

**Don't let legacy technology  
impact your customers.**

Move to a cloud-native,  
single API payments platform.



**FORM3**  
FINANCIAL CLOUD

# 20<sup>th</sup> banking technology AWARDS

## SPONSOR THE AWARDS

Sponsors can benefit from lead generation, exclusive networking, and brand awareness across all of FinTech Futures' channels.

Here are a few perks of sponsorship:

### Before the awards

Positioning as the expert in your chosen category. Branding on our awards marketing activities. Branding on the Banking Technology Awards website along with a dedicated sponsor page.

### During the awards

Physical branding at the awards ceremony. The honour to announce the winner in your sponsored category. A VIP table for 12 to attend and network on the day, including drinks reception and a 3-course dinner.

### After the awards

Branding in the follow-up email to all the attendees and the entire FinTech Futures database. Branding on post-event coverage online and editorial in the Banking Technology magazine.

## Discuss your custom package with Jon

**JON ROBSON**  
HEAD OF SALES

EMAIL: [JON.ROBSON@FINTECHFUTURES.COM](mailto:JON.ROBSON@FINTECHFUTURES.COM)

TEL: +44 (0)20 3377 3327

# Contents

- 08 **News**  
Breaking fintech news from across the globe
- 10 **Insight**  
Wallets – the flexible way for banks to maintain competitive advantage
- 11 **News analysis**  
When do digital ecosystems stop performing?
- 12 **News analysis**  
Digital transformation and platform fiction in a real-time world
- 13 **Insight**  
New World of Payments Evolution - Challenges and Opportunities
- 15 **Sponsored insight**  
Bridging the divide
- 16 **Thought leadership**  
Making payment easy across Africa and beyond
- 20 **Sponsored insight**  
Head above the clouds with Deepak Gupta
- 22 **Industry comment**  
Steering the revolution in cross-border payments
- 25 **Sponsored insight**  
IHS Markit introduce Trade Compliance Secure
- 26 **Focus**  
Fintech's growing role in Asia and the world's banking evolution
- 29 **Spotlight**  
Mandates and machines: The power of technology to bridge regulatory gaps
- 31 **Interview**  
Challenging the status quo Guy Mettrick

## 16

Making payments easy across Africa and beyond  
Thabo Makoko, global head of transactional services at Absa, explores how the vast and diverse continent can improve its payments infrastructure.



## 22

Steering the revolution in cross-border payments  
Ed Thurman, managing director and head of global transaction banking at Lloyds Bank Commercial Banking, analyses how global trading tensions are prompting more corporates to diversify the markets they trade in.

## 28

Mandates and machines: The power of technology to bridge regulatory gaps  
Jennifer Peve, managing director, fintech strategy, DTCC dissects SFTR's effects to securities markets participants struggling with navigating conflicting regulatory priorities.



MANAGING DIRECTOR AND EDITOR-IN-CHIEF  
Tanya Andreasyan  
[tanya.andreasyan@fintechfutures.com](mailto:tanya.andreasyan@fintechfutures.com)  
+44 (0)20 7551 9010

EDITOR  
Sharon Kimathi  
[sharon.kimathi@fintechfutures.com](mailto:sharon.kimathi@fintechfutures.com)  
+44 (0)20 7551 9010

DEPUTY EDITOR  
Alex Hamilton  
[alex.hamilton@fintechfutures.com](mailto:alex.hamilton@fintechfutures.com)

REPORTER  
Ruby Hinchliffe  
[ruby.hinchliffe@fintechfutures.com](mailto:ruby.hinchliffe@fintechfutures.com)  
+44 (0)20 7017 5709

REPORTERS  
Jane Conolly  
Alara Basul

SALES MANAGER  
Jon Robson  
[jon.robson@fintechfutures.com](mailto:jon.robson@fintechfutures.com)  
+44 (0)20 3377 3327

BUSINESS DEVELOPMENT EXECUTIVE  
Sam Hutton  
[sam.hutton@fintechfutures.com](mailto:sam.hutton@fintechfutures.com)  
+44 (0)20 7017 7017

MARKETING MANAGER  
David Taylor  
[david.taylor@fintechfutures.com](mailto:david.taylor@fintechfutures.com)  
+44 (0)20 701 75379

MARKETING EXECUTIVE & DESIGNER  
Kiran Sandhu  
[kiran.sandhu@fintechfutures.com](mailto:kiran.sandhu@fintechfutures.com)  
+44 (0)20 7017 7377

ONLINE  
[www.fintechfutures.com/sibos](http://www.fintechfutures.com/sibos)The Daily News at Sibos is an independent publication, wholly owned by Knect365, an Informa business.

© Daily News at Sibos 2019

All rights reserved; Daily News at Sibos material may not be reproduced in any form without the written permission of the publisher.

PRODUCED & PUBLISHED BY  
Fintech Futures  
Maple House  
149 Tottenham Court Rd  
London W1T 7AD  
UK

PRINTED BY  
Hobbs the Printer Ltd  
Hampshire, UK

**DAILY NEWS AT SIBOS**  
Published by  
**FINTECH FUTURES**

**LEAD** the discussion

**MEET** your prospective clients face-to-face

**DISCUSS** industry problems & the solutions

FinTech Futures will **produce, promote** and **host** a forum for you and at least 40 delegates

## TO REACH NEW CLIENTS TALK TO:

**Jon Robson**

Head of Sales

Email: [jon.robson@fintechfutures.com](mailto:jon.robson@fintechfutures.com)

Tel: +44 (0)20 3377 3327

**Sam Hutton**

Business Development Executive

Email: [sam.hutton@fintechfutures.com](mailto:sam.hutton@fintechfutures.com)

Tel: +44 (0)20 7017 7017

## Editors note



Adapting to shifting geopolitical and regulatory priorities is the theme for this penultimate edition of the Daily News at Sibos 2019.

Thabo Makoko, global head of transactional services at Absa, explores how countries in the south of the African equator can improve their payments infrastructure, highlighting examples from Zimbabwe and South Africa due to the rising remittance trend in the region as around three million Zimbabweans currently work abroad in South Africa.

However, due to domestic issues cash is very difficult to access in Zimbabwe. On the plus side, this has forced the country to speedily adopt mobile and digital payment infrastructure. But for a worker in South Africa trying to send money back to their family, this presents a problem.

Ed Thurman, managing director and head of global transaction banking at Lloyds Bank Commercial Banking, analyses how global trading tensions are prompting more corporates to diversify the markets they trade in. He argues that banks have a pivotal role to play in developing innovative, relevant and easy-to-use technology to support faster, cheaper cross-border payments.

Jennifer Peve, managing director, fintech strategy, DTCC dissects the Securities Financing Transactions Regulation (SFTR) effects to securities markets participants struggling with navigating conflicting regulatory priorities.

Although the challenge is complex, Peve believes that there is good news, as existing technology can bridge these gaps, help alleviate current regulatory burdens and add value while newer technology is being developed.

Check out our website for more features and reports on shifting geopolitical and regulatory priorities in the fintech industry and this year's latest Sibos news.

Editor, Sharon Kimathi

## Why operational excellence in payments is critical to your future success

Live at Sibos with Red Hat

Thursday September 26<sup>th</sup> at 10 am

Moderator: Sharon Kimathi, Editor of Fintech Futures

Speakers:

1. Tim Hooley, Chief Technologist for EMEA Financial Services at Red Hat
2. John Cowan, Senior Vice President at CBIC Banking
3. Sophia Wikander, Head of Mobile Pay, E-commerce and Business Innovation at Nordea Bank

Improving your operational efficiency is on the forefront of competitive advantages. And it's your leadership that is helping you thrive in this hyperconnected world. But could you be doing more? Should you be considering different approaches?

Join us for this virtual fireside chat from Sibos with Red Hat, CIBC and Nordea Bank and learn:

- Steps taken to improve the design of their payment operational processing
- Strategic tips and lessons learned in building and executing payments strategy
- How technology that simplifies complexity can also help create a more agile culture?

