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Financial IT

Innovations in FinTech

CREATING LATIN AMERICA'S NEXT GENERATION PAYMENT ECOSYSTEM

Serge Elkiner,
Chief Executive Officer,
YellowPepper

THE DIGITAL BANK AS MANUFACTURER

Mark Jenkinson,
Co-Founder and Director of Strategy,
Chetwood Financial

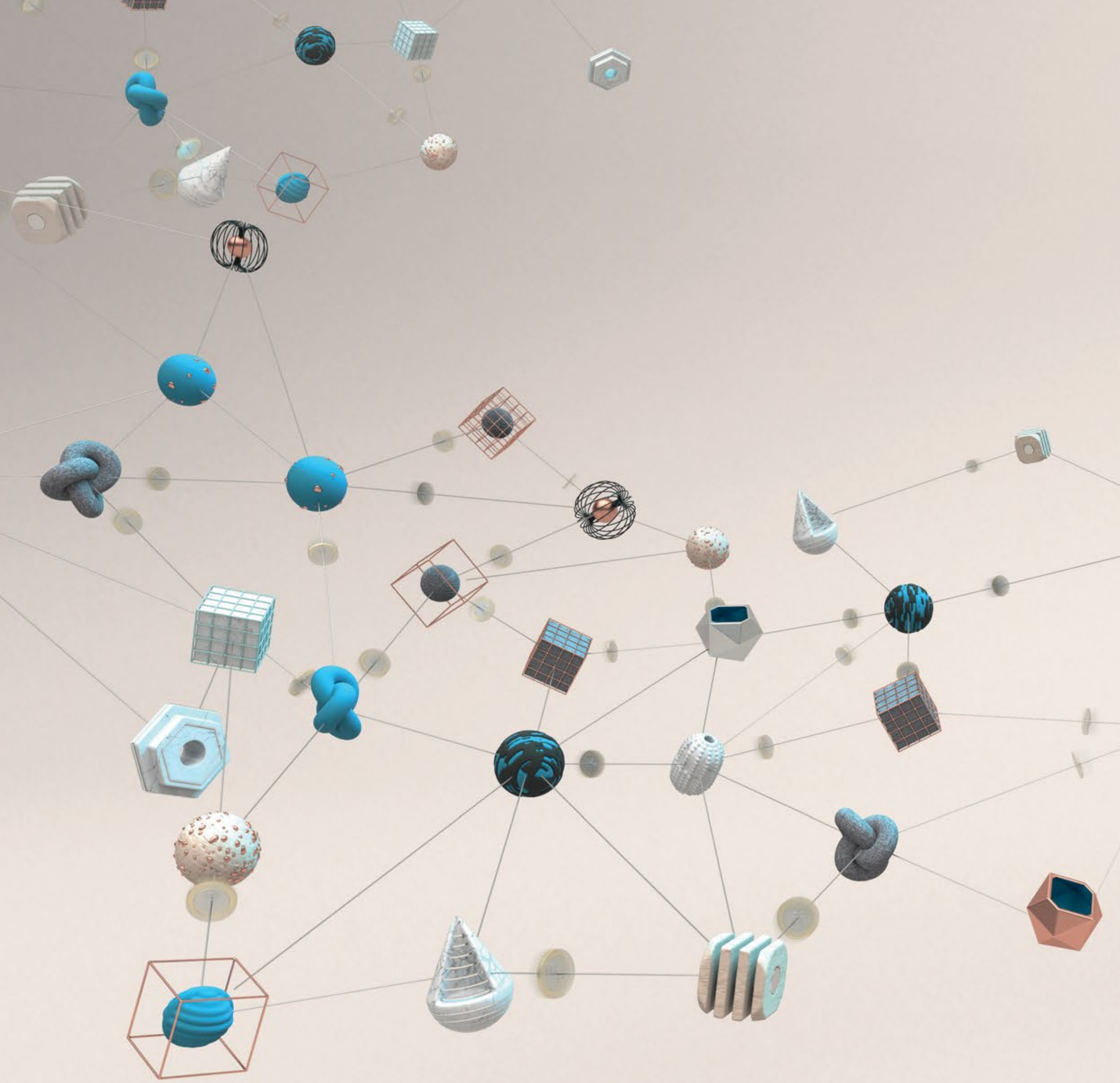
ARE YOU BEING SERVED?

Maria Nottingham,
Managing Director,
Compass Plus

Craig Ramsey,
Head of Real-Time Payments,
Product Management,
ACI Worldwide

INSTANT PAYMENTS REVOLUTION IN PERU

PERU'S BANKS MOVE TO REAL TIME PAYMENTS AND ISO 20022



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From multi-currency accounts to real-time FX, international payments to local clearing, we're quick, low-cost, and secure.
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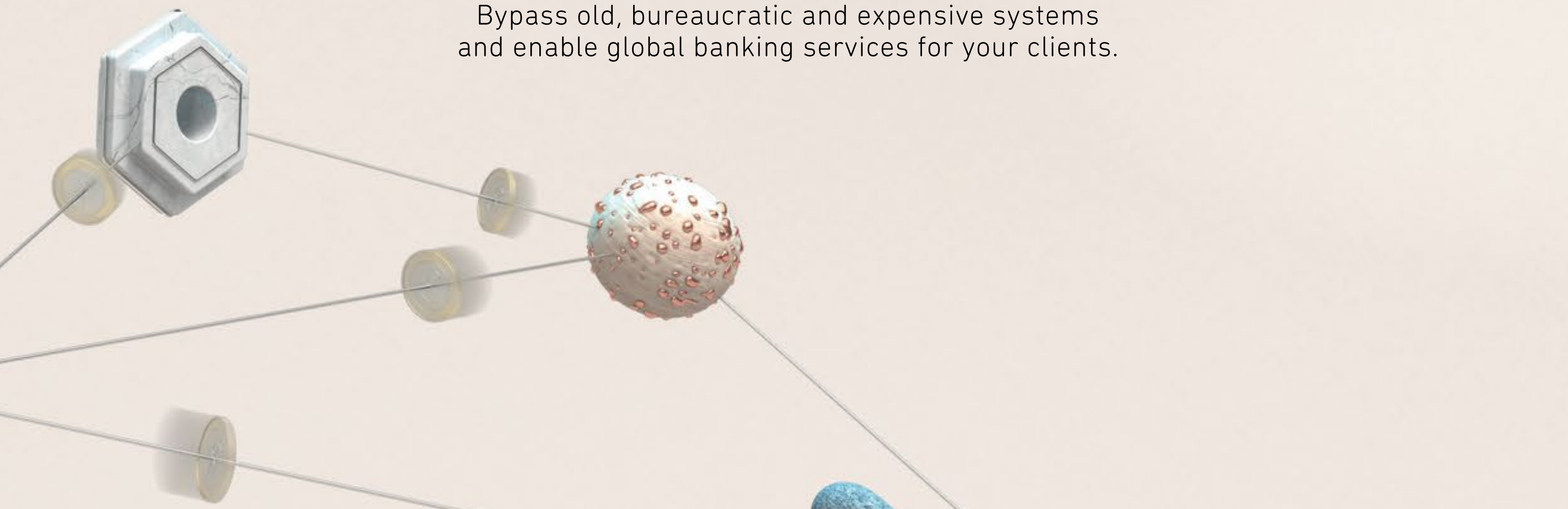

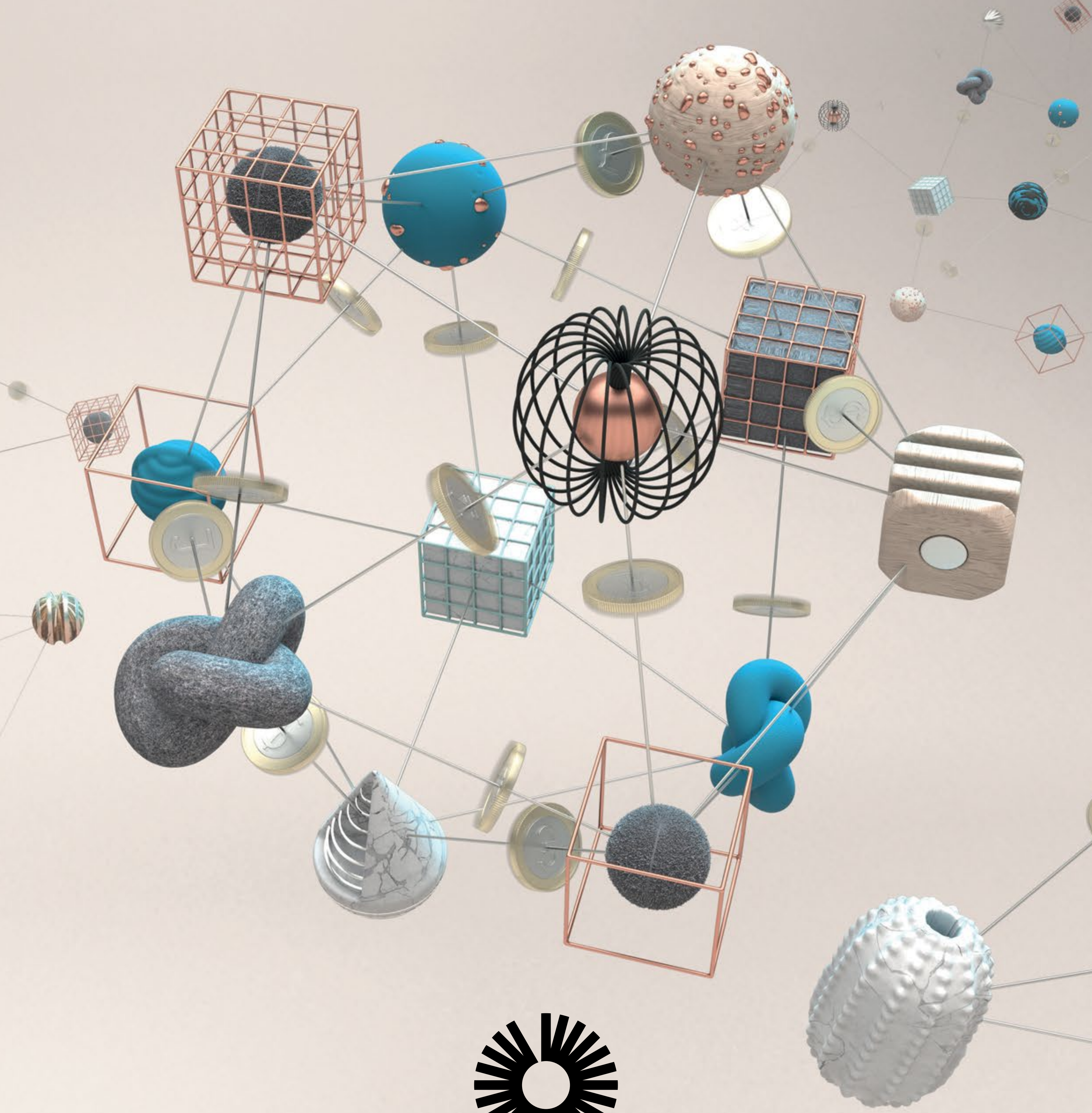

THE ELEPHANT IN THE ROOM

Andrew Hutchings,
Editor-In-Chief, Financial IT

What is at the front of mind of entrepreneurs and executives who work at that part of the global economy where financial services and technology meet?

If you only have two minutes or so, skim read every article and advertisement in this edition of Financial IT.

Give yourself no more than five seconds to reduce each of the articles and advertisements to a single and simple message.

Then arrange the messages into an order that provides a logical flow.

The result could be something like this:

- There is an unstoppable move towards real time and cashless payments, in developed countries and in emerging markets.
- Partly for this reason, and partly because of Open Banking, the number of transactions that will take place digitally will boom.
- Related to this are as many opportunities as there are new companies that can clearly identify a competitive edge or unique selling proposition.
- The competitive edge may well come from manufacturing the right offering for retail or corporate customers.
- New technology can resolve numerous challenges – such as reducing cyber-security risks and compliance with environmental, social and governance (ESG) requirements.
- The new technology includes blockchain.

The Covid-19 pandemic continues to be mentioned in most articles.

Unlike, say, a year ago, it is no longer being seen as a major accelerator of change or an unprecedented challenge.

Rather, it is seen as a problem that is being resolved (albeit at different speeds in different places) and something that provides context/background for other changes that are underway in financial services and IT.

The topic that is not being mentioned

There is something very large that is clearly not front of mind for our contributors and advertisers.

That very large thing is the return of inflation.

On 12 May 2021, the Bureau of Labor Statistics (BLS) reported that the Consumer Price Index in the United States had risen by 0.8% in the month of April and by 4.2% year-on-year.

This was the largest 12-month increase since September 2008.

The BLS' index for all items less food and energy – its measure of "core inflation" – increased by 0.9% in April – the largest one month increase since April 1982.

Widely discussed in the financial and mainstream media, the inflation is the result of money that has been generated by Quantitative Easing (QE) finding its way into the real economy.

QE involves central banks (in this case the Federal Reserve or Fed) buying bonds from commercial banks.

In that transaction, assets side of a central bank's balance sheet is boosted by the bond purchase.

The liabilities side increases by the same amount – being the commercial banks' deposits with the central bank.

Those deposits form a part of money supply.

QE was introduced by the Fed and some other central banks in response to the global financial crisis of 2008-09.

However, the resulting rise of the money supply did not cause inflation.

This was because the velocity of money – being how often it is spent each year in a

WHAT WILL HAPPEN AT THE INTERSECTION OF FINANCIAL SERVICES AND IT AS THE WORLD RETURNS TO INFLATION?

transaction – fell from around 1.8 in 2009 to 1.4 in 2019 or by a little over one fifth.

Then the velocity of money in the United States fell from 1.4 to 1.2 – or by 14% or so – over the course of 2020.

This did not result in falling prices – deflation – because the Fed increased the money supply by around one third – from US$15 trillion to US$20 trillion or so, as it responded to the pandemic.

Looking forward

The Fed is now looking for the United States' economy to expand by 6.5% in real terms in 2021.

Even if the money supply does not increase any further, a return in money volatility to the levels that prevailed prior to the Covid-19 pandemic would produce inflation in the United States that is well into double-digits.

Similar forces will likely be at work in many emerging markets too.

There are opportunities and challenges for traditional financial institutions and fintechs in all this.

