



DAILY NEWS AT SIBOS



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TUESDAY 24 SEPTEMBER 2019
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KEEPING AHEAD OF CYBERSECURITY THREATS



Why financial services struggle with the cyber basics

Becky Keightley, VP at Panaseer, offers her insights on how organisations can improve their cyber security

Libra already victim of fraud

Michael Cumming-Bruce, senior associate at Cooke, Young & Keidan discusses its future fraud issues.



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ONLINE
www.fintechfutures.com/sibos
The Daily News at Sibos is an independent publication, wholly owned by Knect365, an Informa business.

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PRODUCED & PUBLISHED
BY
Fintech Futures
Maple House
149 Tottenham Court Rd
London W1T 7AD
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PRINTED BY
Hobbs the Printer Ltd
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Editors note



This edition of the Daily News at Sibos explores how financial organisations are keeping ahead of cybersecurity threats as new technology ushers in new risks to tackle.

Financial services companies have been the target of attacks for centuries. Becky Keightley, VP of customer success at Panaseer, discusses what's changed, as typically banks used to be robbed by local criminals who had knowledge of the bank and lived near enough to build a team and carry out the job.

But now, Keightley, points out that most assets are electronically held, and the banks are online, making anyone in the world with internet access and the requisite expertise someone who can target a bank to carry out cybercriminal activities.

Michael Cumming-Bruce, senior associate at Cooke, Young & Keidan discusses the new opportunities for fraud that the likes of Facebook's stablecoin, Libra will bring. Fraudsters will be seeking to lure unwary victims into purchases of fake Libra via spoof advertising on Facebook itself as cyber-criminals often preying on victims' lack of technical or financial sophistication to steal from them.

FinTech Futures' reporter, Ruby Hinchliffe, shares her take on the latest cyber security breaches, revealing that Monzo's recent PIN debacle prompted many of her friends to change their passwords and question whether the bank was still safe to be with.

Check out our website for more features and reports on cyber security in the fintech industry and this year's latest Sibos news.

Editor, Sharon Kimathi

Why operational excellence in payments is critical to your future success

Live at Sibos with Red Hat

Thursday September 26th at 10 am

Moderator: Sharon Kimathi, Editor of Fintech Futures

Speakers:

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

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

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

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

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



Sibos 2019: Regulation isn't enough to trust the cloud

Regulation is not enough to bring transparency and trust to the cloud, "we need more practical solutions," says Credit Bank of Moscow's deputy board chairman, Sergey Putyatinsky at Sibos. as reported by Ruby Hinchliffe.



providers are up to and how they engineer their solutions, says Putyatinsky.

Fellow panelist, Diana Henderson, part of IBM's cloud services, agrees with the point of human error but points out that they are seeing a lot of emphasis on how they introduce security earlier on in the pipeline.

In a panel discussion about the cloud versus on-premise solutions at the ExCel London, Putyatinsky tells the audience cloud providers need to be held accountable not just by new regulations, but also by a set of best practices.

He says that when he asked one cloud provider, which was not named, when they last carried out a penetration test, the provider said "never".

"At least you can fire a guy in your company for the mistake if the solution is on your premises," says Putyatinsky. "Cloud providers, on the other hand, take no responsibility for customer data."

The suggestion to equip cloud providers not only with compliance but also a set of best practices would allow clients to have better insights into what the

"If organisations have the mindset of not bolting on security at the end, I think it's possible to have it on-premise or in the cloud," says Henderson.

In an audience vote during the discussion, 71% of listeners said they thought the cloud should be regulated.

As well as regulation, the panel also pointed out that security is not "already baked in" to the cloud.

EY's global cybersecurity leader Kris Lovejoy alerts the industry to the "incredible importance" of third-party reassurance, as the cloud should not relieve an organisation of investing in security."

Swift reveals 41 second European payments pilot

Swift has revealed its latest European payments pilot at Sibos which took 41 seconds to travel from Singapore to Germany, following FinTech Future's exclusive preview on the announcement. as reported by Ruby Hinchliffe.



time payment systems to come and join in this exciting venture," says Swift's banking head Harry Newman.

He adds: "The technology is in place, it is proven and it is now a reality that cross-border payments can be as fast as

domestic payments." Using a combination of gpi and domestic real-time payments networks, Swift has partnered with gpi banks to deliver instant international payments, which are subject to immediate up-front fees and foreign exchange (FX) charges to avoid latent bills.

Swift: "Cross-border payments can be as fast as domestic payments"

As well as Swift, the payment trial also included European Central Bank (ECB) and 19 other unspecified banks using the Target Instant Payments Settlement (TIPS) platform.

"We will be discussing with the market infrastructures (MIs) involved in the trials how to progress to live operation and invite all domestic real

domestic payments."

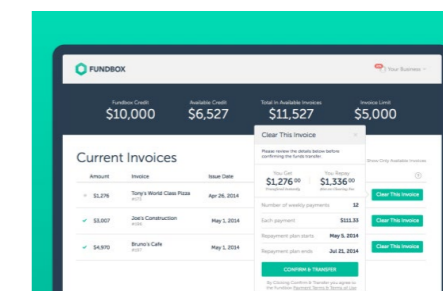
The pilot takes after two other cross-border payment pilots which resulted in an 18-second payment from Australia to China and a 13-second payment between Singapore and six other countries unspecified by Swift.

In a breakfast briefing attended by FinTech Futures two weeks ago, Swift reminded the industry that "foreign exchange controls can typically take at least one day to clear, but the best players can easily do one-minute transactions when it comes to international payments."

This service will be available to "all types of banks' end customers" including retailers, e-commerce, SME and multinational firms, according to Swift.

Fundbox raises \$176m from Allianz X and GMO Internet

US-based B2B payments fintech Fundbox has not only raised \$176 million in its Series C funding round, but it's also managed to secure a \$150 million credit facility, as reported by Ruby Hinchliffe.



Fundbox remedies this by facilitating quick risk decisions, faster payments and more flexible terms which is what drives greater predictability for businesses' revenue and cash flow.

The oversubscribed funding round included new investments from Allianz X, Hamilton Lane, Arbor Ventures and GMO Internet Group.

These investors will help Fundbox offer businesses greater cash flow predictability, changing the game for businesses which rely on open credit terms to complete transactions.

"The status quo for B2B transactions is uncertain cash flow and antiquated payment systems, which stifles business growth," says Fundbox CEO and founder Eyal Shinar.

He adds: "If you're a business owner and don't know when you're getting paid next or whether you have the funds to complete a transaction, you lose valuable time and important business opportunities."

For Shinar, this new investment "validates the market opportunity" Fundbox has found, supporting its own research which shows \$3.1 trillion is owed to US firms today, currently locked up in accounts receivables "limbo". He calls it the "net terms economy".

Allianz X's CEO, Nazim Cetin, praises Fundbox's originality for building the first payment and credit network in the B2B fintech space.