The webinar will be live on the FinTech Futures BrightTALK channel on 10 October. Sign up on the FinTech Futures BrightTALK channel to tune-in to the discussion.



## Banking experts on how APIs improve efficiency

APIs enable frictionless interactions across a variety of platforms, and the connective capability helps cut costs for financial services. Tech giants do this exceptionally well, using APIs to build new products and improve operational efficiency, writes Alara Basul.



“Every business should be investing heavily in automation and machine learning. And then there’s APIs - if you don’t use them, you’re not at the table.”

Andrea Melville from Lloyds agrees: “APIs are the

backbone that helps us deliver a frictionless service. We also look at how to improve our internal systems to efficiently interact between one platform and another.”

“The question is what we don’t do with APIs,” says Andrew Smith from payments start-up ClearBank. “It’s at the root of everything we do. If you want a real digital experience you’ve got to use APIs.”

“Uber and WhatsApp are a great example of real-time APIs that solve consumer needs. The payments industry should work in the exact same way,” says Andrew Smith from ClearBank.

Paud O’Keefe from BNP Paribas Securities Services points out two main reasons: efficiency and cost as the driver from a business perspective, and openness and visibility of data as the enabler from a client perspective.

## SmartStream unveils AI-driven instant reconciliations tech

SmartStream Technologies has launched a new instant solution that it says will slash the time and effort involved in the reconciliations process, reports Jane Connolly.



you could say.”

The new cloud product is securely and globally accessible, with no installation or configuration required.

“SmartStream Air is a complete

game changer for reconciliation and transaction control,” says Andreas Burner, CIO of SmartStream’s Innovation Lab that was launched last year. “Our innovative machine learning models incorporate more than 20 years of experience and have been optimised to auto-configure complex scenarios.”

He adds: “SmartStream Air and its incorporated artificial intelligence technology is completely automating transaction control processes and scales our clients’ productivity significantly.”

The company says that SmartStream Air has been successfully tested by a number of tier one banks and has already been implemented by customers.

The new product, SmartStream Air, uses transformative artificial intelligence (AI) algorithms to auto-configure reconciliations of any data structure. The company says this compares favourably with the long implementation times and limited domain understanding of existing solutions on the market.

“The solution is underpinned by sophisticated machine learning technology”

“SmartStream Air is like having a highly skilled virtual operations team on hand that you can tap into on demand,” says SmartStream’s CEO, Haytham Kaddoura.

“It is the only truly instant reconciliations solution currently available, producing accurate results within seconds. The solution is underpinned by sophisticated machine learning technology and it is continuously improving, meaning that results only get better as time goes by. Reconciliations have met their match,

## Sibos 2019: London could be “centre of the world” for RMB

London has the potential to be the centre of the world for Chinese RMB, according to Charles Li, CEO of Hong Kong Stock Exchange and Clearing (HKEX), should his firm’s proposed £32 billion merger with the London Stock Exchange Group (LSE) go ahead as reported by Alex Hamilton



Speaking at the second day of Sibos 2019 in London, Li says that he believes a successful deal would “unlock the last frontier” of capital markets and create a network that would stretch across the globe.

Li says that he believes a successful deal would “unlock the last frontier” of capital markets

“This great city became a global financial centre because [it] took the dollar and became the dollar centre outside of the United States. In 20 years this city is going to be the RMB centre, it’s going to be the euro centre, it’s going to be the centre of everything.”

HKEX submitted its surprise £32 billion bid for the LSE in September. The latter rejected the bid, stating that it did not believe that HKEX would give London the best platform for China. LSE has since gravitated towards a partnership with the Shanghai Stock Exchange.

“We need to have a market infrastructure globally that can underpin the two centres of gravity that are East and West,” says Li. “It’s a very simple vision but a very big dream. We want to create an unrivalled exchange across time zones, across currencies.”

A merger between the two groups would create the world’s third-largest exchange, after the US-owned Intercontinental Exchange (ICE) and the Chicago Mercantile Exchange (CME) Group.

Li says that HKEX has wanted to do the deal for “quite a while”, but realises that it also submitted the proposal a little late. He adds that the group wanted to wait until Brexit uncertainties were removed before making a formal approach, but as the outcome became less clear “we decided it was now or never”.

LSE CEO, David Schwimmer, who spoke prior to Li on the conference programme, reiterated the UK stock exchange’s focus on Shanghai. “We have invested for years in our relationship

“We need to have a market infrastructure globally that can underpin the two centres of gravity that are East and West,”

-Charles Li, CEO of Hong Kong Stock Exchange and Clearing (HKEX)

directly with Shanghai Stock Connect, which has been in the works since 2015. We value that partnership and believe its mutually beneficial.”

“We’ve been around for 300 years, we don’t take a short-term perspective on what might be a quick way to get access to something that might not have a strong competitive position.” Schwimmer adds that LSE sees Shanghai as the long-term financial centre of China.

HKEX Li says that his company knew it might take on risk, and loss of face with a rejection. “If I were sitting in David’s chair I would reject it too[...] but we think the opportunity is great and the UK market deserves a look at it.”

LSE is no stranger to mergers and acquisitions. In 2017, EU regulators blocked a £21 billion merger between the LSE and Germany’s Deutsche Boerse. The European Commission said at the time of the deal would have created a “de facto monopoly”.

In 2011 the group attempted to merge with Canadian exchange TMX in a deal worth £2.4 billion, but negotiations were eventually scrapped in the summer of that year after it could not gain majority approval from TMX shareholders.

Li says that mergers of this type have failed in the past is that the opportunities for growth were not there and had hit their ceilings. “It was just people saying, ‘together we can cover a lot of people and fire a lot of other people and restructure, do cost synergies.’ All this was driven by cost synergies, which is really just firing people.”

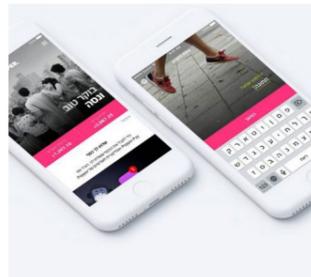
## Challenger bank Pepper creates new app for young investors

Israeli Bank Leumi's mobile-only challenger bank Pepper has launched a new investment app that aims to attract young people to buy fractional shares, reports Jane Connolly.

Offering fractional shares in some 100 shares of big-name companies such as Facebook, Apple, Amazon and Starbucks, traded on the Standard & Poor's (S&P) 100 index, the app is designed to be user-friendly for over-18s with no prior knowledge or experience of capital markets.

The app is designed to be user-friendly for over-18s with no prior knowledge or experience of capital markets

Pepper Invest also hopes to appeal to those turned off by the multiple fees and commissions associated with investing. Its model is based on a uniform quarterly management fee of 0.2% of the portfolio's value (0.08% annually), with a minimum investment amount of NIS (Israeli New Shekel) 50 (\$14).



Michal Kissos Hertzog, CEO of Pepper, says: "Pepper Invest offers a unique trading experience, allowing customers to invest according to their financial abilities, without needing to purchase an entire stock. Pepper Invest represents a veritable revolution, in which technology not only changes

the way we consume financial services, but also serves as a tool for financial education and empowerment of the younger generation."

After registration, buying and selling transactions are conducted through a USD investment account that is dedicated solely to investment in foreign stocks. In the event of the USD account having insufficient funds to complete a transaction, the shortfall will be charged to the customer's Pepper NIS current account by converting NIS to USD at the time of giving the buy order.

© Pepper

## Sibos 2019: Interconnection will mean more flash crashes in FX

"You ain't seen nothing yet," says UBS's strategic development lab head Christopher Purves, who talks about the rise of interconnection between systems in foreign exchange (FX) and how this will cause flash crashes like we've never seen before as reported by Ruby Hinchliffe.



smooth them out."

Refinitiv's managing director and global trading head Neill Penney agrees, saying the vocabulary of flash crashes needs to change.

The panel also

discussed wider issues surrounding FX. Purves talks about the imminent arrival of tokenised cash and how in the next 12 months the industry will see "a new system where money is transferred instantly".