The return of inflation is a huge change – and ends roughly 40 years of falling/low inflation.

The return of inflation is taking place at a time that national economies are integrated globally.

No-one has really experienced the scenario that is now unfolding.

However, the opportunities outweigh the challenges.

First, people usually react to inflation by trying to spend their money on goods and services more quickly (i.e. before it loses value).

The rise of real-time payments everywhere, and greater financial inclusion in developing countries, means that it is easier for people to buy goods and services – and to do so quickly.

Faster payments will be of huge importance to businesses, who risk seeing the real value of accounts receivable being eroded by inflation.

The payments industry may actually exacerbate inflation, for a while, because it can boost the velocity of money.

Second, demand for digital wallets and other solutions that make it cheap and easy to move money from one currency to another (or to a crypto-currency) will likely surge.

Surprisingly high inflation usually means surprisingly high interest rates.

Surprisingly high interest rates normally produce surprisingly large financial crises.

Surprisingly large financial crises tend to generate surprisingly wild swings in currencies.

Third, advances in technology to handle AML/CFT and KYC requirements will make it easier for financial institutions to enrol new clients – and to do so remotely, with or without a Zoom call (or similar).

Those new clients will be looking for investments that preserve wealth at times of inflation.

The investments will not be limited to gold, gold stocks and gold exchange-traded funds (ETFs).

The corollary is that it will be much easier for imaginative companies to manufacture and distribute financial products that are geared to a new era of inflation – and to do so at scale.

So far, inflation has been the metaphorical elephant in the room – present but never spoken about.

Expect that to change over the next three-to-six months.

Financial IT
Innovations in FinTech

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DIGITAL OR OPEN BANKING

Just the other day, I was talking with a banking friend. We were discussing the changes that have happened and what tomorrow may bring. He commented that Digital Banking will drive future change. As soon as he said that I had this feeling that digital is such an old term. It seemed to me that Digital Banking has been around for a long time. Digital can no longer be the future of banking.

I say that because we have past the age of the Digital Bank. If your bank is not digital by now, then either it has closed or will be closing.

Today the future is Open Banking. Banking relevance is to progress past being a Digital Bank and moving into being an Open Bank. This is the new path for banking success.

Let's examine briefly what Digital Banking and Open Banking are.

Digital Banking combines online, mobile and ATM banking services as the banks business strategy. Digital Banking is really made up of three words: quick, easy, and seamless. Banking is now done by computer, tablet and more importantly by smartphones. Today's consumers do not want to stand in line at the bank. They want banking accessible on their terms, when and where they need financial services. Digital Banking provides this.

The system of allowing access and control of banking and financial accounts through third-party applications is Open Banking. There is the potential to reshape the competitive landscape and experience of the banking industry. Open banking provides a unique opportunity for customers and companies by transforming how to manage their finances. It is a way to revolutionize the banking industry.

Here's the math equation that represents Open Banking:

(Online + Mobile + ATM = Digital Banking) + API Access = Open Banking

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by Chris Principe,
Publisher, Financial IT

Open banking allows third parties to access the bank through the use of application programming interfaces (APIs). Fintechs represent a variety of possibilities, from microloans to easy payment gateways to e-wallets. Banks applying Open Banking are no longer traditional institutions with locks and keys. By providing a customer-centric approach to financial services, banks can become bank as a service and bank as a platform. There is the opportunity to offer financial services that the bank didn't have initially. Customers and business can manage their finances more efficiently which is a big benefit of Open Banking.

The key for banks is their core banking system. The core banking solution is the technical foundation of the bank. Everything that happens inside the bank is connected to the core banking application which is the general ledger, accounting, and system of record. It is more important today for banks to make smart choices selecting their core banking vendor. There are several large companies that provide this software such as Fiserv, Finestra, Fidelity, Temenos, etc. These companies and others like them provide good solutions but without the flexibility to enable most banks to personalize and innovate. Their customer base relegates most banks to being just a number on a long list. It is understandably hard for these companies to provide the quick, easy, and seamless experience of Digital Banking with the accessibility enabled by Open Banking. This is not a recipe for banking success.

Open Banking is the fuel of innovation for both the banking and fintech industries. This allows new technologies to grow and re-shape how financial services are consumed. Banks want core banking providers that provide business personalization with support to match. This is what will enable most banks to compete with the financial giants. The same is true of the core banking providers. Path Solutions is doing just that for Islamic core banking systems. In conventional banking, DataPro is a strong provider with their e-IBS core banking solution. Core banking solutions only become robust from years in the market. Combining SaaS hosting with the latest in digital technology plus the APIs of Open Banking is truly a winner.

With the ever-increasing competitive pressure banks are under today from fintech's and other banks every edge is required. The innovation of Open Banking, huge savings from SaaS deployments and best in class support allows banks to meet market challenges as part of a superior bank-vendor relationship.

Banks in the era of Open Banking have to be more competitive in order to win customers. This results in a wider choice of options, better customer service, and improved quality of financial services. Banks that adapt to new technologies will have more success. Open Banking with Digital Banking and SaaS hosting allows banks to compete directly against fintech's, third-party institutions, and bank incumbents. This leveraging of innovation is the path for banks to remain competitive in this rapidly evolving industry.

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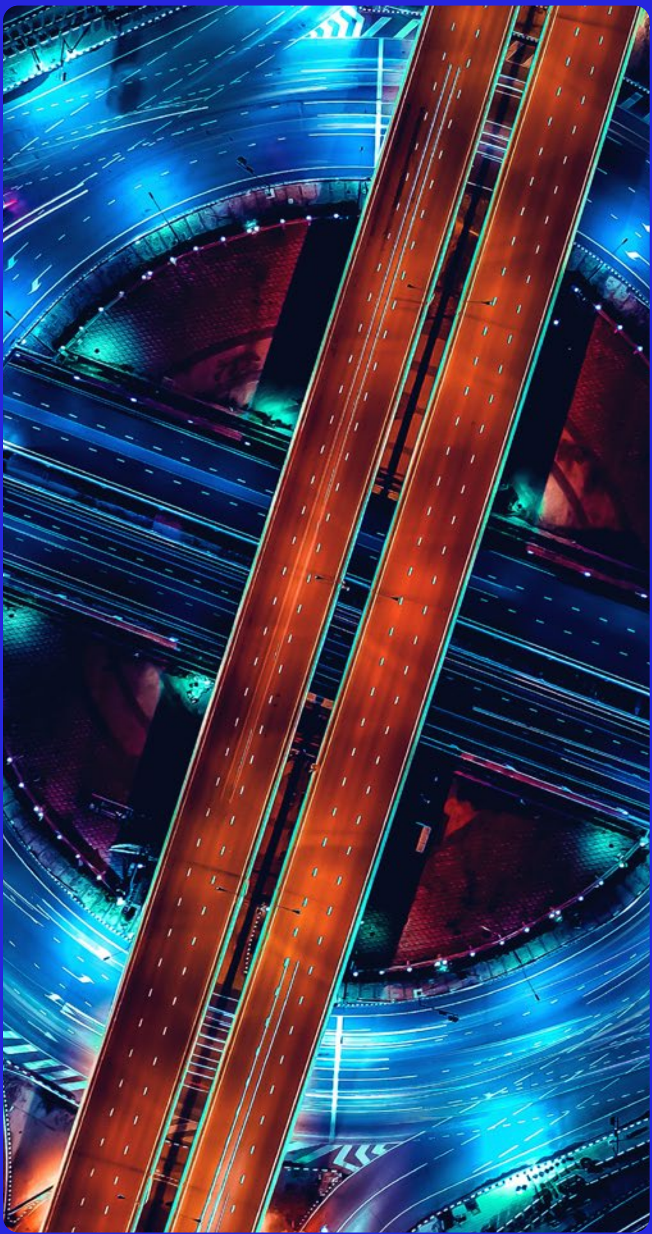
ACI Worldwide
Real-Time Payments

Payment Networks in a Real-Time World

Around the world, a series of trends are propelling a technological evolution in payments. What does this mean for banks and national infrastructures? In this **new eBook**, explore the future of real-time with new stats and learnings from global markets throughout the world.



- View five-year real-time growth expectations for **43 global markets**
- See which **new payment types**, including Request to Pay and mobile wallets, payment network operators must offer
- Get insights into the **modernization roadmaps** for banks and payment network operators
- Learn how **governments and banks** can work together to deliver real-time, digital-first payment experiences

Download your copy by visiting **aciworldwide.com/RealTimePaymentNetworks**

REAL-TIME PAYMENTS FOR CORPORATES: **DARE TO DREAM**

Jon Levine, Co-Head of Institutional Banking at payments bank, Banking Circle, explores how the real-time payments revolution can benefit corporate banks and their customers.

Instant payments have become the norm for retail customers, but the same real-time benefits are not yet widely available for corporate customers, especially for cross border transactions. However, change is on the horizon and I believe the real-time payments revolution will soon begin to benefit businesses of all sizes.

Most countries are developing or have already launched new schemes to provide real-time payments. For example, there are Faster Payments in the UK, SEPA Instant in the Eurozone, FedNow in the US (from 2023) and other programmes and solutions in India, Australia, Singapore and more. Those schemes that have yet to launch will be live within the next few years, meaning most banks and their customers will soon be addressable over these instant schemes. That will be revolutionary.

In addition, ISO 20022 is set to vastly improve the data exchange, reducing the requirement for manual review, creating higher straight-through-processing rates and fewer delays.

The significance of the change we will see in the next few years should not be under-estimated. It will be fast, it will be a paradigm shift, and afterwards we will wonder how we previously coped. But whilst many changes are happening and more are in the pipeline, there are still some significant roadblocks. Much still needs to change before real-time payments become more widely adopted for corporate use, especially for cross border business.

Supporting the COVID-19 bounce back

Businesses of every size need all the help they can get to bounce back from the impact of COVID-19 and acceleration of the real-time payments revolution is a crucial piece in the jigsaw.

Corporates today have immense funds tied up in the payments system. Always. That is vast sums of cash that are inaccessible, and unusable. For large companies that adversely impacts working capital metrics. For smaller companies the issue is much more critical. A delay in cash flow can have far more significant consequences.

Imagine how the payments landscape and business potential will change as real-time technology is applied. Suddenly a batch of corporate payments get parcelled out over the payment schemes to run disbursement in the fastest and most cost-effective way. Balances in the payment system effectively drop to zero, cash flow is maximised; businesses have the liquidity they need to flourish. It should be absolutely game- changing.

Re-engineering critical

But why isn't this game-changer for businesses large and small already being delivered? For many banks, it comes down to the inherent legacy systems on which their operations are built.

Certainly some institutions are already leading the way, and those that can be at the start of this revolution are going to be winners. But for others, re-engineering is needed to take full advantage of instant payments for corporates. That re-engineering can be complex: from the connections between banks' payments engines and local schemes and intelligent routing to get payments to the lowest cost and fastest payment rail applicable, to the all-important KYC and AML processes. And that's where the challenges arise.

For example, there are often issues connecting the front-end applications delivered by banks, what the customer sees, through to the instant payment schemes themselves. If a bank has recently signed up to Faster Payments, is the corporate banking ledger yet piped through to Faster Payments? And does intelligent routing exist to decide which payments go to Faster Payments, which go to CHAPS, which go to BACS, etc? There are other challenges too – such as managing liquidity by bank treasuries outside of normal working hours. There is also the dreaded payment repair queue, where an issue in a payment prohibits straight-through-processing. These issues diminish the benefits of instant payments.

There's also sanctions screening. Most banks have sanctions screening engines that cannot look into payments processed via the instant payment schemes. Instead the screening engine looks at the SWIFT message traffic. But instant payment schemes often don't integrate with banks' SWIFT gateways.

Overcoming hurdles through collaboration

The need is urgent to make instant payments for corporates – large and small – a top priority. But for some institutions – particularly the smaller, local banks – the cost and upheaval of re-engineering their underlying systems is too big a challenge. Finding a different route to achieving the same end goal of helping corporates benefit from instant payments is, therefore, crucial.

Working with alternative players that are able to help banks service the needs of their corporate clients could be the answer. For example, partnering with new cloud native specialist banks means that financial institutions can use their infrastructure to join instant schemes that will deliver real-time payments for their corporates. And all the essential pipes and plumbing, connecting to the right payment rails and integrating the necessary sanctions screening can be part of the solution too.

The idea of collaboration to fix internal challenges is already gaining considerable ground. Research we conducted last year amongst C-suite bank executives across Europe found that half already have partnerships or planned to work with an external provider within the next month; another third have partnerships on the agenda for the next 12 months.

The expertise of specialist banks with niche expertise as well as a commitment to building the payment rails for instant payments, has a real appeal. It means that banks can offer corporates access to affordable, friction-free, real-time cross border payments that will bolster international economies at a time when they are in great need, as we recover from the economic impact of COVID-19.

BANKING CIRCLE

Craig Ramsey,
Head of Real-Time Payments, Product Management,
ACI Worldwide

Craig has over 30 years' experience working with banks with their corporate payments and banking needs. He has been with ACI for over 20 years, providing specialist consulting and solutions to wholesale banking customers. Through the initiatives of the Euro, SWIFTNet, CLS, TARGET2, SEPA, and being a member of the Faster Payments Council Advisory Board in the US, Craig has helped customers leverage the power of the ACI solutions to ensure that the business needs are met.

INSTANT PAYMENTS REVOLUTION IN PERU

PERU'S BANKS MOVE TO REAL TIME PAYMENTS AND ISO 20022

An Interview with Craig Ramsey, Head of Real-Time Payments, Product Management at ACI Worldwide

Financial IT: Craig, ACI Worldwide and Mastercard formed an alliance to develop real-time payment solutions around the world in September 2020. The partnership with Cámara de Compensación Electrónica (CCE – The manager of the national payments system in Peru) is the alliance's first customer. What is being offered to CCE?

Craig Ramsey: CCE's challenge is to facilitate banks' access to the new real time payments (RTP) system. Mastercard is providing its Immediate Payments Service (IPS), which will modernise CCE's existing infrastructure. Industry testing will begin later in 2021.

ACI Worldwide's Enterprise Payments Platform will speed up and simplify the participation of Peruvian banks and financial institutions in the new RTP system, which will be ISO 20022 compliant.

Financial IT: What are the key features of the Immediate Payments Service and the Enterprise Payments Platform?