The network is built on top of artificial intelligence (AI) which calculates the risk decisions and quickly analyses transactional data, following Fundbox's "heavy investments" in machine learning.

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15:15-16:00 (local time)

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EBA @ Sibos: Stand Y110

COMMUNITY SESSION
SIBOS 2019

Sibos 2019: PSD2 bringing APIs to industry forefront

The second Payment Services Directive (PSD2) has changed the way that banks think about technology, and brought the discussion about application programming interfaces (APIs) from its original place in the IT department to the forefront of the industry's mind, according to a panel on the first day of the Sibos conference in London reports Alex Hamilton



relationship with customers. "The more the bank is able to take advantage of this, and be at the forefront of the customers' minds, the more they can avoid disintermediation [by new players]."

"What matters also is to protect the consumer. The faster we grow in having the

The second Payment Services Directive (PSD2) has changed the way that banks think about technology, and brought the discussion about application programming interfaces (APIs) from its original place in the IT department to the forefront of the industry's mind, according to a panel on the first day of the Sibos conference in London.

Stephen Müller, divisional board member for transaction banking at Commerzbank, says: "At the time of the first Payment Services Directive only engineers had been talking about what an API is. Now we have the business guys talking about them and trying to make use of them."

Fiona van Echelpoel, deputy director general of the director for general market infrastructure and payments at the European Central Bank (ECB), adds: "There was a realisation that banks had to decide to go forward and embrace change and see what it might bring. There is an acceptance that APIs are here to stay."

Van Echelpoel says that the ECB had created a working group to examine the landscape beyond PSD2. The group has had to be temporarily put on hold, as banks in the market are currently working on complying with the latest batch of PSD2 technical standards.

Pierre Antoine Vacheron, executive director for payments at Natixis Payments, says that the challenge for banks surrounds who will intermediate the

right APIs for payment accounts, the better it is for all market players."

Scott McInnes, partner at Bird & Bird, moderating the panel, asked whether fintechs are attempting to take advantage of the new regulation and grasp customer data. "Some fintechs want the data just to do 'stuff' with it. We have to tell them not to go to a regulator and ask for a licence because they're going to be told to go away. There is a potential for abuse of PSD2 and the label."

Müller remarks that banks remain the best custodians of data. "The bank has to be very good at using data to protect clients and they have a very good reputation in protecting data, as we have for decades. We know how to deal with masses of data. Now we can use it as an argument as to why we should be used and not one of our competitors outside the banking industry."

For Hays Littlejohn, CEO of EBA Clearing, there is complimentary legislation in place alongside PSD2, like GDPR. "[It] provides protection at great costs to those who abuse it. Some of the fintechs are very good at hiding those provisions in privacy clauses. Banks are the places trusted to hold data. The first to go there and abuse this with a misuse of data could be in big trouble."

Hamburg Commercial Bank picks Know Your Customer's onboarding solution

Hamburg Commercial Bank has chosen to implement Know Your Customer's regtech solution as part of its ongoing digital transformation strategy, reports Jane Connolly.



Hamburg Commercial Bank

to be partnering with Hamburg Commercial Bank, which has embarked on a remarkable innovation journey over the past few years," says

Claus Christensen, CEO and co-founder of Know Your Customer.

He adds: "We look forward to working in close collaboration with HCOB to provide a streamlined KYC experience to their range of international corporate clients through our innovative digital solutions for on-going regulatory compliance."

Last year Hamburg Commercial Bank set up an internal Digital Excellence Centre to focus on improving processes through innovation.

The bank was looking for an efficient, centralised customer onboarding process that would cut costs, bolster compliance and improve the experience for its corporate clients, which are mainly in the real estate, energy, infrastructure and shipping sectors.

Know Your Customer – which has offices in Dublin, Hong Kong, Singapore and Shanghai – is providing the bank with anti-money laundering and know-your-customer (KYC) compliance.

"As a native of Hamburg, I am particularly delighted

Trade finance - network to network

Trade finance indeed needs a network to network. Trade finance is probably the most collaborative and interdependent commercial activity on the planet. Yet for all the innately collaborative requirements, the reality is that market participants have challenges communicating with each other.

A complete redesign is required for trade finance to shed process and structure built up over literally centuries and risk a leap into a truly interconnected, immediate, deeply distributed networked state of being.

Part of the pickle trade finance has arrived at, is a result of technology itself and what was deemed important in the IT industry from the onset. IT systems take a long time to die and no industry knows this better than trade finance.

Today, it is at a pivotal moment and on the verge of a fantastic leap forward into a distributed, interconnected world that will have an enormous impact on global trade. What can be predicted?

Firstly, feature functionality is of course important, but gets solved over time. A product starts with a light core set of functionalities and over time and through user interaction a rich suite of functionality emerges.

What corporates will be looking to buy into going forward, is a distributed trade network; a network that once they have permissioned

themselves into, contains all the capabilities they require to manage their balance sheet and optimise their working capital.

- A network where all the corporates counterparties are present, and services delivered by network participants that bring new business perspective.
- A network where trade finance models and solutions are easily accessible and more importantly can be safely tested for veracity, and where value is clearly and accurately expressed.
- A highly distributed network with a vast array of participants, all adding to and using the network to create and renew data in real time.
- A trade network that informs itself and makes that information available to any participant permissioned into the particular transaction at hand is precisely where trade can and will migrate to.

Trade finance needs an intelligent network operating in a frictionless and informative manner; not so much for its own growth and modernisation, as important as that most definitely is, but for the transformative effect it will have on businesses, production and manufacturing globally.

The ability for any business ecosystem to share data in an enriched and transparent fashion

amongst participants, with the added confidence that trade finance will support their activity by efficiently allocating capital at any point in the cycle with innovative data backed financing, is the step forward all of trade finance knows it can and must take.

The good news is that such network is already available: Marco Polo (marcopolo.finance) is the largest and fastest growing trade and working capital finance network with over 25 members in the world. It is a joint undertaking between technology firms TradeIX and R3, the world's leading financial institutions, and their corporate clients.

"A complete redesign is required for trade finance to shed process and structure built up over literally centuries and risk a leap into a truly interconnected,"

- TradeIX

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Get ready for the trade finance digital revolution, as profound as the industrial revolution.

Libra already victim of fraud

By Michael Cumming-Bruce is a senior associate at
Cooke, Young & Keidan

“Libra the first cryptocurrency to achieve true mainstream popularity and near universal adoption.”

-Michael Cumming-Bruce

“Move fast and break things” may no longer be the official motto at Facebook, but on the evidence of its proposed cryptocurrency, Libra, its appetite for controversy has hardly mellowed with age.

Libra is a cryptocurrency anticipated for launch in 2020. It will operate on what could be termed a private blockchain. Permissioned members of the Libra blockchain, who can confirm transactions on the ledger, are a select group of multinationals known as the Libra Association. This distinguishes it from well-known public blockchains, such as Ethereum, where anyone can in theory join the network as a validator

node. Facebook has stated that its aim with Libra is to create a global currency that will allow easier access to financial systems for the 1.7 billion ‘unbanked’ adults worldwide. If achieved, this may also generate very substantial revenues for Facebook.