He advises firms in the FX industry: "If you haven't got a token store, I'd start working on that."

As for swaps, when the panel was asked why the FX market is seeing a growth in them, no-one could give a definitive answer.

Penney speculated that it might have something to do with the fact you can hold positions with swaps and keep them rolling, which lends itself to waiting out geopolitical risks like Brexit.

Towards the end of the discussion panelists talked about the future of artificial intelligence (AI) in FX. Purves says UBS has managed to create an explainable version of the market forest algorithm which they are now looking at not only for FX trading, but also for the medical space.

On a Sibos panel discussing the challenges of FX liquidity, Purves says he's of the strong belief flash events "hurt most people" and going forward, as systems begin to work together and offer more transparency, we'll see even more of them.

In less liquidated markets this regulatory push to more transparency in FX will mean that liquidity could be damaged

In less liquidated markets this regulatory push to more transparency in FX will mean that liquidity could be damaged, but the panel also noted the contrary issue, that less transparency means less clarity on what operators cover and a lack of understanding down the chain of what the real price impact is.

Fellow panelist and head of spot and eFX Trading, Dmitry Ilyaev, sees the broader impact of these flash crashes. He says: "As we see patterns, markets can self-regulate. If there are inefficiencies, firms will come in to the market to monetise them and eventually

# Know and trust your customers online.

Fight fraud without sacrificing the customer experience with Jumio's AI-powered identity solutions.

### End-to-end identity verification and authentication

- ✓ Streamline account opening
- ✓ Simplify authentication
- ✓ Deter and detect fraud
- ✓ Meet AML/KYC requirements

# JUMIO<sup>®</sup>

When Identity Matters

[jumio.com](http://jumio.com)

Visit Jumio in the UK Pavilion at Sibos 2019

# Wallets – the flexible way for banks to maintain competitive advantage

By Peter Theunis, Senior VP at BPC Banking Technologies, explains that wallets need to do more than just echo conventional payments

Mobile wallets for payments and loyalty provide the perfect weapon for banks seeking to fight off competition from fintechs. They are also a key driver towards a cashless society. How they can be used to maximum advantage will vary from region to region, but whatever the use case, using a flexible wallet system brings functionality and value that new market entrants have taught today's customers to expect.

## Capturing user imagination

At their heart, wallets are a means of offering mobile payments and of digitising payment instruments. There are multiple ways of achieving this, but irrespective of the functionality, issuer and technology used, they will only capture the imagination of users and generate enough use to justify themselves commercially if they are able to offer additional value, compared to legacy payment methods.

That requirement plays to the key strength of a well designed wallet – their ability to securely store and manage multiple sources and stores of value and applications in one place. This allows for the potential of using several different sources of value, be it multiple payment instruments, multiple stored value accounts in one, or more currencies or multiple coupon schemes to complete one transaction. This makes them useful in both open loop and closed loop ecosystems.

As a result, in Europe and in North America wallets have specific potential as an easy, modern way of attracting younger customers. Millennial and Gen Z customers in particular don't want to engage with branches.

That's something that fintechs have clearly figured out. But because wallet technology facilitates the type of engagement that fits the lifestyle of this demographic, there's no reason for banks to relinquish the younger market to

new players. Wallets allow bank to offer customers of all ages the best of both worlds – fintech style engagement, but reinforced with traditional bank stability.

They also give the user a superior degree of control. It's easy to implement features like daily spending limits and other transaction restrictions to help personal financial management or to enable sharing of some but not all funds and features across multiple users. BPC customers in Europe taking this approach include Banca Transilvania in Romania.

Outside Europe, wallets play a valuable role in financial inclusion in regions where fewer than 50% of people are banked in the conventional sense. Globally, according to the World Bank, up to 1.7 billion people remain unbanked, yet two thirds of them own mobile phones. Reaching these potential customers through conventional card issuing is expensive. Using wallets as a substitute for cards cuts costs sharply.

In that sense, these markets are leapfrogging Europe, where today wallets are often viewed as a supplement to cards rather than a replacement. In the coming years though, cards will be used less and less in all geographies as we move towards token and account based payments, managed through wallets.

Up to this point, we have been talking about open loop wallet systems. But wallets have a lot of potential to offer in closed loop systems too.

## Enabling the growth of B2B marketplaces

In closed loop environments, wallets can promote the development of B2B marketplaces. For example, a bank may offer microloans to small farmers. By providing that loan as value issued through a wallet, it can limit the ways in which the farmers can spend the loan to suppliers already participating within the marketplace who also use the same wallet system. That might be feed or

seed suppliers or it might be government offering utility services.

In that way, the bank ensures the money stays in the system and cannot be lost or misused. The farmer benefits not just from the loan but also from access to potentially subsidised services.

While this type of wallet approach is highly applicable to developing economies where microloans are a feature, there's nothing to stop banks in Europe from developing similar applications for consumers and for SMEs. For example, it could be used to ensure that funds released through remortgaging a property could only be used for home improvements rather than spent on holidays or day-to-day expenses. Insurance payouts can only be used at approved retailers. Alternatively, a corporate loan could be ring-fenced to ensure that it goes on buying materials or stock rather than on entertaining or executive benefits.

On top of that, expenditure could be limited to vendors who are also customers of the issuing bank, again ensuring the money stays within a closed loop system and providing incentives for customers of the bank.

Wallets are so much more than a single solution. Whatever the use case, they are a valuable tool for banks seeking not to cede market advantage in an increasingly competitive environment.

## About Peter Theunis



Peter Theunis is Senior Vice President, Managing Director and Board Member at BPC Banking Technologies. He has spent over 20 years in the IT sector, specialising in electronic payment services. He is an expert on card payments, EMV, SEPA for Cards, ecommerce, mobile payments and related electronic payment systems.

# When do digital ecosystems stop performing?

By Alara Basul, senior staff writer, FinTech Futures

“This would be our starting point. Funds have the biggest potential to automate the process as right now there's a number of steps required. There are a lot of things which can improve.”

- Todd McDonald, CEO of R3 LLC

There are both opportunities and setbacks when it comes to creating a truly digital ecosystem, but vendors should be “aware of the challenges on the supply chain” argues Colin Parry, CEO of Issa at Sibos.

In a panel debate on whether digital ecosystems are inclusive and value-driven, moderator Richard Shwartz from Global Custodian described the traditional ecosystem in financial services industry as “a set of processes in the middle which are supported by the market infrastructure.”

Debating whether digital ecosystems are fit for the digital world, Colin Parry, CEO of Issa, commented that people “should be aware of the challenges and the effects it has on the value chain. Think of a role, such as a registrar, and understand the functions and how it can be replicated in a digital world.”

Todd McDonald, CEO of R3 LLC added: “We've learnt quite a bit about the digital infrastructure. There are vendors that have vast networks, who succeed tremendously in their field, but they're not connected with each other. It's important to initiate the network from back to front.

“Digital asses have come to the foray again in the last few years. It shows the implications of what digital assets could mean for the security world.”

Panelists debated which digital assets are most likely for consumers to buy and sell, and how quickly we can expect a digital currency to be used commercially. “The most obvious digital assets ones are equities, then loans and funds,” said Ivo Sauter, Chief Client Officer at Six Payment Services.

“This would be our starting point. Funds have the biggest potential to automate the process as right now there's a number of steps required. There are a lot of things which can improve.”

McDonald added: “Nobody can predict the real-world use of digital currencies and assets, but my guess would be in the next 2-3 years.”

As well as digital currencies, panelists also discussed Facebook's strategic Libra offering.

“Libra drove a lot of reaction from the central bank community,” said McDonald. The technology is accepted because there's a chance that DLT can help do their job better.

“It gives the central bank community and the regulator a much better view into their ecosystem.”