Craig Ramsey: First of all, I'd note that ACI Worldwide and Mastercard are working with CCE at a time that demand for RTP is surging in Peru. The number of instant transfers handled by CCE rose from 580,000 in January 2020 to 2.8mn in January 2021.

Many positive changes are now possible. We are bringing modern APIs for Peru's banks and financial institutions. For them, there should be a much easier transition to ISO 20022 payments than would otherwise have been the case. They will be able to develop exciting new offerings for their customers once they can provide 24/7 RTP as a service.

Financial IT: What were the greatest challenges that had to be overcome?

Craig Ramsey: The main challenge arose from the fact that the banks and financial institutions in Peru are not homogeneous. Each had its own and particular way of connecting with the payments system overseen by CCE. Connecting all of the banks and financial institutions to the new RTP system was analogous to making a fine patchwork quilt from numerous and different pieces of fabric.

Fortunately, ACI Worldwide has deep and relevant experience. Our solutions support 18 RTP domestic schemes around the world – such as Zelle and The Clearing House in the USA, about half of the UK's Faster Payments network and 75% of Hungary's GIRO network.

Financial IT: Taking a three year view, how do you think that the payments landscape in Peru will change?

Craig Ramsey: The collaboration between ACI Worldwide, Mastercard and CCE should accelerate three trends. One, obviously, is the growth in demand for RTP in Peru.

A second trend is innovation. ISO 20022 will provide the banks and financial institutions with much greater data about their clients than is presently available. The banks and financial institutions should be able to use that data to develop new services for their clients.

Perhaps most importantly, our work with CCE will advance the cause of financial inclusion. By a number of measures, Peruvians are unbanked. However, most have access in some way to mobile phones and, therefore, mobile wallets. The potential for RTP should boost the use of those wallets.

Taken together, the changes that are taking place in Peru's payments system amount to a revolution – and in a part of the world where several other countries are moving towards RTP and widespread adoption of ISO 20022. We are delighted to be a part of that.

ACI Worldwide delivers the software and solutions that power the global economy. Its mission-critical real-time payment solutions enable corporations to process and manage digital payments, power omni-commerce payments, present and process bill payments, and manage fraud and risk.
In short, it is driving the digital transformation of banks, merchants and billers to help them meet the real-time payment needs of their consumers and business customers.

ACI Worldwide
Real-Time Payments

CREATING LATIN AMERICA'S NEXT GENERATION PAYMENT ECOSYSTEM

An interview with Serge Elkiner, YellowPepper's Chief Executive Officer

Financial IT: Could you please tell us more about YellowPepper and your career path that brought you to launching the company?

Serge Elkiner: Growing up in Belgium, I moved to the United States 22 years ago for education purposes.

I have always been drawn to technology and changes that it can bring to the world. The question I posed to myself was how we can transform the world through technologies to better everyday lives of people.

After few years, at college and with an Israeli company, I decided to launch my own company in technology.

It was focused on usage of mobile devices and text messages: we looked to create an application for value-added services.

We started in the USA. With the creation of a couple of applications, we commenced our expansion into Latin American countries. I had never been to Latin America at that time, but I could see the opportunity, as mobile phones were widely used there as well.

Texting was a lot cheaper than calling, which explained the relative popularity of SMS.

We first started doing few things with TV channels and different brands using text messages for interactive communication between them and their consumers. Soon later, we were approached by banks and they asked if there is something we could do for financial institutions as well.

Serge Elkiner,
Chief Executive Office and Co-Founder, YellowPepper

Serge Elkiner is the CEO and Co-Founder of YellowPepper. Recognizing the high level of cell phone penetration in Latin America and the Caribbean, Serge saw the potential for the deployment of a successful digital finance ecosystem in the region. Under Serge's leadership and innovative vision YellowPepper is leading the mobile payment revolution in Latin America by partnering with banks and retailers to bring the future of payments and banking to consumers in the region.

In 2018, he spearheaded the company into a new strategic direction, secured a series D funding round of 12.5M with participation from Visa, achieved a spot on the prestigious The Fintech 250 list by CB Insights and expanded the company into Brazil.

Today, YellowPepper's technology is live in 9 countries in the region and powers 565M transactions annually.

Born and raised in Brussels, Serge has been politically active since the ripe age of 16 when he was selected as leader of one of Belgium's largest youth movements.

Serge Elkiner earned his B.S. in Accounting from Boston University.

That was the moment we looked at the possibilities of using mobile technologies in financial services in different places in the world like the South Africa and the Philippines. We started developing different mobile banking applications in Latin America, specifically Ecuador, at that time.

About a year after that, in 2008, our focus shifted 100 percent, to financial services integrated with mobile technologies in Latin America.

Financial IT: What is unique about YellowPepper? How does it stand out relative to other payments solutions providers?

Serge Elkiner: There are couple of thing that make us stand out. The first is the resilience of the company.

As soon as we focused on in Latin America and financial services in 2008, our clients never changed. Banks have always been among our clientele.

The second unique feature of YellowPepper is that we decided to focus on real time payments.

Hopefully, within 10 years the most of the movement of money will be in real time.

Latin America is a place where, traditionally, cash is exchanged for goods and services. Payment has been instant. That is the standard that is required of a payments solutions provider in the region. That is something else thqt we deliver.

Moreover, we have to make sure that digital payments we conduct in real time needs to be accepted everywhere.

We also have the advantage of connectivity. We deliver banks and merchants the potential to move money in real time.

With one connection to YellowPepper, a customer receives 100% integration with the network(s).

Clients – be they individuals or merchants – can be added to our platform in four weeks or so. We are looking to bring that time down to one-to-two weeks.

Financial IT: YellowPepper joined Visa's family last November. Tell us how the acquisition helped to strengthen Visa's and YellowPepper's role in the market?

Serge Elkiner: Visa has had the strategy of "network of networks". They understood in the last few years that it would be impossible to move every transaction just through Visa. Transactions will come in different networks. However, Visa can play very important part in terms of security and value added services.

They can add value to a transaction even if it is not in Visa's network.

As I mentioned, since YellowPepper moves money through different networks and we add value to the services. Therefore, we fit right in with Visa's strategy.

From YellowPepper's point of view, there are two other aspects that are important.

First, we had been a small company, yet part of the core infrastructure of payments in particular countries such as Peru.

Banks saw us as being risky. Now that we have been acquired by Visa, that is no longer the case. They know that they can continue to add infrastructure that is linked to our platform.

The second change is that, as a part of the Visa family, there are much greater opportunities for us to expand globally – away from our Latin American base.

Financial IT: Latin America and the Caribbean, as a region, is a leader when it comes to digital payments and this creates huge opportunities for companies. Is the region reaching the end of cash? What are the main challenges?

Serge Elkiner: I would describe it differently. The pandemic has reduced the resistance of people to digital payments (as opposed to payments in note and coin). A lot of merchants, banks and others are still wedded to the old ways of handling payments.

The banks and merchants tend to see each other as competitors. We provide the opportunity for them to be collaborators.

Financial IT: How the regulatory landscape is impacting Latin America's mobile payments industry?

Serge Elkiner: We work hand in hand with regulators across the region. We help them to understand what is needed to develop a better payments ecosystem – linking FinTechs, merchants, banks and governments.

The regulators have a very positive view.

Financial IT: What's next for YellowPepper?

Serge Elkiner: We are bringing a lot of value added services to the platform.

For instance, we are including new security features and tokenization.

Visa gives us access to new solutions that can be offered to clients.

As mentioned, we have the capacity to expand beyond Latin America.

Mark Jenkinson,
Co-Founder and Director of Strategy,
Chetwood Financial

THE DIGITAL BANK AS MANUFACTURER

Interview with Mark Jenkinson, Co-Founder and Director of Strategy of Chetwood Financial

Financial IT: Chetwood Financial (Chetwood) was launched in 2016 and gained a full banking license at the end of 2018. What was the motivation to start a new challenger bank in the first place? Put another way, what were the problems of banking customers that you sought to solve?

Mark Jenkinson: We are indeed a new kind of digital bank, fully licensed here in the UK by the Prudential Regulatory Authority (PCA) and the Financial Conduct Authority (FCA).

Both myself and Chetwood Co-Founder Andy Mielczarek wanted to do a better job for customers who aren't being best served by existing financial providers.

This has been supported by private equity group, Elliott Advisors, since 2018 with an investment of approximately GBP120 million to date.

Despite huge leaps in technological capability in other sectors, existing banks haven't really changed the fundamental products they offer for decades.

This is at a time when API banking and low-cost cloud systems present huge opportunities for the financial services industry.

Financial IT: Great. So what makes you different?

Mark Jenkinson: Most traditional (and some challenger) banks are focused on ownership of the client.

Often the client is attracted to the institution in question by a 'loss leader' product that is very generic and adds little value to anyone.

The traditional bank then looks to cross-sell more valuable products to the client.

In this business model, the institution focuses on ownership of the client.

The brand of the institution is important, because it reinforces the relationship with the client.

The problem with this business model is that it does not differentiate between different clients (and potential) clients.

Products that are developed tend to be generic. In trying to please everyone, the bank ends up truly pleasing no-one.

Here at Chetwood, our approach is completely different.

First, we do an enormous amount of data analysis to understand particular groups of retail clients that we have identified as being prospective.

I'd stress that the clients who are most likely to use SmartSave (our savings deposit product), are very different to those who are most likely to use LiveLend and BetterBorrow (our two loan products).

Second, we use the data that we have to offer the clients better terms than they would otherwise be able to obtain.

Third, we use technology to give the clients the best and simplest possible customer experience.

At this point, I'd note that a client who deals with us does so digitally.

That's important, because digital is faster and cheaper.

Financial IT: That's one of your core beliefs, along with the idea that one can never have too much data.

Mark Jenkinson: That is correct. As you can see, we also believe very strongly that the right product must be developed for a particular target market.

We are also determined that, in explaining the products to the clients, Chetwood's conduct is beyond reproach.

Finally, I'd add that one has to ensure that the technology is capable of getting the data, interpreting the data and delivering the product to the targeted client.

Make no mistake: getting the technology right is central to what we do. The technology gives us a scalable business model. We have about 150 people on our payroll and as the business grows, this number is unlikely to expand significantly.

Financial IT: What about branding? What about owning the client?

Mark Jenkinson: We are brand agnostic here at Chetwood. Our products are named according to what our customer research tells us so our brands are designed alongside their input.

We do not see owning the client as paramount.

Taken together, these ideas mean that we spend little on "above the line" advertising – with our name on billboards in railway stations or on the sides of buses.

We do, however, spend money on acquiring clients through our distribution model. A client is someone whose services directly relate to a product and with whom we have a mutually beneficial relationship over the long term. It is reasonable to spend something to buy that relationship.

Financial IT: So, in other words, you have a business model in which you can easily partner with other businesses.

Mark Jenkinson: That's right. We call that partnership Banking as a Service (BaaS).

Currently, we reach our depositors/savers and borrowers through our network of digital distributors.

They own the client, and we compensate them when their client uses one of our products.

There is no reason why we couldn't take the same approach with a large and very traditional institution.

Their clients would have access to products that are superior in that they are designed to meet the exact needs of the clients as a group.

The institution is, of course, compensated for our access to the clients that the institution owns.

Although we call this approach Banking as a Service, it would work equally well with a large insurance company.

Financial IT: One might say, then, that Chetwood is a manufacturer that collaborates with a variety of distributors – and in relation to specific products which are the result of a lot of market research.

Mark Jenkinson: Exactly. Make no mistake, though, we are a FinTech bank and not just a FinTech.

We have to manage our balance sheet like any other bank. If our loan book grows, the deposits book must grow accordingly.

In order to ensure that, we continually focus on our relationships with distributors and on client experience.

It is not enough for our clients to be offered the best products. They must feel that they are getting the best products, combined with the best service in the market.

Many of our key performance indicators (KPIs) are those which would be used by a traditional bank.

Net Interest Margin (NIM) is the key source of profit for us, plus many more insights that our technology provides us with in real-time.

We also focus on how we are reviewed on Trustpilot. It is gratifying to read the comments of our customers and to know that we are really improving their lives.

Financial IT: What are the main changes that you expect in the coming year or so for Chetwood?

Mark Jenkinson: Like any manufacturer, we expect continuing improvement in the way we use data and technology to design and deliver our products, both existing and new.

In the coming year, we are also working hard to establish new partnerships – under the BaaS model – with traditional institutions to bring our market-leading, innovative products to a broader customer base, across industry verticals

As ever, we will be focusing on niches where we can add value to specific groups of customers, making them financially better off.

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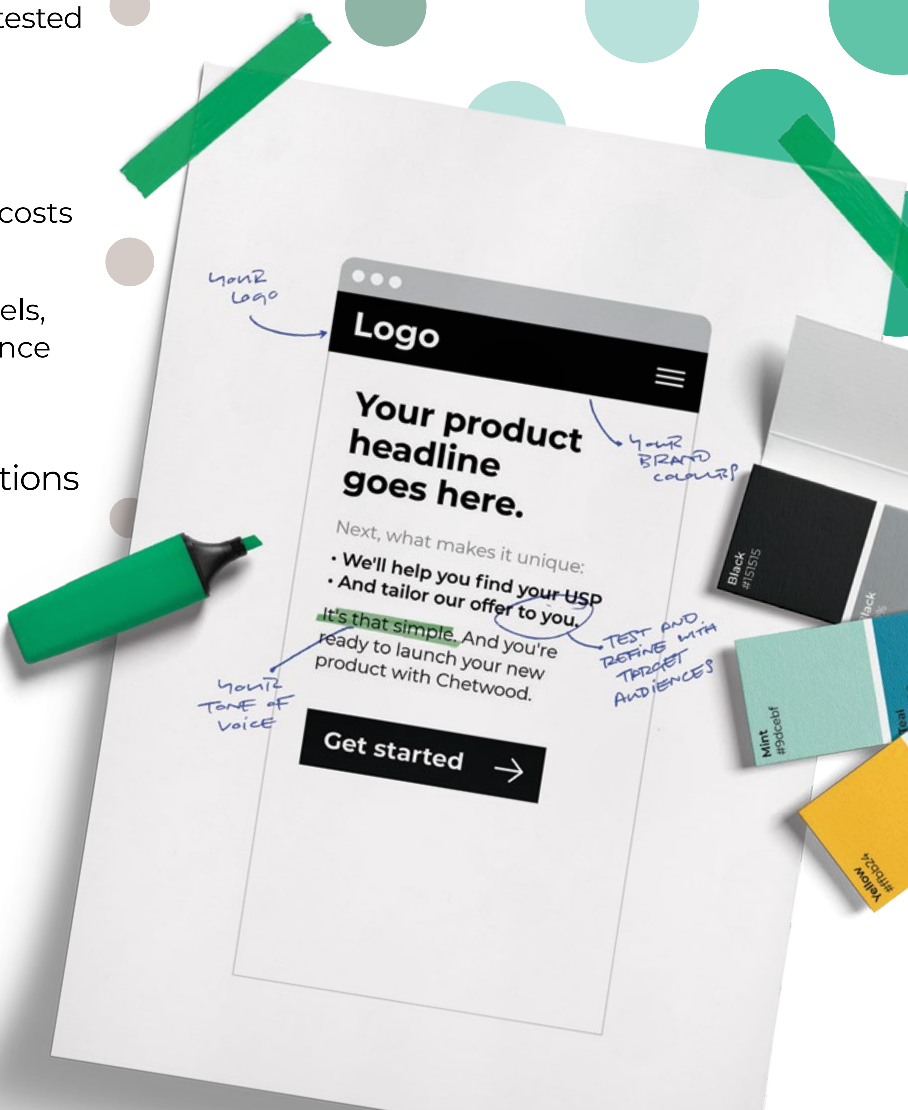

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Better Borrow.