Libra is plainly built for scaling. It has a limited number of nodes, which should mean that it can process far more transactions a second than a public blockchain. It is pegged to historically stable asset classes, which should mean that its value does not fluctuate wildly. Perhaps most significantly in the long-term, it has a programming language aimed at allowing users to create their own smart contracts (self-enforcing contracts whose terms are automatically performed upon satisfaction of agreed criteria). This in theory could allow the Libra blockchain to become a global business environment where contracts are agreed and enforced, as well as a global currency.

Despite the scale of this ambition, many recent press reports about Libra have focused on more prosaic matters, such as fraudsters seeking to lure unwary victims into purchases of fake Libra via spoof advertising on

Facebook itself. Certainly, there have been good reasons for scepticism about cryptocurrency in recent years. Among other things, scams involving Bitcoin and other cryptocurrencies have proliferated, with cyber-criminals often preying on victims’ lack of technical or financial sophistication to steal from them.

However, while there is no immediate technical fix for some people’s willingness to lie for personal gain, it is worth noting that the anti-fraud architecture of private blockchains such as Libra appears more robust than the current alternatives. Generally, blockchains lend themselves to asset tracing. Reviewing the transactions on the Libra ledger (assuming you could obtain disclosure from a Libra Association member) should allow victims to ‘follow the money’ in a simpler manner than a traditional tracing exercise, where victims have to go from bank to bank seeking disclosure of information. In addition, Libra is due to be obtained and stored via a digital wallet that can only be obtained following identity verification. This should make it harder for criminals

to hide, compared to public blockchain cryptocurrencies (Bitcoin, Ethereum, etc.), which can be obtained anonymously.

This may hint at a more fundamental potential problem with Libra, which paradoxically may lie in its efficiencies. Its potential for helping out with tricky real-world problems, such as payments fraud and cross-border transaction charges, is liable to make Libra the first cryptocurrency to achieve true mainstream popularity and near universal adoption. That would make Facebook and the other members of the Libra Association a quasi-central bank. If its smart contract functionality progressed to a level where business agreements could be concluded without having to worry about contractual performance (admittedly a big ‘if’) the Libra Association could achieve a level of influence over the world’s economic affairs without obvious precedent (outside of James Bond movies). Needless to say, there are some potential legal issues associated with this (regrettably beyond the scope of this article). It is of course still

possible that Libra could go down in the footnotes of history as a bit of a gimmick that never worked out for anyone, except a few grubby fraudsters flogging fake crypto on Facebook. However, it is also worth noting that the European Commission is investigating whether the Libra Association could be in breach of EU competition law by unfairly shutting out rivals, notwithstanding the fact that Libra has yet to come to market.

“Steal a little and they throw you in jail” Bob Dylan observed. “Steal a lot and they make you a king”. No doubt, some believe it was ever thus. But arguably this cynicism is out of step with these sophisticated, entrepreneurial times. According to the Facebook model, you steal a little and they bank the advertising revenue from that fraud and put it towards taking over international finance. While unlikely to become the company motto any time soon, it is just the sort of thing that could plausibly go on to make Facebook an enormous amount of everything.



Meeting the Global B2B Payments Challenge

by Alan Koenigsberg, Global Head of New Payment Flows
- Visa Business Solutions

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International businesses increasingly expect global access to finance in real-time. They also expect finance to be available in a way that works for them in any country and currency, without the process being hampered and delayed by the historical constraints of national boundaries.

The trials and tribulations of cross-border payments

Today, despite rapid progress in areas of payments processing on the consumer side, cross-border B2B payments remain complex, touching many intermediaries often resulting in unpredictable delays. The traditional correspondent banking network operates on a largely bilateral relationship structure that is often perceived to be clunky and unreliable, offering limited visibility on the status of a transaction.

In addition, the set-up to support clients' business in a new corridor or currency is often cumbersome. Receiving banks can't be certain when payments will arrive and therefore cannot give status updates to their customers/suppliers – and the amount of money involved may change as a result of exchange calculations and various fees.

In a world where, as consumers, we have access to payment opportunities that are real-time with complete visibility of our transactions, the status quo around cross border B2B payments with potentially multiple steps in the payment transaction and uncertain visibility and reach is now becoming unacceptable. It is a logical expectation of fast-scaling companies to be able to offer their services or solutions across the world. The need for new models and technological solutions capable of making this happen in a timely manner is therefore increasingly urgent. So, we are seeing a real drive for change across the B2B cross-border payments space.

Regulation, especially around Know Your Customer (KYC) and Anti-Money laundering (AML), is also helping to fuel this change.

The level of regulatory risk created by money laundering can be significant in some countries but the tightness of controls and regulatory adherence varies per country. Across most of Europe, AML controls are more established. In parts of Africa however, including North Africa in particular, the risks are a lot higher as controls may be less



defined or rigorous. This means the chances of money being delayed due to AML problems are higher. It is also key, of course, that any new approach enable banks to reduce the risk of money laundering happening in the first place.

Finding a way forward

Looking at the industry holistically, we are seeing a growing number of partnerships between fintechs and financial institutions. This is key because banks and fintechs can overcome B2B cross border payments challenges by partnering to pool resources, share ideas and work together to develop new technology.

One key area of technology that offers future potential in helping facilitate secure and transparent transactions globally is Distributed Ledger Technology (DLT), such as blockchain. The use of DLT offers businesses the possibility of increasing end to end transaction speed as well as providing them with the ability to improve the way they

verify digital identity, for example. All this lays the foundation for a service with the potential to transform cross-border B2B payments.

We are now starting to see the emergence of systems that use elements of DLT to give financial institutions a simple, fast and secure way to process B2B payments globally. Today, it is possible to develop platforms that can reduce the risk and time spent on cross-border corporate transactions by facilitating transactions from the bank of origin directly to the beneficiary bank. Security is being enhanced through digital identity features that tokenise an organisation's sensitive business information, such as banking details and account numbers, giving them a unique identifier that can be used to facilitate transactions on the network.

Looking to the future

Technology today is significantly disrupting the B2B payments arena – and it is becoming increasingly urgent that it does. Just a short time

ago, only the largest multinationals were concerned about how to pay and get paid globally, which meant payment solutions were geared to the large multi-national corporations. In our current, progressively globalised business landscape, every business of every size needs to be able to make global payments quickly, efficiently and securely.

As businesses' needs continue to grow, we're going to see a corresponding evolution of digital solutions like distributed ledger technology in all aspects of payments from access to enablement to initiation. We also expect that the global nature of payments around the world will continue to evolve to address the need for speed, transparency and optionality.

Technology is evolving fast. Today, there is growing evidence to suggest that the future vision of all B2B cross border transactions happening in a simple and reliable way is not just a pipe dream but will ultimately become a reality.