# Digital transformation and platform fiction in a real-time world

How a hybrid cloud future beckons for the banking industry. By Alex Hamilton, deputy editor, FinTech Futures

Digital transformation is a material journey, one which has been enabled by exponential technology growth and the correlative rise in customer expectations. Shanker Ramamurthy, general manager for strategy and market development industry platforms at IBM, believes that change has occurred so rapidly that now customers' "best last experience" will often become their minimum expectation in the future.

This change in customer experience and expectation is driving a move in the banking industry towards an infrastructure and architecture based in the cloud, rather than on premise.

"There is a transition happening from owning everything that I need to figure out what I can get as a service," says Ramamurthy. "Increasingly in the modern day every enterprise – including every bank – is being forced to make these very hard choices in terms of 'what do I need to own?' The trick is in figuring out how I combine those together in a way that optimises my business strategy for what I want to accomplish."

Every IBM client is operating on multiple clouds, he adds. "The technology world of today is genuinely heterogeneous. A firm will have its own data centre, its own private cloud, and multiple public clouds. A typical example we see is a company operating on three or four clouds, including the IBM Cloud."

That kind of complexity can be tough to manage, Ramamurthy admits. "How do you manage that? It's something a lot of our customers are focusing on. This is what got us down the path of acquiring Red Hat." IBM closed the \$34 billion deal for Red Hat in July. "It was the biggest bet that we



**"What we offer is access that would otherwise require significant research and development to bring the pieces together."**

- Shanker Ramamurthy, general manager for strategy and market development industry platforms at IBM

have made as a company. A \$34 billion bet. We made it because we know the world of tomorrow is going to be a heterogeneous hybrid cloud world."

Ramamurthy says that clients are going to need open modular standards-based software to enable them to work out the best way to operate their workloads. "Red Hat was perfect because its technology is open, and it leverages a whole community's work. It has that modularity. In the old world it would have taken seven years to integrate things. With this new world and the containerisation that comes with it, you can easily move things around – mix and match, lift and shift."

The banking industry is ever-shifting towards platform models, adds the Big Blue GM. The cloud provides the perfect environment on which firms can base a multi-service and multi-product operation.

"The investment required on the scale required to be an infrastructure-

level provider of cloud services means that there are half a dozen cloud providers that will be market leaders like IBM Cloud. What we offer is access that would otherwise require significant research and development to bring the pieces together.

"When it comes to smaller processes often someone will build a service and then the rest will use it. Why build your own HR system, for example, when solutions like Workday exist? This is increasingly happening in banking. We offer insurance processing for group benefits as a platform. In other industries we've got solutions like TradeLens which solve specific problems.

"A bank can do distribution without having to manufacture its products, and it can do it without having to do all the back-office fulfilment. It's a deconstruction of the value chain which decreases time to market, and in today's world – the real-time world – time is the enemy."

## New World of Payments Evolution - Challenges and Opportunities

The global payments landscape is changing rapidly, creating many new challenges and opportunities. These challenges vary enormously, stemming from new format standard regulations, increased compliance obligations, technology developments, and new dynamic entrants into the marketplace.

While these challenges differ in type, they also provide significant opportunities for organizations increase revenue, margins, and customer satisfaction through the deployment of AI & NLP based solutions. Let us first review some of the specific challenges in turn, before looking at the many opportunities also created.

### Format Changes and cross border payments

Financial institutions are currently working legacy message formats such as EDI 820, Local ACH & RTGS formats, SWIFT, FED, CHP, BAI2, XML, Proprietary etc. Use of these various formats creates its own set of challenges in terms of incomplete or incorrect information. There is a global convergence on ISO 20022 message formats, with potentially a single message format for domestic and cross border payments.

Compliance and legacy applications Banks also face increased global compliance and regulatory checks, with the expectation that the complexity and volume of obligations will continue to increase. Banks must of course ensure compliance, while at the same time facing pressures to control the rising costs.

For both payments and financial crime compliance, many Banks are still heavily dependent upon legacy applications. The new payments and compliance requirements of today's market can be challenging for old batch-based legacy applications and static rule-based systems to handle. It can be a very costly and time-consuming option for banks to rip and replace their existing legacy technology.

### Payment visibility and customer expectations

Banks and corporate treasury continue to struggle with payments visibility and the reconciliation of payments and statements. There are still challenges to get timely confirmation on receipt of payments in beneficiary accounts, due to the multiple hops in payments, different message formats and networks. Corporates are still receiving statement data in multiple ways and formats, creating reconciliation challenges and delays.

Increasingly customers expect and demand payments visibility, finality of payments and timely updates, as well as a cost-efficient way to deliver payments and F/X rates. A bank's inability to meet these customer expectations will negatively impact satisfaction rates and retention.

If all of the above aren't enough of a challenge to address, banks are squeezed on two fronts with the pressure to reduce costs, whilst the regulatory cost burden is constantly increasing. This in turn squeezes margins and impacts the ability of many banks to invest in new product offerings.

### Opportunities

Along with the above challenges, banks are also presented with sizable new opportunities to develop new products and services that deepen keep customer trust and enhance the customer experience.

New developments in the payment landscape provide opportunities for banks to streamline their existing payment processing. Banks can look at processing holistically, rather than as a collection of disparate and siloed processes.

### AI Enhancements

It can be extremely costly and time consuming to replace legacy systems. A better approach would be to extend shelf life of legacy applications, with a structured and staggered approach to start decommissioning targeted applications. It is possible to extend legacy systems by working with fintech companies that provide AI, NLP and ML based solution that provide additional add-on capabilities to

existing legacy application. This approach allows banks to leverage newer technology to bring agility and new service offerings to market quicker and cheaper than a total systems replacement would entail.

Banks can leverage existing large sets of data for customers to gain further insight on transactions using Machine Learning (ML) to intelligently modify existing compliance application algorithms or parameters. Banks can also partner with fintech to deploy targeted AI and NLP based applications to further reduce false positives and associated costs, without sacrificing regulatory requirements. This approach in turn will allow banks quickly perform KYC, streamline new customer onboarding, significantly reduce false positives for sanctions and AML alerts, and process transactions faster and in a more cost-effective manner. This will benefit banks with increased customer satisfaction and reduced operational costs.

### New Products and Services

Based on the payment types and characteristics, banks have an opportunity to provide new products and services that are more personalized to meet customer needs – and charge accordingly. Banks now have an ability to provide "Self Service" modes or "Velvet Glove" treatments for customer payment transactions, and dynamically charge for the services offered for same processing of payment.

New ISO 20022 payment formats enable banks to further analyze customer data and behavior, leveraging customer data across all touch points to see a customer's behavior holistically, and be better able to offer new relevant and targeted products in trade, F/X, Cross border, Domestic or FedEx delivery model of payments.

While the today's market challenges are significant, the capabilities of AI, NLP & ML enable banks to seize the significant opportunities to develop new products, provide a more targeted offering and a level of personalization that will increase customer retention and increase margins.

# Don't let legacy technology impact your customers.

The world of payments is moving quickly. Are you ready?

We enable banks and financial institutions to move from their siloed, legacy payments infrastructure to a cloud-native single API payments platform.

Process ACH, real-time and international payments through a single point of access and scale on demand.

Compliance, regulation, maintenance and security is all built in, insulating you from future changes.



**sibos**  
**LONDON**  
**STAND 43B**  
DISCOVER ZONE

We want to hear about your business and where you're headed.

[www.form3.tech](http://www.form3.tech)  
[info@form3.tech](mailto:info@form3.tech)  
[@f3fincloud](https://twitter.com/f3fincloud)

ARTICLE

## Bridging the divide:

### Ensuring financial inclusion for SMEs globally

SMEs are a vital group to the health of the global economy, but they are largely still underserved when it comes to flexible payments services. Access to faster payment services and real-time transaction processing through existing corporate and retail banking offerings is limited and many businesses are still waiting until the next day for the previous days' card takings. In a world where time waits for no-one, it is critical that SMEs are able to access and move money on demand so they can better manage cash flow, pay staff and suppliers promptly and reinvest into the business for growth.

Form3 is on a mission to make payments faster, easier and more cost effective for the global financial community. They provide banks and regulated fin-techs globally simple access to multiple payment schemes including UK (FPS), European (SEPA) and International payment schemes via a single API.