We've successfully launched many of own products in recent years. Let's help you do the same.

ARE YOU BEING SERVED?

The technologically underserved in a market full of options

Traditionally the word 'underserved' is reserved for the B2C sector of financial services, however, this terminology has become increasingly relevant to the financial institutions themselves, whereby they are being underserved by their technology partners. Underserved FIs often underserve their customers.

Whilst there is no doubt over the proliferation of technology products available across vendors in the payments industry collectively, this may not be as advantageous as it seems, and instead, offers a false sense of having options.

FIs are being underserved by their vendors for a multitude of reasons. Most of which come down to two key areas: the age of the software and the availability of deployment models.

The technology running the majority of the world's core mission-critical systems today predates the 21st century, born in the age of the card, and not the e-commerce, alternative payment, mobile-first, API-driven world we find ourselves in now. Although some providers have been reasonably successful in stretching themselves to meet modern demands with the help of wraparounds and other tricks, the pace of change is relentless and there are significant limitations to the sustainability of this approach.

On the other hand, there are exciting new technology vendors powered by venture capital, who have modern technology stacks, but lack the breadth and depth of products, the problem-solving expertise that comes with decades of experience, are limited geographically, and are not proven. As such, these vendors are rarely deployed to drive mission or business-critical processes.

The second area offering a false sense of choice is deployment models. The majority of both established and new vendors struggle with offering multiple and interchangeable deployment options. For example, it is nigh-on impossible for vendors offering processing services to move to a license model. For those traditionally offering licensed software, it would be resource and time-heavy, taking years to build and certify a multi-functional processing centre, and even longer to become experts in operations and compliance. A handful of vendors have tried to resolve this by partnering with data centre providers, but this does not make for a seamless, coherent and cost-effective service, and leaves FIs essentially paying two suppliers to receive one service.

Many processors only offer the default option of the SaaS model, with few venturing into PaaS, sought-after by innovators and disruptors, established or wannabe market leaders.

So, why do vendor limitations have such a huge knock-on effect on FIs?

A false sense of having options

From the outset, it may not be obvious where the issues lie, especially for newer entrants. Surely, the clear option is to choose a set of vendors, each individually suited to collectively serving an FI's current needs, and keep adding and dropping them as business grows.

Many FIs, large and small, convince themselves that this is the only workable approach, but this is short-sighted.

Choosing a set of vendors

The procurement process for just one vendor is a substantial undertaking; choosing a set of vendors is not for the faint-hearted. From using different technology and architectural principles, as well as various project methodologies, to working to different timelines and release cycles, vendors come in all shapes and sizes, with varying objectives and cultures that may not match. The heavy-lifting of making it all work is down to the FI, which is very resource-heavy, time-consuming, and requires extremely experienced people. Far too often, the FIs will have to work with yet another vendor just to perform overall system orchestration.

Once the initial project has been successfully navigated, there will always be more obstacles to overcome for any new venture, as well as for BAU, and the cost of maintaining the system will forever spiral.

The more vendors involved, the more challenging it becomes to launch new products and services. The more complex the system, the more integration is required; which leads to longer testing cycles and a system with multiple points of failure. It is often the case that requirements that could be met by one or two vendors, are split amongst numerous providers just because this is how it was always done, adding rather than removing complexity.

Serving an FI's current needs

All FIs have the ambition to expand their business. Many vendors are able to scale and provide value adds, however, there are some high-profile examples whereby a company started out offering card products and within a few years wanted to move into acquiring, soon realising that their current processor's reach doesn't extend beyond issuing. Another example is where a very well-known European FinTech decacorn with a platform developed in-house was faced with the inability to expand internationally using their technology stack, even though it was relatively new.

Maria Nottingham,
Managing Director,
Compass Plus

When an FIs faces expansion, whether geographical or business focused, the incumbent vendors may hinder this growth, resulting in a deadlock. The FI is forced to develop new systems internally or start shopping for a new vendor to then integrate into their existing systems. Alongside the aforementioned issues, problems can appear a lot earlier with FIs wanting more control over their system and more vendor independence.

Those who start with the SaaS deployment model will have a natural inclination to move toward PaaS, others will be more geared toward bringing parts of their system in-house, especially those generating competitive advantages. A few FIs may opt to reverse the flow and go from licence to outsourcing, from PaaS to SaaS depending on real-world challenges, or as a strategic play.

Too often FIs are blinded by their need to choose a vendor that perfectly fits their current or short-term needs. The future is imminent and locking themselves into a partnership with an expiration date will have immense implications on ROI, and for some, their survival.

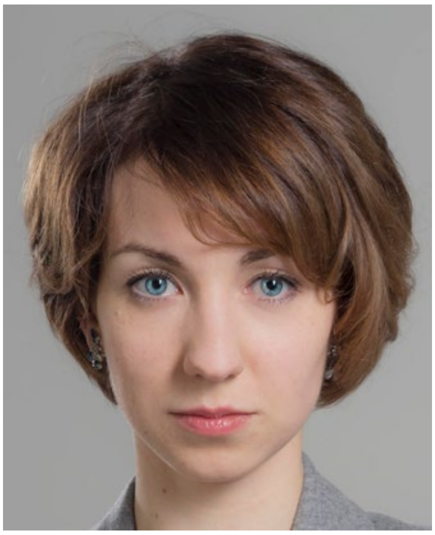
Adding and dropping vendors

It seems reasonable to assume if one or more vendors are no longer fit-for-purpose, an FI can easily drop them, replace them and pick-and-mix as their business evolves. This is not the case. Vendors lock-in is rife. The ability to quickly manoeuvre between vendors is at best not feasible, and at worst, plain impossible. Once you have built something mission-critical, ripping it out is no mean feat. This is why so many brick-and-mortar banks are still using systems from the 80s, navigating siloed technology stacks and engaging in fringe innovation in labs disassociated from the main business rather than at the system core causing integration nightmares.

Cohesive, future-proof partnerships

Whether new or old, large or small, universal or niche, FIs need vendors that are able to support their business come what may. Whilst all parties hope for business growth, the future is unknown, and FIs should consider partnering with vendors that offer the flexibility to grow and adapt to their business. This isn't only about transaction volumes and complementary services, but also deployment models, flexible vendor independence controlled by the FI, as well as support for new business lines and cross-functionality.

In the modern payments landscape, working with multiple vendors is unavoidable. Ultimately, FIs need to carefully select a handful of technology partners to form a cohesive environment to support their current and future business requirements.



USING BLOCKCHAIN TO BOOST ACCESS TO FINANCIAL SERVICES GLOBALLY

An Interview with Dr. Alina Kornienko, COO and Co-founder at Quppy

Financial IT: What services do you offer? What is the Unique Selling Proposition of Quppy?

Dr. Alina Kornienko: Quppy is a fast-growing European neobank. Since 2017, together with my co-founders, we have been building a financial, payment, social and investment ecosystem.

The ecosystem brings together such services and operations with traditional and digital currencies as wire transfers, exchanges, digital currency instant purchase and selling, payments, top-ups, recurrent payments, donations, salary projects, gift card primary and secondary markets and many others.

Thus, at Quppy, we are working on providing a unique digital personal banking experience to save time and open more financial cross border opportunities.

Being part of a financial world, I see that a lot of people, especially in developing regions, need not only more inclusiveness in the world financial system but also a general financial education.

I believe that due to fintech and paytech achievements we can soon increase the quality of life and the quality of financial awareness all around the globe.

And, today at Quppy, we are already contributing to the important goal by bringing together disruptive technologies, classical tools and all the possible financial services and activities in one app to make all of them accessible and understandable as far as comfortable and easy-in-use for everyone.

Financial IT: What currencies does Quppy support?

Dr. Alina Kornienko: One of the core competitive advantages of the Quppy neobanking app is the fast opening of a digital IBAN account in euros and sterling that enables the whole range of integrated services including inbound and outbound third-party instant transactions.

US dollar support will be available to the Quppy customers within a quarter.

Financial IT: Does the product comply with AML/KYC?

Dr. Alina Kornienko: All Quppy services are fully compliant with all the European Union's financial regulations.

Quppy has its own KYC and AML procedures that are performed together with our partner – SumSub – one of the best verification services that currently exist on the market.

Quppy has its own highly professional Compliance Team that constantly monitors all the transactions and performs all the necessary actions.

Financial IT: How secure is the web and mobile app? What can you say about the technology that makes it secure?

Dr. Alina Kornienko: The Quppy all-in-one neobanking app is built on a decentralized storage technology that provides the highest level of customer funds and information security.

The decentralized Blockchain technology enables keeping all the private keys as far as other important information and the access to the user account exclusively on the user device. This means that neither Quppy nor other parties have access to it one hundred per cent: this feature prevents user information and funds from being hacked or stolen.

Financial IT: Please briefly describe your client onboarding process.

Dr. Alina Kornienko: To verify your account in the Quppy app and get your digital IBAN in euros and British pounds, you have to pass through the KYC verification procedure. The whole process from opening the app and getting your ID ready to being able to receive funds takes no longer that 10 minutes.

The customer simply needs to fill in the personal data. After that the customer chooses a document (preferably an ID card or international passport) to prove the identity.

Then the customer uploads photos of him/herself, along with the front and back of the document.

When the information is complete, the Quppy customer will see the successful verification status on the same screen.

Financial IT: What is your geographical footprint? Recently Quppy announced the company's entry to the LATAM market. Why does this region look attractive to you?

Dr. Alina Kornienko: Our home market is, of course, the European one. It's where we grew up as a project and as a technology,

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got our first paying customers and earned our first revenue.

The European market will always remain the one where we deliver our newest solutions first.

Yet, we see Quppy as a global solution for customers from all over the world whom we can bring together in a financial way despite closed borders, miles, time zones, cultural and economic differences.

Of course, Quppy is a digital place for equal financial, payment and investment opportunities.

Thus, we are constantly working on localising and expanding our solutions to new regions while gaining regional partnerships, obtaining regional licences, opening local offices and hiring local specialists.

For example, entering the Latin American market marks an important step in the Quppy ecosystem development as it secures cross-border payments and strengthens financial flows between Europe and Latin America – reuniting families, connecting friends, opening opportunities to local specialists.

The Latin American region is a fast-growing market for digital currencies and payments. This constantly rising popularity is related to the national currencies' volatility.

As a result, the Latin American region is among the first ones around the globe in terms of digital currency investment volume.

Quppy opens a lot of benefit to its regional customers especially by offering digital IBAN opening in euros and sterling – yet with linkage to a local bank account with the local currency.

Financial IT: Please share the latest news about Quppy?(Quppy closing its investment B round)

Dr. Alina Kornienko: I am proud to share that, together with my co-founders, we have successfully completed the B-round financing. This is despite the pandemic.

We raised $35 million.

While the pandemic was taking over whole countries and regions, at Quppy we managed to provide instant mobile top-ups in digital and traditional currencies directly from the app. We helped customers to stay in touch with their beloved ones.

A Quppy account can now be linked to the owner's PayPal account.

Thanks to this, we are now doubling our net revenue every month.

While expanding our range of services, entering new markets and obtaining regional financial licenses, we will be soon opening another investment round.

Financial IT: What are the challenges that you faced during pandemic? What's your business strategy for the next 2-3 years.

Dr. Alina Kornienko: The pandemic helped us to grow, while helping our customers to get on with new everyday life conditions.

Among our key goals for the current 2021 year is to deliver plastic cards to both our EU and non-EU users – as well as obtaining our own EMI license.

In the next quarter, we will start supporting US dollars and SWIFT payments for EU based customers.

Within a year we will also be entering the African market to serve both banked and unbanked customers helping them with our integrated saving and investment customized mentors and tools.

Over the next two years Quppy services will be offered in Asia and in North America, while we significantly expand our AI based solutions.

Over 2022, the Quppy social financial services feature, including integrated donations and joint purchases will become available to all our customers.

Financial IT: Quppy actively supports WomenTech Network, please tell us more about the event and its mission.

Dr. Alina Kornienko: I am so happy to see that many female founders and female industry leaders today. I believe in the recent years we have performed a great effort to make the tech sphere way more diverse and accessible to specialists of all races, genders and ages.

Nevertheless, female leaders still face discrimination in terms of positions, salaries and even attitude. We have so much work to do in the recent future to overcome it.

In particular, far more is expected of women than of men in the raising and running of families.

This is one of the problems we are trying to solve at the Women Tech Network – encouraging, empowering, stimulating female brilliant specialists, bringing together their expertise and talent and showing it to the world.

WomenTech Network is the world's largest community for women in tech with more than 4,800 ambassadors representing 137 countries. Since 2018, its founders have engaged over 100,000 tech specialists to join in building a diverse global community inspiring and reaching more than 1 million people in 2020 alone.

One of the best things all of us can do to make this world a better place is sharing. Sharing what we have, what we get, what we know, what we feel and believe. Mentoring within the network, and thus exchanging your professional, social and philosophical experience is extremely important.