The dawn of T+3 minutes liquidity management

By Nadeem Shamim, head of cash and liquidity management, SmartStream

In addition to increasing pressure from regulators, the global momentum around instant payments is making real-time intraday liquidity management a must-have. There are now more than 40 real-time/instant payment systems that have gone live or will be implemented globally. In a real-time world, settlement happens in minutes rather than days and settlement cycles occur throughout the day.

It is no longer sufficiently acceptable to know the daily liquidity needs at the beginning of the day. Focus has shifted to know the liquidity demand at any time of the day, i.e. what is the demand right now versus at 10.00 am. Financial institutions need to monitor in “near real-time” to ensure adequate funds are available to meet payment obligations. To meet this challenge, treasury and cash managers will need to enhance their cash forecasting so they can better manage demands on their liquidity at different points throughout the day and predict when demand for liquidity is at its highest. A failure to do so means institutions are more likely to have to rely on costly overdrafts or unnecessarily high liquidity buffers.

For many organisations, this level of visibility and control over their intraday liquidity introduces considerable challenges as it requires them to consolidate information from different operational silos and systems to form a consolidated view of their liquidity across multiple

accounts and currencies. While large global financial institutions have invested in automated cash and liquidity management solutions, for many firms, liquidity management is still a daily manual activity with spreadsheets, emails and phone calls used to collate and share information.

Even for those firms that have implemented automated solutions, many may not deliver the fully integrated real-time view of their cash and liquidity that is needed. Yet, without these solutions, financial institutions cannot track and monitor their liquidity in real-time and have little chance of reducing the hidden costs associated with poor and ineffective liquidity management.

A technology tipping point

Help is at hand. Next-generation technologies like cloud computing, artificial intelligence (AI) and machine learning can help organisations achieve real-time proactive management of their global intraday liquidity. For too long, treasurers and cash managers have relied on manual processes and their knowledge and experience to help them understand how liquidity changes throughout the day. Using AI, financial institutions can more accurately predict when receipts are likely to arrive. No more relying on costly overdrafts or last-minute borrowing as non-urgent payments can be better managed to optimise the use of available liquidity. AI and machine learning can also help treasury and cash managers more accurately predict

seasonal changes in liquidity around significant dates (Christmas, Easter, public holidays) or market events (Brexit, counterparty or market-wide stresses).

Equally, the cloud makes it easier for institutions to deploy advanced data analytics such as AI and machine learning. Cloud computing significantly reduces the upfront investment and time it takes to deliver an automated and integrated cash and liquidity management across disparate operational silos. A subscription-based pay-as-you-go model means institutions can easily access the functionality they need. Firms also benefit from economies of scale, regular technology updates and ongoing investments in security

There has never been a better time and incentive for financial institutions to proactively manage their liquidity. Regulatory, operational and cost pressures demand it, and technology is finally at an inflection point where legacy IT systems are no longer a barrier to an institution’s real-time ambitions. The benefits for financial institutions from actively managing their liquidity are not just confined to regulatory compliance: lower cost of liquidity; better visibility of how liquidity is used by different customers and business lines; the ability to incentivise liquidity saving behaviours; more effective management and control of liquidity to help institutions better manage risk. The time for active real-time intraday liquidity management is now.

Gen Z : We don't forgive easily

By Ruby Hinchliffe, Reporter, FinTech Futures

As a newcomer to the fintech industry, it strikes me how little I know about the potential of my money.

I can get real-time savings advice on it, I can convert it into crypto and pay my Netflix bill, or talk to my Google smart speaker about it, or take out a loan on it with a few clicks, just like I would with an overdraft – the list of fintech pilots and products is lengthy and growing every day.

But now is a time of drastic change as people are beginning to see the true worth of their money and neobanks are leading the way in financial transparency, lighting up all the hidden opportunities stashed away in that cash of yours, sitting there gathering dust.

The customer service horror stories I've heard and experienced personally with big player banks who, more often than not, seem to rest on the laurels of their legacy names, are alarming.

My generation don't forgive easily. If we feel betrayed, we rarely go back or give you a second chance. If your mobile banking app is down for days at a time, or if it still just offers bare

minimal functionality, then we'll open another account with Starling or N26 and eventually phase you completely. If the grass is greener, then that's where we'll be.

Trust in banks is changing. I no longer trust my long-established bank to serve my needs, because too many times the mobile banking app has crashed with no explanation. Transferring money instantly is table stakes now - if you can't even do that, then we're really in trouble.

But neobanks aren't perfect either. They're susceptible to data breaches just like their predecessors. Monzo's recent PIN debacle prompted many of my friends to change their passwords and question whether the bank was still safe to be with.

When Credit Karma denied the phrase “data breach” despite overwhelming evidence on Reddit, I shook my head in dismay. If you're called out, own up, be transparent. Just as easily as Gen Zs distrust, we also forgive – if you handle us the right way.

Challengers such as Monzo and Starling are becoming the popular

second choice for students and young adults. Yes, they still have a HSBC account or a Barclays account, but for how long?

In the context of industry priorities such as simplicity and ease-of-use, surely one will have to win if consumers are being told they should be able to get everything they need from one place?

Walmart's application for its own crypto 'Walmart Coin' points to this monopolisation, as it tries to lure in the proportion of society who still feel alienated and intimidated by banking environments.

A call once in a blue moon to encourage a customer to look at investing their savings isn't enough. Despite the blow up of mobile, banking apps from big players, they still offer very little. Challengers should use this moment – especially with new customers – to enlighten them.

Looking at these developments through a Gen Z lens, I'd say it's more important than ever to educate your customers on what they can do with their money.

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Why financial services struggle with the cyber basics

By Becky Keightley, VP of customer success, Panaseer

Financial services companies have been the target of attacks for centuries. What's changed is that typically banks used to be robbed by local gangs who had knowledge of the bank and lived near enough to build a team and carry out the job. Now that most assets are electronically held, and the banks are online, anyone in the world with an internet connection is local. Anyone with the know-how can target a bank.

Plus, unlike the good old days, bank robberies aren't attempted every few weeks or months, they are attempted every second of every day by cyber criminals across the world, all of whom are continually developing new, innovative ways of stealing money. According to the Financial Conduct Authority (FCA), financial services companies in the UK saw a fivefold rise in data breaches in 2018 compared with the year before.

Back when the attacks were mostly physical, banks took proactive precautions – security guards, alarms and strengthened gates to name a few. With the odd high-profile heists aside, this level of protection has proved successful. It will come as no surprise that the same principle must also apply to online.

However, taking this basic approach is much harder than it sounds. Many attacks on banks succeed because of the challenge that banks face in maintaining the cyber basics. Banks have tens of thousands of computers and have tens of thousands of employees using those machines, and much like in the field of counter terrorism, the adversary only needs to succeed once, whereas defenders must get it right every single time, making this an asymmetric relationship.

This is further complicated by the myriad of IT systems and security technologies that have been deployed over the years to protect the bank. Often, these systems do not talk to each other and those responsible for security understandably find it hard to see a joined-up picture of what's going on.