Driven by the desire to help widen financial inclusion and ensure accessibility for all, Form3 is lowering barriers and opening up scheme access so that all financial institutions are able to provide better services to their customers.



Founded in 2016, Form3 enables banks and financial institutions globally to move from their siloed, legacy payments infrastructure to a cloud-native single API payments platform.



There were 5.7 million SMEs in the UK in 2018 contributing 47 per cent of revenue to the UK economy.

### Disrupting for good

Several new challenger banks have been quick to 'undo' the incumbent nature of payments from traditional retail banks and lead the charge on delivering instant payments to their customers while improving the overall digital experience.

Merchant service providers are working hard to help SME's tackle financial barriers to growth and development enabling commerce to be easier and more cost effective. Providers such as Square work with Form3 to deliver access to real-time payments in the UK and Europe, expanding their global support for local merchants wanting instant access to funds.

N26 is another example where making financial life easier is core to their digital banking approach. N26 is working with Form3 to enable their users to make and receive Faster Payments in milliseconds allowing them to compete with Tier 1 banks.

[www.Form3.tech](http://www.Form3.tech)

# Making payment easy across Africa and beyond

By Thabo Makoko, global head of transactional services at Absa

Lack of sophisticated payment systems when it comes to the financial services industry – and the patchy, often inefficient nature of those systems that do exist – has for too long acted as a major drag on African development, not just in an economic sense, but also a social one.

In a vast and diverse continent characterised by large geographical distances along with piecemeal and unreliable physical infrastructure, traditional banking services have struggled to take root, and cash is often king. Payments across large distances – and cross-border payments in particular – usually present a headache in terms of complexity, inflexibility and cost. These factors often make transactions prohibitive for the average individual – and that's in cases where any solution exists at all. In many places and situations across the continent there is simply no efficient mechanism for moving money around in a way that is often taken for granted in some developed economies.

Depending on where you are solutions do, of course, exist. Organisations like Western Union and its brethren have been active in various geographies for some time. More recently, the advent of modern digital telecommunications technology has created a wave of enthusiasm for a new generation of solutions, predicated on widespread adoption and usage of mobile devices. An array of firms from inside and outside Africa, from large international banks through to small fintech disruptors, are racing to deploy a variety of digital, mobile-based solutions with a view to transform the continent's payments landscape.

This enthusiasm is well-placed. But there is still some way to go, and it's worth reflecting on what exactly is needed in the years to come, what the ideal solution needs to incorporate, and where the focus needs to be to get there.

One major drawback of both current and incoming solutions is that it's invariably built for larger transactions, with a focus on commerce, and are ill-equipped to deal with microtransactions, if it can support them at all. Yet microtransactions – the stuff of everyday life – are a key part of the puzzle and will need to be a central focus of any future infrastructure. Trade is important but this is about far more than just trade. More Africans are travelling and working across borders and regions than ever before, and people increasingly need a convenient and easy way of making payments for personal reasons as much as business-related ones. Medical bills, school fees, sending salaries back to families – these important social needs are not being met by the current menu of options.

As well as allowing for these sorts of payments, the solutions that win out will need to be squarely focused on one overarching principle: removing

friction from the process. From the point of view of the sender and beneficiary, the process needs to be as simple and user-friendly as possible and involve the fewest steps, with all complications and technical elements hidden under the surface as it were.

This principle of removing barriers and friction can be broken down into three broad areas: transparency, cost, and ease of use. The more traditional existing services, however useful it may have been historically, fall well short of what is needed on each point. Transactions are complicated and involve multiple intermediaries – often requiring finding a local agent to physically move cash between locations, which in turn involves other nebulous third-parties along the way. Even for those with the means to use such services, the process can be daunting and off-putting – on the transparency front, it involves extended 'black box' time periods where neither the sender

nor beneficiary is aware of where their money is, or who has it. The gap between the sender pressing send and the beneficiary being able to access the funds should be as narrow as possible, and the period in between that the funds are held by third-parties needs to be minimal or, ideally, removed entirely.

At present some of the more traditional solutions have an absurdity to them – moving funds between geographically adjacent nations can involve sending the money on a holiday around the world leveraging existing networks, owing to a lack of technical connectivity between neighbouring nations.

The wave of newer technologically-enabled solutions are of course much further advanced in terms of ease of use, convenience and efficiency when compared to these more traditional systems. However, challenges remain. In terms of cost, for instance, it isn't just a matter of ensuring cost-effectiveness



“The wave of newer technologically-enabled solutions are of course much further advanced in terms of ease of use, convenience and efficiency when compared to these more traditional systems.”

-Thabo Makoko





for microtransactions and affordability, but also allowing for flexibility. Many current solutions, for example, require the beneficiary to burden some of the cost in terms of collecting the funds at the end of the transaction – this is less than ideal for, e.g. a worker trying to send earnings back to their family, who may lack the means to pay on their end. Low pricing isn't everything either – a slightly more expensive but more transparent process will drive adoption quicker than a bargain system that nonetheless involves the user handing their hard-earned money over to a byzantine and opaque process, or one that incurs significant delay. Balancing these factors is crucial.

Ease of use and convenience relates to the user interface (UI) issue as previously mentioned – ideally the process should be as simple as pressing a couple of buttons on a mobile device and seeing the funds drop into the beneficiary account instantly. The more complicated and convoluted the interface and process, the less widespread adoption will be. This is as much, if not more, a question of design and user-focus as it is a technical one.

But UI aside, ease of use also pertains to the scope and size of the network that the solution is plugged into. There's not much point in having the simplest and smoothest UI and process if it can only be used by a few individuals in a few places and locations, or if the beneficiary can't access the funds.

Zimbabwe presents a neat use case that highlights the potential complexities of the challenge here, as well as the importance of the network element. Around three million Zimbabweans currently work abroad in South Africa. However due to domestic issues cash is very difficult to access in Zimbabwe. On the plus side, this has forced the country to speedily adopt mobile and digital payment infrastructure. But for a worker in South Africa trying to send money back to their family, this presents a problem. A lot of the current options are off the table, because it relies on the beneficiary accessing cash in their location to receive the payment. What's needed here, by contrast, is the ability to digitally transfer funds that can then also be spent digitally across Zimbabwe's ecosystem, in shops and other outlets.

All of this underlines the extent to which the main challenges going forward are not, in fact, technological per se. The technical element has come a long way and give or take a few issues that will be ironed out, the technology required to underpin fast, transparent and cost-effective mobile payments infrastructure is already in existence. The real challenge is instead one of design and effective network-building. The solution will not come about thanks to this or that revolutionary platform alone. Building a convenient payments structure that can be used by millions for everyday transactions across 54 countries is necessarily a matter of collaboration and

partnership.

Those firms that end up dominating the space will be those that are currently working hard to form these alliances and connections – between financial institutions, governments, outlets, telecoms companies and so forth. Banks will also have to form a kernel of the network – while there is a lot of excitement about the potential for fintech disruptors to sidestep traditional banking infrastructure, pre-funded accounts will have to be part of the answer for driving initial adoption, and large banks are best placed to provide this essential element.

While there is still some way to go, progress has been rapid, and it seems that a new age of payments infrastructure is about to dawn across the continent. The eventual winners will be those that focus on these principles of user-friendliness and network-building. And for those that can get ahead in Africa, the opportunities don't stop there. Africa is far from the only place in the world that suffers from patchwork, archaic and inefficient cross- and intra-border payments infrastructure.

Thanks to the continent's advanced telecoms infrastructure and lack of traditional banking services, it is in many ways the ideal proving ground for systems that could end up transforming the entire globe. Those that can get their strategy and approach right now will gain a critical advantage in the emergent landscape.

# Empowering the payments r-evolution



© erichon - stock.adobe.com

Visit us at **stand I120**

[solutions@tasgroup.eu](mailto:solutions@tasgroup.eu) | [www.tasgroup.eu](http://www.tasgroup.eu)



# Head above the clouds with Deepak Gupta

By Tom Groenfeldt senior staff writer at FinTech Futures.