Being a Founder Institute Mentor, I see how many brilliant and promising founders, ideas and personalities remain unrevealed around the world. In these hard times of world crisis, mentoring and sharing become core and key points that world help us survive this pandemic situation.

WomenTech Network is hosting the second edition of the largest virtual tech conference for women, minorities, and their allies in technology.

WomenTech Global Conference 2021 will take place on June 7-11. The conference is aiming at uniting once again 100 000 women in tech from all over the world.

The theme for this year's conference is evolving around the Future of Work, Open Collaboration, Tech Innovation, and how we as a community can make an impact and change in the world.

This year, I will be covering the topic of financial disruption in the post-COVID world.

All kinds of specialists and professionals (including scholars) are invited to join this event to learn and exchange ideas – as well as to find or present job opportunities.

quppy

Nick Botha ,
Senior Sales and relationship manager-
Banking and Payments

As the Senior sales representative for Banking and Payments firms at AutoRek, Nick is responsible for managing client relationships within these sectors and engaging with stakeholders to ensure AutoRek's product offering is in line with the market demands. He previously worked in one of the largest private banks in South Africa and has worked with some of the biggest financial institutions in the UK and Europe since joining AutoRek in 2019.

AUTOREK

SURVIVING THE PAYMENTS BOOM

ARE CHALLENGING BANKS TO TRANSFORM

Although the dust has settled in the media on the €3.5 Billion Wirecard scandal that shocked not only the payments industry but the financial services sectors around the world, the operational nightmares are just beginning for those organisations directly affected.

The latest tendency has been to use partnerships as a key success driver to overcome challenges in the payments industry. Payments firms are making use of Payment Service Providers (PSPs) and other firms to ensure their customers' expectations are met and exceeded. In turn, this has increased competition and the industry as a whole is beginning to experience the positive impacts. Although not all payments firms and banks were affected by the Wirecard incident, acknowledging that there may be other incidents in the future that could affect your organisation is key.

The UK's Financial Conduct Authority (FCA) defines operational resilience as the ability of firms, financial market infrastructures and the financial sector to prevent, adapt, respond, recover and learn from operational disruptions. The UK regulator expects firms to be operationally resilient by having a comprehensive understanding and mapping of their people, processes, technology, facilities and information necessary to deliver each of its key business services.

If we compare what the European Banking Authority's (EBA's) guidelines outlined through the Payments Services Directive 2 (PSD2) or the Information And Communications Technology (ICT) and the Payments Services Regulations (PSRs 2017) framework aims to achieve, we can see that there is a clear drive from regulators to install the idea of operational resilience through regulation.

Let us look back at the FCA's definition of operational resilience and ask which firms recovered and which firms are still feeling the pressure. When one of the world's largest fintech organisations files for insolvency off the back of one of the biggest fraud cases of our time- one could say that it would be impossible to prevent, but organisations such as Revolut that were able to "adapt, respond to, recover and learn from the operational disruptions".

Where are we in the payments industry?

It's safe to say that most industries consider 2020 a year to forget. With a massive downturn in the economy, the amount of payments transactions have significantly reduced.

Technology combined with low margins have come about due to customer expectations for transactions to be simple, easy, fast and cheap. Although the crisis has affected the purchasing power of consumers and businesses over the past 6 months this has allowed for a time of reflection, understanding and progression. Consumers and businesses have shifted away from traditional means of doing things. More organisations have adopted a work from home strategy, a migration from on-premise to cloud facilities, online retail purchases have grown...

... and it is no different for payments.

- People and organisations have had no choice but to learn and understand how to adopt digital payments.
- Digital wallets are becoming a more popular choice than bank accounts.
- New technology such as Open Banking APIs and real time payments are making transactions faster than ever before
- New regulations are streamlining the safety and efficiency of these payments.
- No payments article would be complete without the mention of blockchain and the potential to shift the sector to the next level.

With all these advancements, a better understanding of the capability of these new technologies and increased trust in payments firms combined with the return of purchasing power of consumers and business alike, the next few years could see a massive BOOM within the sector.

How will installing a solution for operational resilience benefit these organisations moving forward?

While profits are generally the main focus for firms working with tight margins, the focus needs to be placed on systems and processes that will allow these firms to handle the challenges the sector will face in the volume of transactions and ever changing regulations in the next few years.

Firms working with manual spreadsheets, outdated technologies, large requirements for full-time equivalent (FTE) employees and zero flexibility are bound to fall short when the economy is back up to full flow. With the adoption of new technologies and the right partners, firms will be able to 'prevent, adapt, respond to, recover and learn from operational disruptions' that are evidently upon us and will allow firms the flexibility and transparency to handle the pressures that the payments BOOM will have on the sector.

THE UK GOES CASHLESS

THE IMPACT OF THE COVID-19 PANDEMIC ON PAYMENTS IN THE UK

Interview with Kaushalya Somasundaram, Head of Payments Partnerships & Industry Relations at Square, UK

Financial IT: What are the latest changes towards payments and the retail industry during the pandemic? How do small businesses manage those changes?

Kaushalya Somasundaram: Over the last year, the pandemic has had a significant impact on the way that goods and services were sold and bought. Our own research found that cashless transactions rose by more than 4 times between February 2020 and February 2021 and that the number of businesses accepting online payments saw a 79% increase in the same timeframe.

This shift was driven by businesses moving online in response to the restrictions placed on the indoor use of brick and mortar locations for and changing consumer payment preferences during most of 2020.

Consumer research commissioned by Square to supplement the report found that the majority of people in the UK bought more goods and services online during the pandemic than they did prior to it.

What's more, for over a third, this shift to online will be permanent, with 38% more likely to buy online in the future than in physical stores. Despite this pivot to online, the research found that over half of UK consumers would still like cash to exist as a payment option. That's because when it comes to buying goods or services on a day-to-day basis, they feel they would be impacted by an entirely cashless society.

Managing these changes in consumer spending and payment habits won't happen overnight. Businesses have been and will continue to streamline the payment process for their customers to make buying convenient both online and in-store.

Financial IT: Will online payments continue to increase once restrictions lift? If so, why? What will drive the momentum?

Kaushalya Somasundaram: With the UK's roadmap for easing lockdown restrictions underway, businesses nationwide are looking to adapt once again. This requires a bit of a balancing act between how they keep open new revenue streams discovered during the pandemic, such as online payments, whilst also meeting customer expectations around a renewed interest in pre-pandemic shopping experiences.

Whilst the "re-opening" of the UK signals a positive step towards things returning to some sort of normality, some consumers may still not feel comfortable doing their shopping in physical stores yet. For other consumers, they have become used to the convenience and ease of online shopping. Both these factors mean selling online will be important across sectors in the months ahead. That's not to say that in-store purchases won't be a priority for many: the latest ONS retail sales figures for March found that the proportion spent online decreased to 34.7% in March 2021, down from 36.2% in February 2021 with spending in-store starting to increase at a faster rate as shops began to open again.

By being flexible with payment options, sellers will be able to better optimise their business in order to reach current and new customers.

Financial IT: What are the challenges that Square faced during the pandemic? What's your business strategy for the next 2-3 years?

Kaushalya Somasundaram: As with all businesses around the world, we have had to pivot our business in some ways during the pandemic. But we've remained true to our purpose of economic empowerment. Our priority has been on supporting our sellers however we can, to enable them to continue to adapt and grow during the pandemic.

The past two years have seen big shifts for retail and its relationships with consumers, with the number of businesses accepting online payments almost doubling from February 2020 through to February 2021.

We're encouraging our sellers to take an omnichannel approach to their businesses. We want to ensure that Square is continuing to provide the right tools and platforms for our sellers to thrive in whatever way they choose to operate.

Financial IT: What is the latest news about Square? What have you got in the pipeline that you can tell us?

Kaushalya Somasundaram: Just last week, Square launched in Ireland! This is our first new market entry in four years, since launching in the UK. It's also the first time we've launched a full stack of integrated business tools in a new market. It has been a truly global effort to bring our omnichannel solutions to Irish sellers and we're excited for what's next.

Financial IT: Where do you see Square after the pandemic? In 5 years? 10 years?

Kaushalya Somasundaram: As a business we have a number of growth strategies across different products and markets but our core goal is to continue to support businesses of all sizes and sectors around the world through economic empowerment.

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AutoRek.com

CONNECTING YOUR ORGANIZATION TO DRIVE COST TRANSFORMATION

The release of the FinCEN files in 2020 is going to leave its mark on the financial services industry and our financial crimes programs for some time to come. The exposé showcased to the world that our current financial system continues to be vulnerable to bad actors that move illicit funds all over the globe.

The FinCEN files have already started having an effect across the globe, including more public scrutiny, changes to regulations, new investigations, and calls for more transparency and accountability. This is going to put more pressure on regulated institutions as in-house financial crime programs will need to demonstrate risk frameworks that show a certain level of maturity, show consistency in processes and ability, and ensure that executive leaders will be more directly accountable to the financial activities that make use of their institutions.

Connecting the Organization with Case Management

There is no debate that having a single view of financial crime risk is extremely helpful when investigating potential crimes. It's a huge benefit when we're able to give our analysts and investigators immediate access to information about customers, their account history, and tools to investigate links to related entities. Intelligence helps our analysts and investigators make better decisions. These better decisions that can prevent terrorist financing, prevent trafficking, short-circuit fraud attempts, and stop money laundering. How can anyone argue against that?

However, many institutions run the risk of having a "failure of intelligence" by lacking the ability to connect the dots. Many financial services organizations are structured in a way where information is very disconnected, which creates intelligence gaps that impact the analysts and investigators working on financial crime – whether it is KYC, AML, sanctions, fraud prevention, or trade surveillance. Historically, systems have been set up to serve different purposes across multiple dimensions—business lines, financial products, risk domains, front-office versus back-office, and geography. This has resulted in a siloed mess since many of these systems do not necessarily talk to each other.

Fraud units tend to have multiple systems that are used to manage different financial products and channels. Financial products tend to be change across the many business lines, such as retail, commercial, investment, wealth, treasury, and can include payment types that are clear and settle in real time or in days, such as wires, checks, ACH, SEPA, P2P and RTP.

KYC and customer due diligence systems tend to be aligned to the business lines and product types, while AML transaction monitoring and sanctions tend to be more a corporate back-office function.

Trade and communication surveillance requires communications, recording and archival systems to meet compliance requirements. Similarly, tools deployed to support this are typically aligned to the different trading desks for each asset class and by jurisdiction.

Siloed risk operations teams are challenged to make decisions quickly and accurately but may not all have a comprehensive set of information available to them. They may not see the related risks for a transaction, customer, counterparty, a relationship, the account or a related account if they are not manually reaching out to a colleague in another part of the organization. This leads to inconsistency in processes and time consuming manual efforts when investigating and identifying financial crime risk. The situation is not necessarily dire. The opportunity to consolidate this information does exist and having a standardized enterprise case management system to centralize the risks and related information will not only make a single view of risk a reality, but it will also bring process standardization to all of the operations teams, while maintaining the best detection systems in each risk domain area.

Driving Cost Transformation with Case Management

The other challenge with risk and compliance operations is that it is always under pressure to do more while simultaneously cutting costs. In a recent ACAMS Compliance Effectiveness and Risks Survey, almost a third of the respondents believed that the FinCEN leaks would lead to more regulatory scrutiny, and many financial institutions voluntarily improving their compliance programs. Disconnected systems and technologies are directly impacting the

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operational excellence demanded of financial crime teams. Now is the opportunity to consolidate systems and to drive efficiencies with significant savings.

This situation calls for application rationalization, a strategic exercise to identify business applications across an organization to determine which should be kept, replaced, retired, or consolidated. This exercise identifies systems that would be categorized as part of the "long tail"—systems that are redundant or not strategically important—that can be eliminated providing savings related to IT hardware, software and costs related to personnel maintaining these systems. "Long tail" systems would typically identify less important legacy systems and point solutions. At the same time, the application rationalization exercise identifies the core strategic, high-value enterprise assets that the business should invest in.

One core strategic enterprise asset that all AML, fraud and surveillance teams use is an investigations and case management platform. This is the "common denominator" that provides a holistic single view of risk, manages workflows, supports investigations and ensures oversight. Investing in one centralized case management system will certainly save the interested financial institution on its run-the-bank costs.

Besides the overall cost savings, the other potential benefits are:

- Process standardization provides consistency and auditability
- Completeness of financial crime risk information helps analysts and investigators collaborate and make better, faster decisions
- Leveraging analyst and investigator feedback for AI detection models

In fraud management, consolidating systems and information into one enterprise alerting and investigations platform can help release payments faster and quickly approve applicants for financial products, creating a better overall customer experience. Consolidation provides more completeness of customer data and cyber-intelligence across the different financial products and channels. A centralized case manager can also support a streamlined SAR filing approach and auto-populated forms, all in coordination with the AML team. One enterprise case management platform also helps the operational workflow for KYC, AML and sanctions teams align to risk policy and frameworks, create better governance, improve management oversight and reporting, and ultimately provide senior management confidence in their compliance program.

This means uniting the information between the front-offices and back-offices to provide a true holistic view of customer risk.

Trade compliance will similarly benefit for the same reasons. Additionally, a centralized case management platform will connect the different trading desks to access consolidated communications and see linkages between employees and related accounts. Trade compliance can also benefit from better visibility of securities that are traded in multiple jurisdictions across the globe by ingesting trade information to a central case manager, even when the trade information is monitored in different systems and residing in different locations.

Getting Started

In all likelihood, your information technology (IT) leaders are already looking at ways to eliminate business application redundancies. Consolidating on one enterprise case management platform is obviously easier said than done, but the financial benefits can be staggering. While financial institutions will have to continue to spend to run day-to-day operations, they will be looking to cut costs and make investments to help recoup this expenditure.

Here's how to get started:

1. Work with your IT team on starting the application rationalization exercise.
2. Start an inventory of all the systems used across Financial Crime.
3. Document what internal systems are used, who uses them, what they're used for, and what they're connected to.
4. Document what external systems are used, who uses them, what they're used for, and what they're connected to.
5. Look for commonality and categorize the system into a) strategic investments, and b) elimination candidates.
6. Select the enterprise case manager that will meet current needs and adapt for future financial crime requirements.

Selecting the right enterprise case management system to combat fraud and AML should consider the type of staff, skill set, and resources available to the organization. Case management systems developed for financial crimes have the advantage of pre-fabricated displays, workflows, and controls that support these programs and will get operational teams working faster than generic case management systems.