Financial services companies are facing the same challenges as many other large organisations – the sector struggles to answer the fundamental cybersecurity questions of what assets it's defending and how it's controlled. Their cyber personnel are wasting time manually and repeatedly bringing data together for stakeholders. These institutions then suffer internal circular arguments on data integrity.

“The last most important factor to overcome to address the basics is how to enable automation.”

-Becky Keightley

This culminates in a fire-fighting, rather than fire-proofing strategy. Solving this doesn't just require a step-change in technology, it requires a change in culture. Cyber, as a sector, is still relatively in its infancy. The advent of ever-increasing cyber threats doesn't marry well with corporate structure, which has been static for decades.

The vast majority of corporations have a chief information security officer (CISO) but he or she is reporting to a board that, to date, has been detached from the minutia of departmental detail. Their focus is on the new and transformational – the cyber metrics haven't aligned. Historical and partial data does not make them more secure. If the cyber risk posture is to be improved, it requires buy-in and cooperation across multiple departments – with CIOs, CTOs and CROs working in tandem to think of the long term, not just short-term projects.

It's not just the explosion in attacks driving cyber as a strategic board priority – other market forces include enhanced scrutiny by regulators, scarce security personnel and an explosion in security tools, which has obfuscated rather than enhanced visibility across the organisation.

To fix a data problem requires a data driven approach and metrics remain key. After all, it's much easier to talk about how the data is wrong than how to solve the security problem. With that in mind, it is critical to build in processes into the gathering, consolidation, enrichment and presentation of security-related data. You must have accurate and timely

data to be relevant to the business and leadership.

The last most important factor to overcome to address the basics is how to enable automation. Trying to collate data manually is too expensive, too inaccurate and prone to errors, and too slow to be relevant. Security teams have neither the funding nor the staffing to keep trying to do it this way.

Why is it that industry has developed endless tools to identify all the problems in security, but so little to manage the rest of the processes? Where is the automation to help security teams identify the security efforts that provide the greatest return on investment? Where is the automation to help them have complete and accurate data at their fingertips all the time? And where is the automation that allows them to measure their progress continuously? Point solution after point solution may reduce risks, but it will not reduce the overall company security risk posture. Automation is required to solve these basics of security.

Being one of the more regulated industries we deal with, the financial sector also carries the highest burden of expectation. Having the right information, in the right format at the right time, aligned to a security framework, will go a long way towards demonstrated sufficient controls over the security landscape. It's time that the basics became the new shiny sexy initiative – with refined and strategic enterprise cyber hygiene; you really can clean up a whole host of cyber vulnerabilities.

Self-Learning: AI With a Human Touch...

With trade and economic sanctions becoming an ever more popular tool of foreign policy in today's uncertain geo-political climate, AML, Screening and Anti-Fraud obligations are increasing in scope and complexity. Parth Desai, Founder and CEO of Pelican, examines the challenges and explains why Artificial Intelligence technologies can provide the answer.

National and International financial crime compliance obligations are growing in complexity and absorb a significant amount of human and financial resources for any bank, payment service provider or corporate organisation. The increasing political use of highly targeted sanctions restrictions, combined with ever more resourceful and sophisticated bad actors and terrorists, pose challenges for all organisations, with severe financial and reputational risk for any failure to comply with sanctions and money laundering obligations. With increasing cybercrime activities, fraud related losses are also increasing dramatically.

The financial cost of non-compliance can be high. Fines issued by OFAC (the US Department of the Treasury's Office of Foreign Assets Control) for failure to comply are significant. In 2018, a leading European bank was fined US \$54 million while a number of other bank fines over the last decade have exceeded several billion dollars.

The False Positive Challenge

It is no wonder that financial institutions have invested millions and continue to spend heavily to ensure that they remain fully compliant. However, due to the growing complexity and the limitations of traditional compliance techniques, there has been a substantial rise in false positive hits which places considerable compliance and operational burdens on all financial institutions. Of the alerts generated, less than 1% represent real financial crime cases, so, banks have to manually review, monitor and rule out the other 99% of hits. Many of the current systems in the market today use a traditional and static rule-based approach – with limited abilities to assist compliance professionals in processing and checking the rising false positives in a constantly changing world.

An appreciation of the unique capabilities of Artificial Intelligence disciplines to

ensure compliance, combat financial crime, and lower operational costs is growing, as many organisations have discovered the significant benefits of AI systems in increasing the accuracy of detections and reducing overall compliance costs by drastically reducing false alerts.

Leveraging the AI disciplines of Natural Language Processing (NLP) and Machine Learning (ML), should be key areas for increasing accuracy of financial crime detection, and the use of Self-Learning capabilities can significantly reduce the efforts to manually review the false alerts. This intelligent AI-driven dual approach can drastically cut compliance costs while delivering reputational protection across all payment processes and counterparties, with a dramatic reduction in manual effort.

AI-Powered Approach

An AI-powered approach can combine the benefits of NLP, Knowledge Based Systems, and Machine Learning, and provide full explanations for alert review and internal and regulatory audits.

Natural Language Processing outlines the algorithms that mimic human free format language understanding, incorporating context and common sense while processing payments. Using the context surrounding the hits, these algorithms can accurately decipher if a hit is true or false and can later explain the same.

Knowledge Based Systems represent a library of rules and information built using years of experience in payments and compliance domains, for example a dictionary of banks, cities, countries and common sense phrases with meanings which help us understand free format information that establishes context and relationships between them in the same way a human would.

Machine Learning is the ability of the system to analyse, understand and learn

from historical information and past human actions and continuously strive to improve the results and improve detection of the False Positive hits.

Explainable and Auditable

Any AI-based solution should be explainable and auditable as financial institutions need to understand and be confident about the actions being taken by the AI based solutions and to explain to the auditors and regulators all decisions taken.

One of the leading products in the market today, PelicanSecure Self-Learning applied to Sanctions, Anti-Money Laundering and Fraud, uses just this approach, combining the power of NLP, Machine Learning and Knowledge Based Systems, not only to understand and classify false positive alerts generated by third-party tools, but also to explain each decision made by the system. This allows compliance staff to resolve false positives much more quickly – reducing inefficiencies and freeing up valuable resources.

The full audit trail provides detailed evidence for regulators or any future investigations. Pelican has successfully demonstrated the powerful capabilities of its technology, with PelicanSecure Self-Learning being able to classify over 75% of the false positives for a large financial institution. PelicanSecure Self-Learning is a mature and industry-proven solution that works with a range of existing third-party financial crime compliance tools. The underlying Pelican AI technology platform which uses Machine Learning and NLP, has been live across a number of global banks for over 25 years, processing over one billion transactions worth over US\$5 trillion.

By using an AI-powered approach, banks can overcome some of today's most complex financial crime compliance challenges.

AI: The missing piece for Cobol modernisation in finance

New AI technology can support large-scale Cobol translation efforts

By Daniel Kroening, Co-founder of Diffblue and Professor of Computer Science at the University of Oxford

“The longer it takes to address this issue, the harder it will be to modernise while trying to attract the few remaining developers with mainframe experience.”