“Volante is offering free RTP/ instant payments processing on the cloud with no charge for implementation, service or transactions.”

- Deepak Gupta, global head of Software-as-a-Service (SaaS) at Volante Technologies

Deepak Gupta, global head of Software-as-a-Service (SaaS) at Volante Technologies, took some time out to speak to Tom Groenfeldt about the advantages of financial institutions moving their payments processing infrastructure to a managed service running on Microsoft Azure, AWS or other cloud platforms.

Gupta began by articulating the fundamental benefits of the as-a-service approach using cloud technology. “Cloud offers lower cost, faster deployment and a vendor-managed service. Banks don’t have to buy hardware, updates are implemented immediately without any burdens on IT, the system scales up to meet demand and payments become an operating expense rather than a capital investment.”

Volante is a leader in the payments business with VolPay which combines corporate to bank connectivity, corporate onboarding, and end-to-end processing of all domestic and cross-border payment types, including real-time/instant, in a unified on-demand cloud service from capture through to clearing.

In the many conversations Gupta has had with leaders in banking, he sums up the essence of their observations, “Banks are under pressure from competitors, regulators and customers so they are looking at every opportunity to improve efficiency and reduce time to value. By moving payments to the cloud, banks can have a system up and running in weeks rather than months or years. Until recently, issues around security were a major concern, but cloud technology has matured considerably in the past 2-3 years

– it is now far more robust and is proving a serious option for them.”

The payments business is huge and keeps growing – more than \$2 trillion in revenues. If payments were a country, it would be in the top 10 largest by GDP, bigger than Brazil.

However, said Gupta, because volumes are growing faster than revenues, margins on a per-transaction basis are falling, which is why payments processing on the cloud is an essential component of any payments modernisation programme the right cloud strategy can deliver savings of over 40% in total cost of ownership (TCO).

Cloud is especially relevant today as the payments business is undertaking the biggest change in decades since automated clearing house (ACH) technology was launched the cause of this change is the move to real-time payments (RTP) that we are witnessing across the globe.

“Every mid-sized and large bank knows they have to offer RTP / instant payments to their customers to stay ahead. Tier one players have figured it out because they have the resources, but a mid-sized or small bank wants to consider RTP / instant payments as a service rather than an in-house deployment because they know the time, and cost it takes to change legacy systems as well as the risk of getting it wrong.”

Adding to the deterrent of an in-house build, is that these smaller banks are already stretched with regulatory requirements, including the Second Payments Directive (PSD2) in Europe and

they simply don’t have the bandwidth to deal with such a challenge.

“Volante has been providing financial message integration and payments processing for the past 20 years,” Gupta said. “We have a large maintained and growing library of APIs for most financial message standards and banking and corporate enterprise resource planning (ERP) systems to support rapid implementation times. If a customer has a homegrown system, we can build the interface very quickly, with very little coding if any it’s all about configuration,” he stated.

One additional challenge posed by RTP is the requirement for RTP services to operate 24x7x365, facilitating account-to-account transfers within seconds, whatever the day or time. Accommodating zero downtime can be a significant burden for legacy infrastructures, but is a natural fit for cloud-native architectures.

Corporate and wholesale banks are being driven to offer RTP capabilities to their corporate clients, as corporate treasurers are showing strong interest in RTP, especially for managing intraday liquidity. This is especially valuable for large corporations for whom reconciling start of day and end of day positions with intraday movements, can be a real challenge.

Another area where corporates find value is receivables – corporations that receive a lot of payments by check or traditional ACH have shown interest in receiving RTP, not just for the speed, but for the ISO 20022 information that travels with the payment. An RTP transaction can carry with it the entire content of pages of check



stub and remittance information, moving the reconciliation process to automated electronic straight-through-processing.

Certain industries have been faster than others in moving to RTP. The insurance industry wants to make payments to customers quickly after a claim is approved so the customer can get their home or business back into use after an unfortunate accident or disaster. Businesses that import or export, such as companies that need to receive and pay for raw materials for their manufacturing processes for “just in time” operations find that real-time payments simplify operations and the finance behind them.

As companies compete on speed and convenience, traditional payments become a business problem. Sellers on Amazon, which can deliver in two days, one day or same day, face financing charges or running out of stock if they have to wait three or four days to get paid. Uber can pay its drivers in near real-time up to five times a day, a real edge in the gig economy. It is clear that in today’s payments industry transformation efforts, RTP / instant payments is a fundamental component in this space.

Now banks of any size can offer real-time payments with VolPay as a cloud-based service, from payment capture through to clearing.

“Our end-to-end payments processing

platform, VolPay, was built for true cloud deployment, it isn’t a legacy system which is often found in other options that are placed into a cloud environment. As a cloud-native payments processing system, VolPay is an ecosystem populated by microservices-based, fully interoperable payments business services, so users can choose which pieces of software they want to use and then configure it the way they want to suit their payments processing requirements,” Gupta added.

Volante partners with Microsoft Azure, as well as on other well established and popular financial services clouds such as AWS. With cloud, banks can scale to meet demand with ease. When new features become available, users can just turn them on, no need to bring in armies of programmers.

VolPay provides the same software on the cloud for small banks that it does for the tier one banks. In fact, Volante is offering free RTP/ instant payments processing on the cloud with no charge for implementation, service or transactions.

“We have the software built for cloud; large maintained libraries for rapid integration and financial message transformation; we offer products that scale impressively and, the time to value we offer is very, very quick; we can implement in 60 days or less. For these reasons we are seen as a disruptor,

because we are challenging the current modus operandi of the legacy systems approach,” he said.

“Some banks, often the larger institutions, have a need or desire to own end-to-end delivery to customers. They have the resources and they can do it themselves,” said Deepak.

But increasingly, Volante is hearing from mid-size, smaller banks, and even from some very large banks, that they have a ‘cloud-first’ strategy – anything new goes onto cloud – first.

Volante’s free RTP service includes connectivity with US TCH RTP or EU SEPA instant payments (RT1 or TIPS) and is offered as-a-service on the cloud, with the same tech as tier one banks. The firm is democratising payments by providing easy access to the same level of technology and opportunities to all types and sizes of banks through a single platform on the cloud.

Gupta concludes with “We believe passionately that any bank, regardless of size, should be in a position to offer immediate payment capabilities to their customers as a fundamental building block of their payments modernisation journey. And by offering RTP processing free of charge, we are encouraging banks onto the path of payments modernisation and the creation of innovative banking services and products.”

# Steering the revolution in cross-border payments

By Ed Thurman, managing director and head of global transaction banking at Lloyds Bank Commercial Banking



Global trading tensions are prompting more corporates to diversify the markets they trade in. As they do, banks have a pivotal role to play in developing innovative, relevant and easy-to-use technology to support faster, cheaper cross-border payments, argues Ed Thurman, Managing Director and Head of Global Transaction Banking at Lloyds Bank Commercial Banking.

It's become a fact of modern life that we all expect payments to be made instantly. This is quickly becoming as true in the corporate world as it is in consumer space. Innovative payment service providers are therefore increasingly focusing on providing faster and more convenient payments to businesses – as well as consumers – while simultaneously safeguarding security.

Nonetheless, it's mostly either low-value or domestic payments that can currently be made in real time. But we're aware that corporates increasingly want real-time payments that are both cross-border and high value. Consequently, we expect the momentum for change in this area to gain pace. Indeed, we're actively looking to facilitate it.

Quite apart from the speed with which cross-border payments are made, there's another fast-emerging – and equally important – trend. This relates to transparency.



“It's become a fact of modern life that we all expect payments to be made instantly.”

- Ed Thurman

In short, corporates increasingly want greater visibility over their payments, giving them the ability to track and locate payments at any point. This will allow corporates to analyse what's happening in far greater detail and use that insight as part of their management information.

So, what needs to happen to support fast and transparent cross border payments?