Does your organization have a "build-culture"? If it does, then a specialized financial crimes enterprise case management system can provide both the benefits of the traditional "buy vs. build" decision. Look for a platform that provides an open architecture that supports integration to your detection systems, internal systems, external systems and services, and reporting and governance systems. Good case management platforms will have a myriad of tools to enable integration and automation that includes:

- **User Experience Framework** – to modify and customize the look and feel of investigative interactions and to extend functionality to bespoke processes
- **REST API** – to allow applications to initiate and call the services of the case management platform programmatically
- **Software Development Kit (SDK)** – to create your bespoke services or actions at different points in a workflow, which could be leveraging the case manager's functions or interacting with other systems
- **Robotics Process Automation (RPA)** – use low-code option to automate manual processes where more robust integration through APIs is not available. Examples: some websites, legacy systems without APIs, applications that lack developer support
- **Adapter Framework** – supports connectivity to an ecosystem of financial crimes data intelligence providers and innovative technology that enhance detection or enhance the investigation process

Choosing to consolidate on a single enterprise case management platform will pay dividends over time that allow your organization to invest in new capabilities and new intelligence that will help combat future changes in fraud and AML.

AUTOMATION AND ARTIFICIAL INTELLIGENCE CAN HELP COMBAT FINANCIAL CRIME

By any measure, 2020 was a year of change. Combining the shift in working from home with an all-digital commerce model, businesses needed to quickly adjust to a new reality as a means of survival. Increasingly clear is that many of the changes might become a permanent part of our lives. This combinational shift has also been a time where cyber crime has accelerated, with the growing sophistication of opportunists leading many in the payments industry to invest in new technology to better detect and ultimately prevent financial crime in this new environment.

Too much of a good thing can be a bad thing

In retrospect, the payments industry was on track to process up to one trillion payment transactions globally by the end of 2020. Displaying remarkable resilience, it has continued to prosper even in the face of a global public health and economic crisis—with the movement to non-cash based payments accelerating, and no indication of subsiding for the foreseeable future.

The sheer volume of transactions flowing through the global infrastructure presents a tempting target to criminals attempting to exploit and evade in-place controls. Existing surveillance approaches were strained prior to the pandemic, and continue to face challenges as criminals relentlessly maneuver to find new ways in avoiding detection.

With threat of both reputational and sanction risk, how do organizations fortify defenses against these nefarious activities in an economically sustainable way?

The limits of traditional banking automation

Existing payments automation techniques focused on intelligent routing and better presentation for review by fraud investigators, with a goal to make the process more efficient and transparent when suspicious payment instructions were encountered. By making the relevant information readily available, it enabled decisions to be made more quickly—and growing volumes didn't necessitate an increase in the number of people performing review.

These optimizations, while efficient under prior scenarios, have increasingly approached their sustainable limits, with volumes exceeding the manageable work queue capacity of investigators and their ability to support a thorough and actionable decision-making process. Increasing the number of investigators could certainly provide a short-term fix, but is not a scalable or practical solution.

Simply stated: investigators need better tools that leverage technological elements as cyber criminals increase the number of attempts and sophistication in concealing their crimes.

Adding the AI "co-pilot" for payments automation

The application of artificial intelligence (AI) in the transaction screening process is a useful addition in combating transactional anomalies. As criminals become more adept at concealing their activity, the bank requires the ability to detect seemingly unrelated transactions beyond which might be possible through human examination and interpretation alone. These emergent scenarios are perfectly suited for tools that can learn and adapt to hard-to-detect patterns of concealment.

However, it would be unwise for investigators to rely solely on a transaction score, because to maximize the immediate and long-term effectiveness of the AI implementation, visibility into how the AI elements reached their end conclusion is needed.

With the ability to see how the intelligence was applied to the transaction, the investigator can be more accurate in their determination of fraudulent activity. Additionally, feedback from the investigator

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Eric Marts,
Principal Marketing Manager,
Financial Services

Eric Marts is a financial services leader at Red Hat. Prior to joining Red Hat, Eric shaped solutions globally in the Retail Banking and Wealth Management business at HSBC. He has more than 20 years of professional experience across both startups and incumbents. He is particularly interested in unlocking new market opportunities and making financial services simpler and more inclusive for customers with cloud technology.

can potentially be used to train and tune AI detection efforts moving forward, increasing their effectiveness and efficiency, and mitigating shortages in staffing resources.

Using better payment data to improve detection with AI

One of the challenges in uncovering transactional crime is the availability of up-to-date, robust, and accurate information. With a portion of processes not occurring in real time—whether through sheer volume of transactions, or because of reliance on batch processing—the opportunity to use these inherent delays (and the presence of outdated data) can be exploited as a criminal advantage.

Additionally, to provide maximal effectiveness, there is a need to capture multiple attributes of the transactional data to be able to present a more complete set of data points for the AI to analyze and highlight discrepancies in out-of-norm instances. Without them, the AI will be limited in its determination and ability to present insights. These conditional existences—data delay and reduced capture of data attributes—can circumvent even the most sophisticated artificial intelligence tools.

Open infrastructure components allow increased flexibility and adaptability

Traditional infrastructure and connectivity have been historic obstacles to banks seeking to implement preventative and responsive measures to criminal activity. Delays in adjusting infrastructure, tweaking machine learning models, or updating/implementing integrations not only contribute to frustrations in the financial institution's potential to adapt, they also present the very real risk of leaving vulnerabilities in-place against increasingly nimble foes.

Data needs to be more fluid, systems more malleable, and human resources more flexible with differentiated skill sets.

Cloud technology coupled with enterprise open source infrastructure that is engineered to access modern methodologies and innovations can make it easier to adapt and respond, leaving hard-to-change legacy configurations in the past. Banks will need to examine how they organize infrastructure elements, including cloud-native microservices and/or container architectures to fully unlock the value of cloud technology and reduce potential threats inherent in legacy platforms.

AI and the need for a community

The utility and effectiveness of any AI effort is entirely dependent upon the breadth and depth of the data that is available to train it. As noted earlier, within an individual system, multiple instances of data points strengthen the AI's ability to form cross analysis and interpretation. Looking ahead, we see an increased number of banks utilizing algorithmic techniques from data supplied across industries and communities—all of which aids in the end goal to better identify patterns in seemingly unconnected data. In the spirit of cooperation and desire for shared learnings, there are now multiple open source communities to select from that make this type of information available. In the never-ending struggle to stay ahead of criminal activity, it is a necessity for banks to use externally sourced data—especially from a cross-industry community—to refine AI effectiveness and detect deviant patterns.

Looking ahead – 2021 and beyond

It seems without question that the increase in volume of digital transactions will continue unabated in 2021. The rise of real-time domestic payments in markets including the United States, Mexico, Brazil, and India will undoubtedly put pressure on existing systems and processes for detecting financial crime—spurring infrastructure activity and investment.

Enabling the transition from batch to real-time processing is one strategy organizations can make use of, but in light of the sheer volumes of transactions involved and scalability obstacles, they will also have to bring artificial intelligence closer to those processes. Preventing financial crime will be increasingly defined by how well automation incorporates artificial intelligence and the cloud technology that supports it.

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MEETING THE CYBERSECURITY CHALLENGE

The financial sector is an attractive target for cybercriminals because "that's where the money is".

Hackers target financial institutions to obtain illegal access to clients' sensitive Personally Identifiable Information (PII), a lucrative prize.

The surge of mobile banking and online banking has increased the challenge for financial institutions.

This is because the "attack surface" that can be targeted by cybercriminals is a lot larger than it would otherwise be.

Put another way, digitalization has resulted in better products and more user-friendly services for customers but...

... a growing opportunity for cybercriminals.

In the meantime, financial institutions have to keep up with the ever changing requirements of an "alphabet soup" of agencies that monitor data security.

These agencies include: the national organisations which enforce the European Union's General Data Protection Regulation (GDPR); the US Federal Financial Institutions Examination Council; the US Securities & Exchange Commission's Office of Compliance Inspections and Examinations (OCIE); and the Payment Card Industry Security Standards Council (PCI SSC).

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- Mobile Threat Defense
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Ahmed Ghoneim,
Area Sales Manager,
ITS

ACCELERATING DIGITALIZATION

HUAWEI'S I^5 FRAMEWORK TRANSFORMS CUSTOMERS' DIGITAL JOURNEY

Interview with Ben Yang, Vice President – Financial Services Business Unit, Enterprise Group at Huawei and Chen Kunte, Chief Digital Transformation Officer – Financial Services Business at Huawei Enterprise BG

Themed "Accelerate Financial Digitalization New Value Together", this year's annual Huawei Intelligent Finance Summit in Shanghai on June 3–4 was again packed with insightful information, case studies and discussions of trends. A highlight of the summit was Huawei's introduction of its I^5 framework and elaboration on how it will work with its partners and customers to build an innovative financial ecosystem through five upgrades. Huawei executives Ben Yang and Chen Kun Te discuss with Financial IT how banks and financial companies can benefit from the five upgrades using the I^5 framework.

Financial IT: What are the main challenges financial services face post-pandemic? How should financial services respond to these challenges?

Ben Yang: In the post-pandemic period, there are five major challenges faced by financial services – digitization, agility, risk control, cybersecurity and the lack of customized solutions.

Digitization: The customer's journey needs to be digitized even more with new experiences, scenarios, and business models. Branch services are required to be digitized to reduce time-consuming staff interactions and offer customized products. There is a need to get payment systems digitized to accommodate broader use of digital payments. Banks must accelerate digital transformation to speed up the trend towards cashless transactions.

Agility: The pandemic has been a real test for companies and banks. Banks are needed to build agile capabilities to serve customers and maintain their operations while protecting employees. All operations and departments, including IT infrastructure, software development, product services and business lines, have to be agile. Without question, the organization and culture must be agile to support the business.

Risk control: During the pandemic, lockdown and company shutdowns have inevitably led to a decline in asset quality. After a lag time, there will be an increase in the rate of non-performing loans. The financial industry needs more efficient risk management to meet this challenge, including credit risk and business continuity risk. It also requires better use of big data and AI technology.

Cybersecurity: Online transactions and interactions have increased significantly with the wider use of mobile applications since the pandemic. With the growing threats to cybersecurity, implementing fraud detection and scam prevention programs is vital.

Lack of customized solutions: Big tech firms around the world are still trying to adapt their extensive capabilities and resources to accelerate entry into the payment field and other areas of finance. With highly customized needs, the financial industry will need to find its own way to navigate through such challenges.

Financial IT: What exactly is Huawei's I⁵ framework, and how has it evolved from your previous offering? And how is Huawei's I⁵ framework positioned to progress with customers' current and future needs?

Ben Yang: Huawei I⁵ is a reference framework for accelerating the financial service industry's digitalization, especially for banks. It includes Robotic Infrastructure, Agile Innovation, Data Intelligence, Financial Inclusion and Industrial Finance. It provides a completed solution for our customers to meet their needs in every stage of their transformation journey.

For customers that focus on improving their operational efficiency, the Robotic Infrastructure will play a significant role. For customers migrating their workload to the cloud, our Agile Innovation and Data Intelligence are the right choices. Our Financial Inclusion solution is a good fit for those looking at expanding their business to drive financial inclusion. Some customers may also deploy all five I's in their transformation. This doesn't have to be in sequence, so we call it a reference framework.

We are currently working with a lot of partners in each of the I's to tailor our solutions according to their needs.

Financial IT: Explain each of your five upgrades and their benefits.

Ben Yang: Under Huawei's I⁵ reference framework, the five upgrades include:

- *Robotic Infrastructure* – a green, secure, simple, and agile infrastructure that consists of data storage, networking, computing, and power system for Huawei's customers in financial services,
- *Agile Innovation* – a cloud-native 2.0 stack that is "application-centric," including Operator Service Center (OSC), Application Service Metric (ASM), Multi-Cloud Platform (MCP) and Cloud Container Engine (CCE) turbo. This enables banks and financial institutions to upgrade their services to deal with multiple scenarios, full-process security and trustworthiness, application modernization, and full-stack data intelligence.
- *Data intelligence* – a system that ensures all stacks are being intelligent and secured with high performance, low latency and a high usable ratio in the lifecycle of data, unleashing financial institutions' potential to use data.
- *Financial Inclusion* – a solution that includes digital payment, wallet, and microfinance that helps banks to reach more "unbanked" people and businesses, especially SMEs.
- *Industrial Finance* – a mechanism that leverages IoT, 5G, blockchain and other innovative technologies to allow banks to have "always-on" and secured data management ability to access the full process of their financial activities across multiple locations and thousands of terminals or devices.

Financial IT: How is the I⁵ framework different? Have you got examples of I⁵ working in practice? How are clients benefiting compared with previous systems?

Chen Kunte: The I⁵ framework empowers our customers in several new ways.

For instance, our Financial Inclusion offering features a touchless and contactless payment feature that enabled KBZ Bank in Myanmar to grow its mobile user base from almost zero to more than six million within 18 months. This ecosystem also features the participation of more than 200,000 retailers, making a huge difference, from user experience, to business competitiveness for various parties during this pandemic.

Ben Yang,
Vice President – Financial Services Business Unit, Enterprise Group, Huawei

Ben has 10 years+ experience in ICT industries with proven leadership and sales track record in the United States, China, Middle East and Africa. Ben oversees the Financial Services Business Unit's sales, branding, partner ecosystem and global service.

Chen Kunte,
Chief Digital Transformation Officer – Financial Services Business, Huawei Enterprise BG

Chen is ex-CIO of the China Merchant Bank and ex-President of the Ping An Bank. Chen has more than 35 years' experience in finance and technology.

The largest bank in Latin America, Itaú Unibanco, has been working with Huawei to upgrade its infrastructure using an all-flash storage and networking system for better operational efficiency and improved reliability. This upgrade enabled the bank to lower operation costs with enhanced service quality in the long run.

Other examples include the creation of systems to capture business opportunities and discover risks by mining and analyzing massive data sets. Huawei has supported ICBC Argentina, one of the largest banking flagships of ICBC outside China, to deploy a faster and more stable wireless network. The aim is to improve processing efficiency, implement real-time handling of diverse business demands, and minimize system operating costs. Now, the bank's new wireless network has laid a solid foundation for the fast provisioning of ever-more innovative banking services as well as the rapid implementation of more extensive digital transformation needs.