-Daniel Kroening

The Common Business-Oriented Language (Cobol) first appeared in 1959 as a language meant for corporate use, and ever since, it has done its job undeniably well. Although it predates the moon landing by a decade, Cobol still underpins many of the finance and administrative systems used by established banks and government agencies. In fact, an estimated 3 trillion USD in commerce goes through Cobol systems every day.

The potential issue? The inability for traditional banks to update core Cobol applications or integrate them with new tools is unsustainable for any financial organisation that aims to compete with agile newcomers in fintech. New development in Cobol is limited, and many of the businesses built on this language know they need to modernise, but practical solutions to date have been elusive.

After years without a clear path forward, advancements in artificial intelligence (AI) supporting Cobol translation efforts are finally making digital transformation possible and giving an edge back to the leading businesses that defined financial services.

Cobol gridlock

The truth is that Cobol programs still work. In fact, in most cases, they work too well. To justify going through the significant pain of replacing them outright, entire teams of engineers within financial organisations would have to spend years completely rebuilding the business' core tech in parallel—at a price tag in the potentially hundreds of millions of dollars. Only then would they attempt to transition to the new system, with a high risk of downtime. Seamless? Hardly. This is not an option for most businesses, so they continue to maintain the status quo while missing out on opportunities, such as adopting new customer-facing applications or moving to the cloud—all fundamental steps financial institutions need to make in order to stay competitive.

But with each passing year, the billions of lines of Cobol code currently in use are becoming increasingly unsupported. The majority of engineers who worked with Cobol in their early careers are now retired, and new developers aren't interested in learning it. Even

if they were, most universities no longer offer Cobol courses. As a result, the banking industry is quickly running out of junior engineers with mainframe experience who can carry these applications forward. In a few extreme cases, experts in their 50s and 60s have even been called out of retirement to maintain applications in the companies they used to work for.

The longer it takes to address this issue, the harder it will be to modernise while trying to attract the few remaining developers with mainframe experience. So what can be done?

Lost in translation

Replacement of Cobol isn't the only option: tools now exist that can translate COBOL code into more common, modern languages like Java, Javascript, Python and C#, without losing any functionality. Transitioning from Cobol to a well-supported modern language such as Java gives engineering teams the ability to write in a language that most developers can work with, allowing access to a much larger pool of talent and closing the Cobol skills gap.

However, it comes with a catch: brand new code bases are converted without tests. For risk-averse industries like financial institutions, which offer services that depend on stability, reliability, and sustained customer service, this is unacceptable. If newly translated code

can't be reliably edited, it's not much of an improvement. Manually writing tests for millions of lines of code takes almost as long as rewriting the entire application from scratch.

AI-assisted modernisation

Businesses that have been holding out for a solution are in luck. AI technology has made great strides in recent years and has actually reached the point of being able to write new code. For example, AI for code can automatically generate the unit tests that were lost in the translation process (or never existed at all). These unit tests reduce the risk of errors and bugs resulting from changes to the source code once a system has been migrated into another language, completing the second part of the modernisation puzzle.

The automated nature of these processes makes them fit to tackle the huge scale of the Cobol problem across financial services: Millions of lines of code can be quickly translated, and AI-generated unit tests can be created for entire code bases overnight. Modernisation for mission-critical software is in sight for the first time, finally making it possible for companies with decades-old tech stacks to shed their legacy code and look to the future.

Digital software that makes banking cool

By David Craik, senior staff writer, FinTech Futures

When it comes to cool you may think of expensive sunglasses, E-type Jaguars or James Dean.

Banks may be low on that list, but digital software might be giving it some extra verve.

"Banks are increasingly looking at how they can become more engaged with their customers," says Darryl Proctor, product director, digital, Temenos. "They are trying to be cool again – a place where they are not just trusted but fit into and help peoples' everyday lives. That is the key to the digital journey banks are now on. To be the app on their phone that customers can't live without."

The main drivers behind this, Proctor adds, are to restore reputation but also customer retention.

"Banks understand that switching to rivals is a lot easier than it was 10 years ago. So, they need to be more engaged and innovative," he states. "It is no longer acceptable to onboard a customer and then provide a mediocre service. Your customers will move."

He says banks are becoming more digitally mature but that they vary in their stages of preparedness. "Maybe they are looking to build a separate digital brand or replace existing legacy systems, but what is clear is that they are not thinking 'I am going to prepare and then I am done'," Proctor says. "This is a living thing, a cycle to continue. It changes quite rapidly helped by new fintechs out there every day inventing exciting and different hardware or software."

Temenos Infinity, the cloud-native, cloud-agnostic front-office digital product, is helping banks by giving them the freedom to innovate and the speed to deliver outstanding digital customer experiences.

It's a digital front-office product which to date has over 500 banking clients and covers all banking verticals, offering

customer acquisition and onboarding, omni-channel banking, customer retention and marketing, with modules supporting payments, wealth advisor, financial crime, risk and compliance, and analytics.

Temenos Infinity can be delivered on-premise, in any cloud, or as a software-as-a-service (SaaS) offering and has 700 published APIs for third-party integration.

It can be easily implemented on any core banking system or integrated with the market-leading Temenos T24 Transact core banking product, giving banks the freedom to continuously renovate their banking platform starting first with the customer experience. Temenos has over 3,000 clients globally, including 41 of the world's top 50 banks.

"Banks need a platform which will help them make use of new digital technologies from augmented to virtual reality. With Temenos Infinity, we can allow onboarding customers, for example, to pause their applications and then resume using other devices," Proctor explains. "It also helps banks ask prospective new customers for information in the right order. So, email or telephone number first rather than asking them to find a driver's licence, which could be tucked away in the bottom of a drawer! You lose customers that way. It is design-led thinking based on real life experience."

This, he says, has led to 40% improvement in onboarding rates at major banks. Indeed, one global bank has taken an average length of 40 days for a customer to onboard down to 10 days.

Proctor adds that the same bank has gone live with its onboarding platform in 26 countries in just nine months – quite an achievement given regulatory complexities around the globe.

"We give flexibility to our clients. We



always think when we are developing our software about it being API and cloud-first, about it being open and low code," Proctor states.

"For some time, banks have been looking at Temenos' software as a way of rationalising systems, improving efficiency and cutting costs. It has been an inward look but now they want to walk around in their customers' shoes more and get closer to them. That is the new digital focus. The consumer's view of the world, be they a small medium enterprise (SME), a retail customer or wealth client," he adds. "The marketing and product managers of the bank want to know how they can help their customers more. It is no longer about system features or functions like I need to make a payment three times a day."

A slick onboarding experience is where this starts, but it must continue through a customer's whole lifecycle with the bank. "With Temenos Infinity and our engagement platform we enable a bank to activate geolocation. So, if a customer is in a car dealership looking for a bank loan then the bank will know that they can help them there and then," Proctor explains. "What products can they offer that customer such as insurance?"