For a start, there needs to be greater alignment between regulators. To create global standards agreed upon by everyone, it goes without saying that everybody needs to be pulling in the same direction. Fortunately, the Bank of England already recognises the need for a greater globalisation of standards. If other central banks and

regulators also see these benefits, we can hope that they will play their part in encouraging that globalisation still further.

Second, technology truly needs to step up to the plate. Application program interfaces (API) and distributed ledger technology (DLT) – of which blockchain is a part – are both examples of technologies that are helping enable globalisation by harmonising standards and increasing transparency. For example, Open Banking and the second Payment Services Directive (PSD2) have done this domestically, but they are only focused on their own markets. At some point, both the technologies and the regulations need to converge to make the standardisation truly global.

Finally, banks need to continue investing in technology to maintain the pace of progress. At Lloyds Bank Commercial Banking, we have recently launched our new cash management and payments platform, which was designed from the ground up with client focus at its core. As a result, corporates can create their own solutions that meet their own specific needs. Working with SAP and Finastra, the platform is omnichannel and puts businesses in control of configuring the precise payment systems and analytics they need. The system is also designed to accommodate future

needs as well – such as the increased use of artificial intelligence that will be required to make payment systems around the world accessible both quickly and transparently whenever it needs to happen.

We are already seeing how systems like SWIFT gpi are providing greater transparency over global payments and this is giving financiers the ability to track and locate payments at all times. The more corporate treasurers become used to this kind of functionality, the greater the demand for it – and more – will grow.

In the same way, we can be sure that competition from other payment providers – currently that is internet payment services, but likely new types of business in future – will continue to drive momentum, even if demand for faster payments subsides. At some point, corporates might question whether fast is already fast enough. But for as long as continued innovation is a point of differentiation, competition will drive performance beyond what corporates might happily settle for.

Throughout that journey, we at Lloyds Bank Commercial Banking are committed to play our part. And for corporates, that means being by their side with new and more powerful tools to meet their ever-changing needs.



**Rising client expectations.  
Earnings pressure.  
Cost containment.  
Regulatory demands.  
Sound familiar?**

**Let's talk solutions:  
Stand # D121**

To meet the industry's biggest challenges, leaders at top-tier financial institutions are turning to Pega. Our unified platform maximises revenue, minimises costs, and rapidly scales global operations. Join us at Sibos and learn how to combine intelligent automation with smarter decision-making for real, lasting transformation.

[pega.com](http://pega.com)



# IHS Markit introduce Trade Compliance Secure

For the trade finance sector, 2019 has seen significant regulatory and compliance activity. The issuing of new guidelines, advisories, sanction frameworks and financial penalties have all increased since the turn of the year.

OFAC has been considerably active with its recent advisories covering illicit North Korean, Iranian and Syrian shipping practices and the Iranian civil aviation industry. In addition, its guidance on implementing an effective sanctions compliance program, together with reporting updates for rejected transactions points to new pressures on banks and financial institutions.

To manage the shifting sands of trade compliance, banks need to derive value from data in order to

generate clear insights on the trade transactions they are processing.

IHS Markit's Trade Compliance Secure is a new application that harnesses big data sets covering the world's customs agencies, shipping services and technologies, bill of lading content and country risk analytics.

**IHS Markit collects and warehouses data from nearly 200 customs agencies and scans 60,000 bill of lading documents per day to create functionality that provides unique insights into the pricing of goods, where individual goods are traded and in what volume, what potential dual-use properties certain goods have and business activity for certain goods.**

Furthermore, the shipment of goods is covered via the real-time tracking of vessels including; shipping practices regarding 'dark' activity, ship-to-ship cargo transfers and a complete seven level ownership structure for vessels.

Come and speak to IHS Markit at Sibos 2019 – **Stand W136** to understand the Trade Compliance Secure software and how core datasets from the trade and supply chain sector can benefit banks and financial institutions.

Alternatively, you can contact Byron McKinney, Product Manager: [Byron.mckinney@ihsmarkit.com](mailto:Byron.mckinney@ihsmarkit.com)

Join IHS Markit at SIBOS 2019 to discuss our new product suite Trade Compliance Secure

**23-26 September 2019 | Stand W136 | Excel, London**

**STAND W136**



[ihsmarkit.com/maritime\\_trade](http://ihsmarkit.com/maritime_trade)



# Fintech's growing role in Asia and the world's banking evolution

By Chris Lo, Director, Los Angeles, Hong Kong Trade Development Council (HKTDC)



Cryptocurrencies... Blockchain... Smart Banking... fintech. Casual and even not-so-casual observers may be familiar with the latest developments in these burgeoning aspects of global banking and the worldwide financial markets – but they may be unaware of the distinct role played by Hong Kong.

While Hong Kong has long been at the forefront of banking's global evolution, its involvement accelerated in 2017, when the Hong Kong Monetary Authority (HKMA) unveiled a number of initiatives moving the city further toward a Smart Banking environment. Among these:

1. A faster payment system (FPS), supporting the use of mobile phone numbers or email addresses for payments;
2. An enhanced fintech supervisory sandbox – or FSS 2.0 – establishing a chatroom populated by experts from HKMA as well as Hong Kong's Securities and Futures Commission and Insurance Authority, to provide speedy feedback to banks and tech firms adopting Fintech;
3. Encouragement and promotion of virtual banking;
4. A banking-made-easy initiative in which the HKMA is working with the banking industry to minimize regulatory friction;

5. A framework to facilitate the development and wide adoption of an open application programming interface (API) by the banking sector, to enable broader collaboration between banks and tech providers; and
6. Enhanced research and talent development by the HKMA in collaboration with the Hong Kong Applied Science and Technology Research Institute, and Hong Kong Science Park and Cyberport.

"Smart Banking will offer full interconnectivity amongst retail and corporate customers and allow financial services and transactions to be undertaken with great mobility, speed, ease and safety," said HKMA CEO, Norman Chan in announcing the initiative.

Hong Kong residents, no longer saddled with onerously costly and time-consuming banking transfers, already have begun to enjoy the benefits of FPS -- needing only to supply their mobile number or email address as account proxy to execute immediate, free and, importantly, secure, fund transfers in Hong Kong Dollar and Renminbi.

In 2018, a new payment system launched allowing free real-time fund transfers among platforms such as PayMe, Alipay and WeChat Pay, underpinned by the new smart-banking infrastructure. Joining the

"While conventional wisdom might hold that traditional banks may take a hit to profits, many banking analysts have forecast a relatively de minimis impact in service of a broader and well-considered evolution."

- By Chris Lo

effort from the financial-institution sector were such giants as Citibank, Hang Seng Bank, Bank of China (Hong Kong) and HSBC.

By August 2019, eight of the Hong Kong special administrative region's largest banks, led by HSBC to the benefit of three million customers, were no longer charging fees for failure to maintain a minimum monthly balance. Virtual banks were already prohibited by the HKMA from charging such fees; HKMA has granted virtual-banking licenses to Ping An Insurance subsidiary Ping An OneConnect, Ant Financial Services unit Ant SME Services, a Xiaomi-AMTD Group venture called Insight Fintech HK, and the Infinium consortium that includes Tencent Holdings, the Industrial and Commercial Bank of China (ICBC), and Hong Kong Exchanges and Clearing (HKEX).

While conventional wisdom might hold that traditional banks may take a hit to profits, many banking analysts have forecast a relatively de minimis impact in service of a broader and well-considered evolution.

"HSBC is already a digital bank. Currently, over 80% of Hong Kong retail banking transactions occur over digital channels such as mobile, online banking, as well as PayMe," Diana Cesar, chief executive of the bank's Hong Kong office, recently told the South China Morning Post.

It only makes sense that Hong Kong should be helping to lead this global charge.

According to the global financial centres index, Hong Kong is ranked the third leading global financial centre behind New York and London. It was the world's top IPO market in 2018. It boasts Asia's highest concentration of insurers, its second-

largest foreign exchange market, and is the world's second largest host of foreign direct investment stock.