The I^5 framework is highly customizable, and can be configured into various applications to address the needs of banks and financial institutions.

Financial IT: How will Huawei work with partners with I^5? How do you foresee them interacting to provide more versatility to your framework?

Chen Kunte: As noted earlier, we work with partners across the globe in each of the I's. At Huawei, our focus is on the platform, particularly the infrastructure layer, cloud platform and the application enablement platform. We have three types of partners in our ecosystem:

- technical partners who work with our infrastructure platform with a focus on areas such as performance optimization;
- partners who leverage the platform that we build for banks to provide financial services applications to our customers; and
- industry partners who have deep know-how and have close working relationships with Huawei, who can help to add more financial services support for customers.

Overall, we want to build a truly open and win-win ecosystem with our partners, providing a platform for each partner to showcase their strengths and capabilities.

Financial IT: Describe how you perceive your financial ecosystem evolving? What timeframe do you see this evolution taking place? How is Huawei positioned to meet these developments?

Ben Yang: In the digital world, connecting people to people, people to companies, and companies to companies is critical. The internet giants have already devised scenarios for a seamless flow of people with the requisite logistics and capital for extending the scope of business, anticipating an ever-expanding ecosystem.

With the development of 5G and the advancement of technology, more scenarios will be connected to the digital world in the future. Financial services will be further digitized and become part of all aspects of digital economic activities.

Financial institutions need to find a path according to their own capabilities and needs. They should consider whether to join existing platforms or develop their ecosystem. The "platform" I mentioned refers to an organization that provides eCommerce connections at a wide scale for relevant parties in an ecosystem: from individuals to merchants, subscribers to publishers, service users to service providers; fund platforms connecting wealth management businesses to fund providers connecting with fund demanders, etc. These are all ecosystems in the digital economy.

The key to a successful business model is achieving a large and profitable scale. The profit comes from either the platform itself or the value created by the customer traffic and data that the platform attracts. It needs to introduce high-frequency services to acquire customers, such as digital payments, and low-frequency services like investments, mutual funds, and wealth management to cash out.

The development of 5G will create new standards, open more doors, offer wider connections to the digital world, and expand the market. To capitalize on such evolution, banks need to actively explore and embrace the changes.

Expert help is at hand. Banks and financial companies can easily plug into Huawei's extensive infrastructure and access our network of connections, covering 5G, cloud, ecosystem, partners and supply chain. Huawei, with all-rounded service offerings and expertise, is well-positioned to assist in the length and breadth of digitized financial communications.

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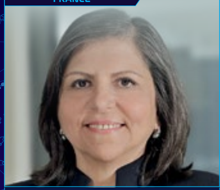
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A COLLECTION OF HYBRID EVENTS ALL ACROSS 2021

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HOW FINANCING HAS BECOME EVEN MORE ESSENTIAL AT THE TAIL-END OF THE PANDEMIC

Vaccine roll-out efforts and additional financial stimulus measures have provided the economies of developed countries a way to quickly bounce-back from last year's COVID lockdown crash. Economic projections in the U.S. show an eminent boom not seen since Ronald Reagan.

During the COVID-19 pandemic Buy Now, Pay Later (BNPL) services that allow consumers to divide single purchases up into four interest-free payments hit their stride. Consumers relegated to shopping at home and living off of stimulus checks or unemployment benefits sought to make their lives more comfortable under lockdown, and BNPL services provided a way to divide lump-sum payments into manageable "bites" to fit people's adjusted spending habits.

Now, as major developed economies began to reopen under expanded vaccine rollout efforts and additional financial stimulus measures, banks have entered the fray once dominated by Silicon Valley-based pay-by-installment companies to provide people with additional funding as the economy recovers.

Consumers saved during COVID-19, and are now eager to spend

In the first few 4 weeks of lockdown in the U.S. more than 22 million workers lost their jobs. Many others saw their salary reduced, with self-employed citizens and small business owners on decreased incomes. However, as stimulus programs and "enhanced unemployment benefits," rolled out across a number of states like California and New York, many people were able to save money as they began looking for remote-working jobs.

By the end of March 2020, more than 80% of freelancers surveyed said they lost thousands of dollars in wages to COVID-19, but as vaccines finally started rolling out in late January of 2021, consumer spending took off sharply as workers in restaurants and retail stores were able to come back to work.

With the money that they saved during the pandemic, consumers in the year ahead are now eager to 'get even' with the deep malaise of 2020 by unleashing their saved earnings and stimulus money by engaging in 'revenge shopping' according to McKinsey.

Ecommerce sales continue to surge as retail returns

Following the closure of brick and mortar stores at the start of the pandemic, there was an immediate shift towards online commerce. Ecommerce sales shot up by 40% in the US after a state of emergency was declared across all demographics. In the months to follow, that figure rose to 44% and is expected to decrease slightly as people seek to return to stores to shop.

The novelty of finding new places to shop based on recommendation, personal discovery, and physically exploring a shopping area will be drivers of new consumer spending as the spread of the virus winds down to manageable levels.

A study monitoring trends across specialty and boutique food retail in the UK and Ireland, where vaccine efforts now allow people under the age of 30 to book an appointment to get inoculated, indicates that consumers have been drawn back in droves to shop in person based on the notion of 'getting out' of the house.

People will spend less upgrading furniture and technology as vacation destinations reopen

During lockdown, consumers spent a lot of money on big-ticket purchases upgrading the decor in their homes to maximize their time spent inside. Purchases on TVs, video game consoles and in-home exercise equipment also took off during this period.

During the pandemic 36% of US internet users said they were awaiting the number of cases to subside either globally or nationally before taking a vacation, and now that the number of both has fallen in developed countries, consumers may soon shift to spend saved up cash on a trip.

Now, as consumers begin looking ahead to a vaccinated world, and Europe moves to allow travellers with vaccine passports access to Eurozone holiday destinations, big ticket purchases such as sofas and exercise bikes are soon to be replaced by package vacations to destinations where tourists can either get vaccinated or where the vaccinated can revel in some post-pandemic fun.

What can be expected after COVID-19

The pandemic saw a boom in the use of BNPL services that allow consumers to pay for items in interest-free installments. This boom resulted in a widespread call for regulation of the industry in Australia, the European Union and the UK, on the grounds that the Silicon Valley companies lending the money to consumers don't have the decision engines in place that large retail banks do when it comes to issuing debt.

Although the Fintechs profiting from this boom would prefer the traditional tech-model of zero government interference and self-regulation, consumers have stated that if the industry was regulated and made more transparent, it would actually increase consumer confidence in a way that would translate into more spending. Consumers don't want to find themselves in large amounts of debt accrued by companies offering them loans they may not be able to actually repay. Large traditional financial institutions stand to gain from this knowledge, as they have the wherewithal and experience to offer best-in-class BNPL services under stringent regulatory guidelines while making sure their customers don't end up taking on debt they can't afford.

Lenders must ensure that appropriate financing is available to retailers

Lenders must work with retailers to ensure that consumers have enough choice for financing in-store as well as online. Consumers want to see clear repayment plans laid out in easy-to-understand installments.

Large banks, such as Citizens Bank, have begun offering installment payment options to retailers, like their Citizens Pay plan. Andrew Rostami, president of Citizens Pay, explains in an interview with Retail Dive that people, "want to be able to live their lives and make the purchases that are important to them, but also want to understand how they'll pay them off."

Additionally, if lenders and retailers are already offering installment loans, they should look at adding a 'line of credit' option, which would allow customers to complete individual purchases over time, and pay-back only the amount that is spent in monthly payments.

Bottom line – What to expect

As the economy returns to normal, consumers will begin to seek new ways to finance the big-ticket purchases that they put off during the pandemic. This will include vacations, trips to restaurants and retail stores that they haven't been able to visit under lockdown conditions, and 'experiences' such as music festivals, package vacations, cruises and amusement parks.

Merchants seeking to capitalize on this new wave of consumer spending yet to be fully unleashed should keep in mind a persistent trend in consumer saving that is expected to continue even as things return to normal.

Financing options at checkout offered by BNPL fintechs are a great way to lure customers, but their high fees might make them undesirable to some retailers. As banks expand into the BNPL market, they stand to expand their footprint by offering these payment options as a new service.

Yaacov Martin, Co-Founder and CEO, Jifiti

Jifiti.

Dom Poloniecki,
Vice President & General Manager,
Western Europe
and Sub-Saharan Africa,
Nutanix

THE 'SOLID' CLOUD IS THE HYBRID MULTI-CLOUD

At some point during the early mists of cloud computing (pun intended), we thought all virtualised or containerised applications were intended to be delivered from public cloud compute-and-storage resources. But very quickly and collectively, users and the technology industry itself got to grips with the need to offer some cloud resources outside of multi-tenant public cloud facilities in the form of private cloud.

Not all mission-critical data is suited to the undeniable flexibility and service breadth offered by public cloud, so naturally where sensitivities exist due to privacy or various forms of compliance legislation, the private cloud steps up to the job.

Over time, we had learned to develop a more sophisticated degree of balance and equilibrium in our adoption of cloud computing, a seasoned and reasoned approach that has given rise to the popularisation and proliferation of hybrid cloud.

A coalition of combined cloud power

By now, adopting a combination of public, private and hybrid cloud resources, organisations in every vertical can rationalise, optimise and operationalise themselves for maximum business growth and profit. In doing so, these same firms who adopt the use of hyperconverged infrastructure (HCI) technologies put themselves in a differentiated position versus their peers by building the foundation required for a unified experience on premise and in the public Cloud, ie: a unified hybrid cloud experience.

But let's stop and consider how many cloud types, instances, forms, shapes, services and specialisms we're potentially talking about now.

This is not just hybrid cloud as a combination of public and private cloud in 1 +1 = 2 equation; the modern forward-thinking organisation will be using hybrid multi-cloud options to gain the flexibility offered by different clouds, with different benefits based on their native cloud services, under different governance restrictions, on different licenses and with different consumption model billing agreements.

By strategically bringing together a hybrid multi-cloud deployment, organisations can reap the highest potential levels of portability and flexibility. Put into practice, this portability means that applications and data workloads can be portable across any vendor's hardware and across any vendor's cloud.

Eschewing traditional three-tier infrastructure

To close the loop and make that portability achievable, organisations will gain maximum control by using the software-defined power of a hyper converged infrastructure, which eschews the traditional three separate silos of compute, storage and networking to bring all resources under a single software umbrella.

Without the simplicity of unified management offered by a hyper converged infrastructure, cloud operations teams find it naturally much more complex and troublesome to manage and run highly distributed computing environments.

Any single instance of cloud needs to be capable of being instantiated in the public cloud and then portably moved to a hybrid (or indeed private-hybrid combination) operational environment at any time. No business wants to go through the pain and rigour of the 'lift and shift' refactoring needed if clouds can't seamlessly move to where workloads need to be executed.

Core validations for a hybrid multi-cloud world

Whilst founded on the power of micro-processors and the strength of software-defined infrastructure, the benefits of adopting a hybrid multi-cloud approach translate directly to the world for businesses where constant change is the accepted norm.

Leaving legacy IT infrastructures behind enables businesses to elevate themselves above and beyond outdated economic models where one product or service is 'manufactured' for a defined market. Often consumed by one group of customers at one defined price and through one quite static channel, the old way of doing business is fast disappearing.

Organisations can now harness the controllable and flexible nature of hybrid multi-cloud to create new economic models capable of rapid change when conditions require. Users follow this dynamism and start to find new ways of working and demand new application functions and services; but the hybrid multi-cloud organisation has already come to anticipate change, so it sees this behaviour as part of the virtuous cycle of improvement.

Such an organisation can then act to ensure computing resources are allocated or reallocated accordingly. This is because an IT team that uses hybrid multi-cloud architecture can instantly deploy new infrastructure, whether in the public cloud or private cloud. Response times of hybrid multi-cloud IT teams are much faster than those of traditional on-premise IT teams.

Brighter than just 'keeping the lights on'

Architected and orchestrated prudently and professionally, the sum result of this move to hybrid multi-cloud enables the IT department inside any business to start doing more than just keeping the lights on. This is the point at which the IT function can start to develop and prototype Proof of Concept (PoC) innovations to create real value-add, rather than just being a support utility for the business.

There is very little one-size-fits-all in business, so adopting hybrid multi-cloud is a natural means of enabling a path towards embracing the flexible benefits of a hyperconverged infrastructure for maximum business agility.

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HOW TECH-ENABLED FINANCE WILL ACCELERATE THE TRANSITION TO NET ZERO CARBON EMISSIONS

On the path to global net zero carbon emissions, the finance industry is a key driver.

Meanwhile, technology is an enabler of sustainability.

To make meaningful progress to mitigate climate change, the global finance industry needs technology to quantify climate risk and mobilise investments. Financiers also must adopt collaborative, secure and trusted data platforms, and upskill.

Together, the finance industry and public and private sectors can accelerate climate resilience and sustainable infrastructure through technology-enabled platforms.

The role of sustainable finance

Progress in delivering UN Sustainable Development Goals (SDGs) has been very slow to date and requires urgent action. Significant collaborative effort across Global Finance is required during the UN's decade of action to 2030, to address environment and social impacts aligned to The Paris Agreement.

Increased scrutiny from investors, regulators, consumers and employees to demonstrate accountability on sustainability performance means there is a clear role for the financial community to assess and communicate on companies' climate risk.

But finance is a critical factor to drive climate change actions, through redirection of significant investment capital to build back better, greener and resilient economies.

Increased investments in smarter and cleaner technologies – such as renewable energy, electric vehicles, energy efficient buildings, and sustainable infrastructure – and exit from carbon intensive investments – such as fossil fuels – can significantly reduce carbon emissions.

Unfortunately, assessing climate risk is not so simple or straightforward. Finance and businesses encounter issues with climate data availability and quality, methodologies and capabilities to capture relevant climate data and enable financial impact analysis.

Other challenges include ongoing ESG performance monitoring, inconsistent application of sustainability reporting standards, metrics and benchmarks. There is increasing pressure from investors and regulators for greater consistency and standardisation of climate related financial disclosures, with the aim of improving comparability and data insight from organisations' operations, customer base and supply chain.

Innovative and secure technology systems and intelligent processes can help address these issues by enhancing data management, connectivity and collaboration between all value chain participants.