He envisages further growth following Temenos' \$559 million purchase of digital banking SaaS company, Kony. The Kony DBX product has a suite of mobile banking apps delivering

exceptional omni-channel experiences including support for conversational interfaces, artificial intelligence, augmented reality, and wearable technologies. Key to this success is Kony's development platform that accelerates product cycles and increases agility by reducing the load on bank IT to design and iterate user experiences.

"Kony brings a digital mindset at scale. Kony's talent combined with our digital teams means that we now have 2000 people who wake up every morning, thinking and breathing about how a customer is using their bank. I've never seen that in the market before," he says. "That combined with Temenos, which knows how a bank works, gives us an unrivalled market presence."

He says another strength of Kony is that it has experience working in other sectors. "They have seen how customers use software in a variety of industries, such as aviation, and then apply that to banking," he states. "For some time, we have been grappling with the question, 'what will banks do when they want to have new front-end offerings'. Do they hire a lot of people and develop natively, but repetitively, on device specifics like iOS or Android, which would cost them lots of money? Why would you do that when Kony brings a multi-experience development platform allowing us to understand what device we are deploying the software

to and using that information to deploy as a native feature on the device, do the work once, but still deliver native experiences"

It also means utilising those wearable and AI technologies. "Through the platform, if I want to build a consumer lending app as part of the banking offering, I can build it into a wearable smartwatch," Proctor explains. "It means if I am in a shop and I need a loan I can apply through that watch! It is part of your daily life."

What won't change are the building blocks of Temenos' success to date, including a commitment to plough back 20% of its revenues into R&D – the highest in banking software. "We have a laser focus on our software and take any opportunity to make it better. We are also obsessed with how our customers use our software, and with making it the best it can be," he states. "We want them to be better and that means partnering with them on innovation. It's about bringing the banks and their customers to life. Our motto is 'people are the key'. Focus on that, and you will succeed."

Temenos sees further growth ahead. "We are looking at the full cycle of how the bank and the customer uses our digital software from front to back. I'm passionate about making their experience the best it can be," Proctor says.





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How intelligent service platforms are driving differentiated service experiences, cost containment and greater revenue opportunities in commercial banking

By Christine Parker, VP and global financial services industry lead, Pegasystems



In today's competitive landscape, creating client value in banking is complicated. Entrenched siloes of marketing, sales and service are creating friction and blind spots that are hindering client journeys, costing banks their competitive edge and reducing their ability to retain and expand critical client relationships. However, intelligent service platforms are enabling banks to adapt.

Repercussions of poor client service

Pega recently conducted a survey on attitudes of commercial banking clients, revealing that 49% of clients would strongly consider switching financial institutions over the next year – which is alarming. Of those respondents, 20% have switched their main account in the past year and an additional 33% are strongly considering a change in the upcoming year. Furthermore, an eye-watering 49% of corporates would consider switching to a non-traditional challenger bank.

The key reasons an increasing number of commercial banking clients are switching financial institutions are:

- Poor overall service – 41%
- Lack of interest in client's business – 34%
- Systematic errors with account transactions – 32%

Challenges in getting it right

Banking operations and client interaction need to converge and flow together across the lifecycle. In an era of rising challenger banks that deliver greater experiences and value, the vast majority of commercial banks struggle to deliver optimised, tailored, client-centric servicing and advisory due to three primary factors:

1. Workflow friction and manual intervention
2. Disparate systems and inconsistent data across regions and lines of business
3. Disconnected channels and limited self-service capabilities

In today's increasingly competitive environment, and with a digital-native workforce, banks need to provide connected, consistent service capabilities across a multitude of channels across the client lifecycle, focused on continually building value and strengthening relationships each step of the way.

What's needed? An intelligent servicing platform to simplify and streamline

Commercial banking is entering a new era – one that must be more connected, nimble and relevant in the guidance and service it provides clients. Informed, connected service capabilities with advancements in automation and robotics are keys to

surviving – and thriving – in this day and age. For example, an intelligent service platform powered by natural language processing, AI and real-time data provides efficient, effective client engagement, improved service-level agreement (SLA) compliance, and insights that result in tailored products and services specific to client needs.

An AI-enabled, informed approach to client experience can also alleviate operational tensions and improve how clients experience interactions across the lifecycle – from accelerated, compliant onboarding to efficient operations, proactive client service, to more conversant relationship management. Delivering consistently great service experiences cascade success and generate greater business value. Banks experience 15-25% cost reduction, 30% greater client retention and 20% increase in revenue with such a tactic. And it doesn't require years to realise those outcomes with the right digital transformation approach.

In summary, workflow friction, disparate systems and disconnected channels are unnecessarily holding banks back. If banks don't make a change, they risk not only dissatisfied customers but also poor SLA and service metrics, missed revenue opportunities and lower profits. Intelligent service platforms are key to success in today's banking environment.

A bird's eye view of cloud and the payments industry

By Vijay Oddiraju, CEO, Volante Technologies

Volante Technologies has launched cloud-native payments solutions that provide banks with unrivalled agility based on the ability to deploy just the business services they and their customers need—a refreshing alternative to traditional models. FinTech Futures caught up with Vijay Oddiraju, the company's CEO, to provide an aerial view of payments and its relationship with cloud technology. Oddiraju has been spending his time liaising with CIOs and COOs of banks of all sizes, across the continents, before heading to London for Sibos. "The CIOs I talk to at banks around the world, and at major corporations, want their business banking and treasury at work to be as simple as their personal banking," said Oddiraju. He has found that as the digital-native generation is maturing into leading corporate treasuries, corporate banking expectations are in turn, being driven by consumer banking experiences. "This is a huge opportunity for banks to modernise their systems and meet the new demands such as real-time payments, real-time cross border, ISO 20022, and open banking using APIs. Everyone wants access to systems from anywhere and by any device they choose, just like they get on their mobiles from the best digital financial institutions," he added. Transaction banking has become a key revenue generator for banks, but that doesn't mean banks will have the business to themselves — challenger banks and fintechs are eyeing the space, or actively invading it.

"Indeed, Volante feels so strongly about enabling the industry as a whole to benefit from the latest technologies delivered over the cloud, that it is offering free real-time / Instant Payments processing to banks of all sizes on the basis that real-time payments is a fundamental component of payments modernisation."

-Vijay Oddiraju

"Fintechs know speed and agility are vitally important, but these challengers also know that achieving those takes time, especially when working with existing legacy systems." He believes that these disruptors are forward thinking and considering what the space will look like 5, 10 and even 15 years from now, as each institution examines its organisations and products to see how and where it can add value and remain relevant to customers. Contrary to some business press, he finds that most CIOs are aware of the competitive challenges and are taking a long view of their business. The largest banks are thinking of a strategic stack that will support them—and their large corporate customers—for 5 to 15 years and want partners who engage in the same long-term thinking.