More to the point, Hong Kong ranked No. 1 in Ernst & Young's fintech adoption index in Asia for 2017; by then, 48 of the world's leading 100 fintech companies were reaping rewards from the city's technologically advanced ecosystem, supported by a strong telecommunications industry which has attracted major cloud service companies from the US and elsewhere.

We're still in the early stages of Smart Banking's global development, and of fintech generally – but the trend is growing. And, importantly, so is the dialogue.

# Mandates and machines: The power of technology to bridge regulatory gaps

By Jennifer Peve, managing director, fintech strategy, DTCC

As Securities Financing Transactions Regulation (SFTR) brings reporting requirements to a segment of the industry unfamiliar with trade reporting, securities markets participants are finding that navigating conflicting regulatory priorities is increasingly a part of doing business.

Many firms are beholden to several regulatory bodies mandating different requirements for trade reporting, obligating them to navigate internal implementation decisions centred around how to adhere to multiple regulatory requirements across jurisdictions while simultaneously ensuring business processes continue.

The challenge is complex, but there is good news: existing technology can bridge these gaps, help alleviate current regulatory burdens and add value while newer technology is being developed. Date format is a solid example of how two regulatory bodies – European and American – can differ greatly on data requirements for trade reporting, as the two regions do not format dates the same.

Some tech firms are forming partnerships with data automation specialists on pre-reporting transformation services to help address this issue, ensuring that regardless of what format data is initially sent, it is translated into the format required

within the jurisdiction that governs the trade – streamlining compliance with SFTR reporting requirements.

An automated service can also transform user firms' data into an SFTR-compliant format before it's submitted to the trade repository and is a powerful driver of efficiency and cost reduction. Ultimately, technology can empower firms to alleviate burdens in the absence of the harmonisation of requirements between jurisdictions.

But leveraging technology to close regulatory gaps is not just about replacing regulatory alignment. Robust standards at the start of a process are ideal because standards empower technology to be more effective. But in cases where upfront standardisation does not exist, there are technological options to help firms bridge those gaps and bolster the trade reporting process.

At the same time, many firms are weighing regulatory priorities internally, with compliance departments busy scanning regulatory notices and changes to determine the optimal strategy for implementation in balance with business priorities. Technology can help there, too, by codifying regulatory rulebooks, comparing them with internal rulebooks, and then aligning the two, while scanning for upcoming changes to rules and



regulations, and relieving the burden of what has become an operationally and manually intensive task.

Regulators are also becoming increasingly receptive to fintech and regtech, and are responding by creating fintech committees, working groups and sandboxes with the goal of learning from fintech providers and the industry.

While transformative technology is exciting and creates a natural tendency for it to be surrounded by hype, the reality is that the industry is burdened by regulatory requirements and other issues that need to be – and can be – solved now. Take blockchain as an example. Blockchain technology has a lot of promise. However, it is still in the infancy stage. Significant investments of time and effort are necessary to build confidence in and experience with the technology to the level that it could transform reporting practices.

Can blockchain perform business logic? Yes. Is blockchain capable of

smart contracts aimed at regulatory compliance? Yes. But is the technology robust enough and proven to the level that firms can confidently build their regulatory requirements into smart contracts and implement it right away? No. We are some years away from that point and perhaps may never get there.

In March, the European Union published SFTR's delegating acts and implementation rules, setting the timeline leading up to the regulation's go-live date. The reporting obligation deadline for banks and investment firms is 13 April 2020; followed by central counterparty clearing (CCPs) and central securities depository (CSDs) 13 July 2020; then pension funds, insurance companies, Alternative Investment Funds and Undertakings for Collective Investments in Transferable Securities (buy-side) obligated to report 12 October 2020; and finally, non-financial institutions go live 11 January 2021.

With less than a year until the first deadline, firms can draw on existing technologies for their SFTR compliance. New and proven technologies – such as the cloud – are bringing greater efficiency and risk mitigation to the financial markets while helping market participants to address regulatory requirements and assist in its compliance.

This is not to say that newer technologies such as distributed ledger technology are unable to deliver benefits in the short to mid-term. Rather, their adoption in financial markets – particularly in market infrastructure – should follow a meticulous assessment and in-depth testing to ensure the tools meet the required industry standards around risk mitigation and scalability. For compliance with existing regulation, market participants should look towards proven and currently available technology with an eye on newer technology in the future.

# Build Your Digital Future, Now.

To capture new business opportunities, financial institutions need to move fast and deliver the differentiated products and services today's hyper-connected customer demands.

[appian.com/finserv](http://appian.com/finserv)

**Appian**

**Appian**

INTERVIEW | DAILY NEWS AT SIBOS

## Challenging the status quo Guy Mettrick

By Martin Morris, senior staff writer, FinTech Futures

Guy Mettrick is on the front line. Why? Because Appian's industry leader for financial services in EMEA is responsible for driving the company's go to market strategy for financial services across that region. FinTech Futures discusses what this all means and how Appian's strategy can be delivered with Guy Mettrick.

Mettrick's job spec is, on the face of it, a straightforward one. His role includes working with customers, partners and industry associations to ensure Appian deliver solutions that help drive growth, manage risk and increase the efficiency and effectiveness of their business processes.

But, one still has to consider how the fundamentals of the capital markets industry are rapidly changing.

Having obtained a Bachelor of Arts degree in business studies (finance & marketing) from the University of Portsmouth, Mettrick held management positions at BNP Paribas and RBC before becoming the head of the European fund business at Sumitomo Mitsui Trust Bank.

For Mettrick the lure of Appian as a company has always been that it is "passionate about challenging the status quo" and "improving the world through great software."

Yet having great initiatives or indeed software won't cut the mustard if opportunities to adapt to the profound industry changes now being witnessed, aren't fully taken up.

Mettrick is aware of this, of course, noting that in the capital markets

"Data can be generated and analysed by a human resource when needed, (but) effective use of automation frees knowledge workers to do more critical tasks, and improve performance and efficiency,"

- Guy Mettrick, Financial Services Industry Practice Leader at Appian.

industry, he is seeing more firms realise the power of intelligent automation.

"There are so many repetitive duties and simple managerial decisions that are ripe for automation.

Robotic process automation, artificial intelligence and machine learning can all contribute to efficiency and accuracy," said Mettrick.

"Data can be generated and analysed by a human resource when needed, (but) effective use of automation frees knowledge workers to do more critical tasks, and improve performance and efficiency," he added.

Mettrick is passionate about what can be done, when it comes to

Appian helping capital market firms address these challenges. "Appian's low-code application development platform puts the power and control in the hands of the business," he said.

"Instead of requiring programming languages and custom code to create apps, Appian's platform allows business users to portray core features and functions through a visual representation of what the app will need to do, allowing users to quickly mix-and-match components of a solution to create impactful business applications," he further noted.

In the UK market more specifically, Mettrick observes the increasing tendency of big banks to look for partnerships (or acquisitions) with start-ups in the fintech space.

"They realise that these nimble young start-ups have the agility necessary to respond to today's rapidly changing, dynamic economic environment," he said.

Which is where Appian's low-code platform comes into play.

"With low-code, IT and business work together. They specify their idea for a new application by drawing that flow chart, clicking, configuring, dragging and dropping. The low-code platform then takes that idea – the intention behind the new business app – and translates it instantly into working software," said Mettrick.

Mettrick's passion for improving the world through great software is palpable, which is why it comes as no surprise that he chose Appian as his professional home.

# Scaling for international payments?

Don't let legacy technology restrict you from progress.

Provide your customers with access to International Payments (pay in and pay out) FX and Trade Finance and settle in up to 140 currencies globally.

No need to manage multiple technology partners or build your own banking network, trust Form3 to manage everything for you.

In addition, provide preferential payment and collection capability using the same API.



**We want to hear about your business and where you're headed.**

-  [www.form3.tech](http://www.form3.tech)
-  [info@form3.tech](mailto:info@form3.tech)
-  [@f3fincloud](https://twitter.com/f3fincloud)