That should simplify financial systems, streamlining and automating processes – to improve ESG data capture, analysis, monitoring and reporting. In turn, organisations can rapidly scale innovative solutions and create new opportunities that address climate change in accelerated timelines.

Climate risk analytics, due diligence and climate resilience

The role of technology platforms in making climate impact is intrinsic to global investment decisions driving positive change for communities, investors and business. Financiers are responsible for safeguarding business interests and minimising climate-related financial risk, improving decision-making, defining and delivering financial strategy to reduce carbon emissions.

Assessing climate risk and financial impacts is complex and requires the right data, tools, and skills to derive actionable insights. Finance practitioners encounter challenges with translating data into meaningful insights and are unable to provide the analysis needed to support near real-time decision making.

In most cases, existing finance and business decision processes are slow, manual and laborious, relying on disparate systems or incomplete datasets. Technology enhances climate risk analytics through dynamic data capture and automated, intelligent, faster processes.

That means improving climate and ESG impact assessments aligned to standardised KPIs, benchmarks and performance monitoring allowing consistent climate-related financial risk disclosures.

For example, IBM and The Climate Service alliance supports financial institutions and corporations to better measure and quantify climate-related risks. As part of the alliance, the companies have developed the TCS Climanomics® platform.

By analysing climate risk exposure on assets, the platform allows organisations to quantify and disclose the financial impact of climate change in terms that can form the foundation for investment decisions.

Financing renewable energy and sustainable infrastructure with digital marketplaces

Investment in infrastructure of USD $6.9 trillion per year is needed to meet global development needs through to 2030 (OECD[1]) with developing countries accounting for the majority of these investments.

This infrastructure needs to be designed, built and operated in sustainable ways to secure a net zero future for the world and resilience to climate change. To achieve this goal, there must be an open and collaborative approach to data sharing and innovation from trusted sources enabled by secure, yet open technology platforms.

For projects as small as community rooftop solar panels and as big as large-scale international infrastructure projects, sustainable finance is a challenge that secure and scalable end-to-end digital technology platforms can help address.

Exponential and innovative technologies are essential to accelerate climate finance investment. Digital platforms will enhance process efficiencies and data insights, reducing risks and complexities in the value chain, whilst creating equitable benefits and value add for all participants. Technology specifically is an enabler of measuring and analysis impact of climate and values of assets.

Key benefits of digital finance platform solutions include intelligent processes, standardisation, increased trust and transparency, reduced duplication, and advanced analytics, security and auditability and enhanced reporting.

The pathways to enabling technology to mobilise investment and achieve net zero also involve improving the quantification, qualitative analysis and comparability of climate-related financial risk and the transparent disclosures of those risks and the opportunities.

Technology can also create new digital marketplaces to mobilise sustainable investment. Digital platforms that serve as online marketplaces can connect climate entrepreneurs and funding, institutional investment with well-structured projects, and facilitate public and private financing for sustainable infrastructure.

These types of end-to-end digital platforms can speed up highly manual and inefficient documentation processes, deal flows, and collaboration across ecosystems partners with added transparency.

A recent example of this type of digital platform is with Raise Green's collaboration with IBM Global Business Service (GBS). Together, Raise Green and IBM developed a software solution designed to empower entrepreneurs, regardless of experience or income, to start their own solar energy businesses.

The Originator Engine is a digital platform that connects customers, investors, and ecosystem partners to help navigate the process of securing financial investment for new businesses in the solar energy sector. The new digital platform was deployed using Red Hat OpenShift on IBM Cloud, and enables Raise Green with the flexibility to evolve the platform as they continue to grow and expand into areas beyond solar.

Shaping sustainable finance policy and skills development

The lack of global consistency, incomparable and differences in sustainability standards due to numerous existing frameworks is challenging for finance practitioners as preparers of climate related financial disclosures and reviewers (e.g. investors, regulators).

The latest global financial regulatory updates on climate reporting and role of technology call for the need for financiers to constantly grow skills and training programs to deliver long term industry change to build cleaner and resilient green economies. Technology can help provide transparency in sharing real-time changes in the latest global policy and regulatory developments in sustainable finance, as well as relevant climate technology and analytics.

By upskilling finance professionals to better understand technology tools, information analysis, ESG impacts and sustainability standards, the finance industry builds capacity at large to improve consistency in decision-making and disclosures that could align with the Green Finance Education Charter, backed by BEIS.[2]

Overall, technology can be a catalyst in the toolbox of global financiers to accelerate action and progress on sustainability goals by mobilising investments, quantifying climate change risk, digitising the marketplace for financing sustainable infrastructure, and equipping finance professionals with the skills and digital tools for a sustainable future.

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Lutamyo leads IBM's Business Transformation Services on Sustainable Finance, focusing on Banking & FS. He specialises in strategic digital transformation initiatives leveraging technology to accelerate and increase sustainable finance, enhance climate risk analysis and climate-related financial disclosures (TCFD). He has extensive Banking & FS experience, and expertise in Sustainability, Finance and Technology. He leads business development, client delivery of large and complex global transformation programmes with Tier 1 Global Banks, Institutional Investors, DFIs and International Development Organisations to enhance ESG data capture, analysis and reporting; and alignment with UN SDGs.

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1 http://www.oecd.org/finance/Sustainable-Infrastructure-Policy-Initiative.pdf
2 https://www.youtube.com/watch?v=wYdqsRt5heI

HAS THE PANDEMIC CHANGED THE WAY WE MANAGE INVESTMENTS?

The Private Banking and Wealth Management industries have experienced a turbulent year. At the same time, with a new group of people looking to leverage their assets in investments—many of them for the first time—there has been a growing need for professional financial advice.

According to Accenture's recent survey, C-level executives in wealth management affirmed they want to focus on responsible leadership and strategy, differentiated client experience, intelligent operations and technology, and empower talent and change, by 2025. 40% admit that nurturing a strong culture for change and embracing new ways of working are challenges.

In this survey, participants are expecting the following trends to affect the Wealth Management Industry thus making their business more dynamic and offering greater value to their customers:

- Emergence of new technologies
- Environmental considerations
- Hyper personalisation
- Move to value generation with support from technology
- Personal data management
- Rise of platform ecosystems

WealthTech as the accelerator for optimised customer engagement

According to Finextra, prior to the pandemic, the wealth management sector was facing multiple challenges, arising from digital disruption, evolving customer segments, and shifting competitive dynamics. The pandemic has merely acted as a reminder for the industry to revisit its priorities, to appropriately tackle these challenges, and it has been successful in doing so, by accelerating the adoption of technology for WealthTech.

Over the past year, client communication has been affected, however, with technology being a pivotal element to rejuvenation, peoples' interaction is expected to change, forming a blend of remote and face to face, using a range of digital platforms and tools.

Personalisation is becoming a key priority with data management despite the paradox that might this create due to compliance issues for security and privacy. Technology can easily address these concerns.

According to Nasdaq, the industry has been historically slow in shifting from traditional infrastructure to more agile processes like microservices and self-service onboarding that would create a more customer-driven communication. However, today's trend to use modern devices to communicate turns the desire to a necessity for many firms. Embracing change with the support of technology can lead to more profitable results.

What lies ahead for the Investment Management Industry

In the recent Mckinsey research, Wealth Managers "expect normal operations to

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resume by June 2021, assuming lower virus transmission rates, vaccine rollouts, and reduced capital markets volatility. Private banks have focused recent efforts on activating contingency cost reductions, enabling relationship managers to work remotely, and developing new products and digital functionalities. On the strategic agenda, organic growth remains a top priority, with cost reduction second (compared to eighth at the end of 2019)."

Private Banking and Wealth Management firms are expected this year to see a change in their profits, their operational approach and agile distribution models, making them more responsive to customer needs. Which means that although the pandemic may have affected the industry, it has delivered a different dynamic to approach this change and more assets to invest.

Key points and takeaways

Given all this literature what should wealth management firms need to look out for this year and prepare for a more profitable and agile 2022?

1. ***Improve value proposition through ESG strategies.***
   This may include diversity and ESG practices. Identifying alternative plans to invest and to develop a long-term winning strategy based on specific trends and parameters can help firms overcome similar situations. The pandemic highlighted that many firms had to adjust to the market needs they trade in and be able to refresh quickly enough. In addition, new technology and new solutions allow investment managers to deliver strategic asset allocation and simultaneously incorporate investors' ESG requirements, developing a significant competitive edge and secure long-term market presence in this growing space.
2. ***Adopt omni-channel and personalised communication.***
   The latest generation of HNWIs have an increasing familiarity using mobile devices and digital channels. To meet this market needs, firms need to focus on delivering hyper-personalisation so as to offer advice on setting and meeting financial goals. Technology provides wealth managers with an array of opportunities to make best and compliant use of customers data and spend more time enhancing their overall client service.
3. ***Utilise self-service onboarding and agile technology.***
   Hybrid advice and customised reports enable firms to differentiate and offer to customers an intuitive experience, empowering rapid response to market changes and customer requests.
4. ***Invest in ground-breaking technology.***
   IoT, Augmented reality and AI will enhance virtual meetings, reporting, profiling, and best practices on client communication with automated functions where applicable, so as to deliver operating cost reduction and improved customer experience.
5. ***Active presence through popular digital channels.***
   Firms need to actively engage and produce content on social media since customers tend to visit advisors' profiles and check out experience, investing more on digitising business profiles!

Conclusions

Technology will enable unique service delivery across wealth bands with bespoke counselling (family office), dedicated discretionary investments and advanced advisory investments.

Cloud technology will replace aging in-house infrastructure and firms can leverage shared services to reduce middle-office costs. Adopting advanced cloud security would enable privacy, security and meet compliance concerns.

The above points are not new to the industry; however, they have become paramount to compete effectively.

Invest in elevating your technology and automation in communication to increase your clientele engagement.

Partner with a firm that has developed and delivered innovation over the past years and has helped firms during pandemic to experience real value via its digital platform of investment.

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RBR'S BANKSEC 2021 RETURNS TO LONDON IN OCTOBER

On 12th and 13th October, senior bank executives and industry partners will come together at RBR's BankSec 2021 conference to discuss how banks and ATM deployers can best protect themselves from physical and logical attacks. We caught up with Jeni Bloomfield, who is managing the conference agenda, to find out more about the latest security threats and how the industry can work together to overcome them.

Financial IT: Will BankSec 2021 be returning as an in-person event this year?

Jeni Bloomfield: Yes, BankSec 2021 will take place as in-person event in London. We are all very excited to resume in-person events again, and this feeling is echoed by our clients and bank partners. We have an exciting line-up of presentations exploring a range of self-service security, access control and cyber topics; for instance, Dankse Bank will speak on red teaming and Nationwide on the latest cybersecurity trends.

Financial IT: Cybersecurity seems to be a big topic on the BankSec 2021 agenda. How has the COVID-19 pandemic impacted cybersecurity trends?

Jeni Bloomfield: One trend which the pandemic has accelerated is the growth of digital payments. National lockdowns restricted movement and access to cash, while concerns about the transmission of the virus via cash further limited its use. As a result, more consumers turned to digital payments, and unsurprising online payments saw a particularly steep rise as people stayed at home. This increased the opportunities for bad actors to target consumers. For instance, phishing attacks – in which criminals use emails or websites that appear legitimate to trick victims into handing over sensitive information – rose sharply during the beginning of the pandemic as criminals looked to exploit consumers' uncertainty and fear.

Financial IT: How can banks protect their customers from fraud?

Jeni Bloomfield: A multi-layered approach is needed to tackle phishing and protect customers' data. One important tool is the use of additional forms of authentication, meaning that even if a static password is stolen a bad actor still cannot access a customer's funds. Additional forms of authentication range from biometric data to one-time passwords sent to mobile phones. Increasing the layers of authentication can negatively impact customer experience, however, and so a balance must be found between security and ease of use. Stringent security requirements can even affect user adoption, a topic which will be explored by Guaranty Trust Bank during BankSec 2021.

Financial IT: Does the rise of remote working have security implications for financial institutions?

Jeni Bloomfield: There are some risks associated with remote working, with internet set up in staff's homes generally being more difficult to secure than an office-based network. Multiple household members logging on to the same network could also potentially expose devices to malware. Additionally, the increasing use of remote access technologies such as virtual private networks (VPN) and the remote desktop protocol (RDP) may allow new opportunities for threats to penetrate IT systems.

More broadly, as banks rely increasingly on outsourcing parties, so the opportunity for attack goes up. The SolarWinds hack in December 2020 highlighted the vulnerabilities of supply chains, with around 18,000 customers being affected. In light of this, ING will deliver a presentation on third party risk management and how banks can ensure they are not left vulnerable to attack via their suppliers.

Financial IT: Self-service security features prominently on the programme. Have you found COVID-19 has also impacted this area of banking?

Jeni Bloomfield: 2020 was an unusual year for ATM crime. National lockdowns and border closures restricted movement, but despite this mobile organised crime groups continued to operate across Europe. Logical and malware attacks rose in number over 2020 and although the number of physical ATM attacks fell, the value stolen in explosive attacks increased. We have an interesting presentation on this very topic, with West Midlands Police providing a look at trends in ATM crime in the UK.

Meanwhile, the US saw a rise in the number of physical ATM attacks. The decline in withdrawals made ATMs a more attractive prize while civil unrest provided a backdrop for opportunistic attacks. "Hook and chain attacks" – in which thieves use chains attached to vehicles to wrench open the ATM – saw a particularly steep rise, with criminals typically targeting off-site drive-through ATMs.

Financial IT: How can events like BankSec 2021 help in the fight against financial crime?

Jeni Bloomfield: To keep one step ahead of criminals, collaboration and the sharing of information is crucial. Banks need to develop broad strategies to engage with governments, other banks, their clients and the general public. BankSec 2021 does just that, bringing together security professionals from around the world to share their knowledge, present case studies and discuss best practice with their industry peers.

Financial IT: How can our readers get involved in BankSec 2021?

Jeni Bloomfield: There are a variety of ways in which readers can get involved in this event. We are always looking to add interesting bank case studies to our agenda and would love to hear from anyone interested in presenting. We have a range of exhibition and sponsorship packages for companies that would like to promote their brand and meet potential customers and, alternatively, individual delegate tickets can be purchased. For more information, contact jeni.bloomfield@rbrlondon.com or visit www.rbrlondon.com/conferences/bsec/

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