Smaller regional and community institutions are driven by the need to compete with the larger organisations for the same corporate business. Both are driven by the demands of small and medium sized business customers, who are pressing their banks for the same simplicity and speed of access that they enjoy for their personal accounts. "Volante aims to make payment processes as simple as possible," said Oddiraju. "We have one bank client with a very simple user interface (UI) and another whose screens are very complex. We asked why, and they said it's because payments are so complicated, but good design declutters the interface to make the user experience pleasant, which is especially important on the relatively small screen of a mobile." Volante has always been passionate



about simplicity, automation and security. One of its recent innovations, VolPay's Beneficiary Pay Link, has all these attributes. It enables banks to offer a service to corporate clients for end customer refunds or payments using tokenised two-factor authentication, removing the need for corporates to handle sensitive banking information. Beneficiaries may receive their funds in any currency and in any bank account they choose. "We have created a payment processing platform for a future which we know will come, even while we don't know exactly how it will evolve," he added. "We can now manage the full payments lifecycle – from capture through to clearing," highlights the CEO. "With fresh thinking and nearly 20-years' experience of agile financial message integration and processing, we're in a position to help accelerate payments modernisation and innovation in financial institutions." Indeed, Volante feels so strongly about enabling the industry as a whole to

benefit from the latest technologies delivered over the cloud, that it is offering free real-time / Instant Payments processing to banks of all sizes on the basis that real-time payments is a fundamental component of payments modernisation. "With our deep experience, we know how to connect to internal and external channels to automate data acquisition and distribution." Despite 10 or 15 years of talking about straight-through processing (STP), the payments business still has a lot of manual processing. Volante is helping banks achieve 100% STP through automation. "Banks can create new apps and services very easily for payments, through our digital transformation layer, allowing fast, flexible and cost-effective innovation. Banks haven't chosen us simply for payments but for the strong, solid, digital transformation platform which we have developed over time, and kept up to date with the latest technology." And the industry needs collaboration between innovative companies,

regulators and banks, including smaller banks. "We see this as being about "joining the dots" - of the entire payment experience that end customers want, from end to end - between these varied payment initiatives," adds the CEO. "Such collaboration gives birth to propositions that one hopes the end customer will be attracted to and our specific focus when collaborating is to simplify and automate the end customer experience. We are working with leading industry groups such as Nacha, ISO, and the UK's Standards Advisory Panel to make this happen." "Over 20 years we have built a lot of credibility in the industry — we have never lost a customer. Trust is in our DNA. Banks want agility and speed, and they also want reliable long-term partners." After all, Volante is and always has been focused on easing, simplifying and automating payments processing and financial messaging, which continues to be the lifeblood of the financial market place.

Keeping payments profitable in a digital world



The payments business model is changing. In an open and competitive environment, serving customers who are no longer willing to pay for 'moving money' is becoming increasingly challenging. For payments providers, the ability to execute payments cost effectively while being able to offer value-added services is key to creating new sources of revenue.

Recent research commissioned by Icon Solutions and delivered by Aite Group ("The Payments Transformation Race: Criteria for Success"), highlights that 63% of banks are facing payment profitability hurdles, 95% report hardware as the biggest expense of payments and 68% believe they will lose customers, prospects and volumes if they do not transform.

Insights from new research

- Only **18% of banks** can charge what they want for payments
- 95% of banks report **hardware** as the biggest expense of payments
- 68% of banks believe they will **lose clients**, prospects and volumes if they don't transform
- New **technologies** (cloud native and open standards based) will drive down TCO

A new mindset is required to achieve lasting benefits

As payments profitability is on the decline, the need for banks to invest in new technologies is clear. These investments may not generate cost savings or new revenue immediately but are critical for future-proofing payments and reducing total cost of ownership (TCO).

“Banks need to invest in new infrastructure to cut the cost of delivering payments and associated services”

Driven by open source design, IPF is a collaborative payments platform, built with today's demanding, digital, data driven, real-time payments requirements in mind.

IPF has a uniquely modern, cloud native and agnostic architecture delivering advanced flexibility. IPF was designed for speed to market, with a modular, service orientated approach. An API first approach provides ease of integration with existing legacy payments applications helping to separate and simplifying the management of the payments value chain and lowering our clients' TCO by half.

IPF Enables

- **Six months full implementation of new instant payments capability**
- **Empowerment of customers with no vendor tie in**
- **50% reduction in TCO**
- **Truly agile delivery practices**

IPF Functionality



Gateway Connectivity



Integration



Orchestration



Analytics Integration and Operational Monitoring



Transformation



Stand-in

A case in practice: Accelerating BNP Paribas' payments transformation

BNP Paribas wanted to differentiate themselves as a bank when it came to payments, and that meant dramatically transforming their payments estate.

With IPF, BNP Paribas was able to:

- Deploy **instant payments** across **four** markets (Belgium, France, Italy and Hungary)
- Go-live with STET (Belgium and France) within a record time of **six months**
- Make **autonomous changes** to processes and flows saving both time and resources
- Drive down the **TCO** of their payments environment

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INTERVIEW | DAILY NEWS AT SIBOS

Deciphering transparency in payments with Laura Paul

By Martin Morris, senior staff writer, FinTech Futures

Laura Paul is engaging. She has to be in her role as Appian's financial services industry lead responsible for engaging with customers, partners, and analysts to solve digital transformation challenges in the banking and capital markets sector. FinTech Futures talks to Laura about how these challenges can be met.

Having had previous management roles at Visa, Ernst & Young and Gap, Paul – who holds an MBA from the University of Virginia, Darden Graduate School of Business, and a BA in economics and communications from Rutgers University – was attracted to Appian by its honesty and transparency.

Or as she describes it: "The feeling that we are all committed to the success of our team both collectively and individually with a constant focus on the success of our clients."

"I love knowing that I will continue having opportunities to learn and grow," she adds.

In a rapidly evolving business environment Paul sees payments as the "place where we are seeing the most changes – particularly: blockchain, mobile payments, new concerns about customer data and privacy and regulatory changes, next generation payment methods that bypass banks and credit cards, (and) providing new opportunities for the unbanked and underbanked."

Changes in cross border payments, for example, are impacting the industry when it comes to customer experience.

As Paul puts it: "Customer expectations affect every aspect of financial services – cross border

"The feeling that we are all committed to the success of our team both collectively and individually with a constant focus on the success of our clients."

- Laura Paul, Appian's financial services industry lead.

payments need to happen fast, be fully traceable and completely transparent."

Appian is currently working with Swift on its global payments innovation (gpi) to speed up the resolution of operational, compliance and regulatory-related issues that can arise along the payments chain.

Indeed, the need to dramatically improve international payments transparency has never been greater. Yet the challenge has been keeping pace with the increasing security and compliance regulations which requires quick technological changes, and this has, in part, created more innovation in the banking tech space.

The Holy Grail had long been end-to-end tracking so that the customer

knew when a payment was made, where the payment was and when it had been received.

Until recently, this wasn't possible because each bank was only able to guarantee and share information on its own part of the payment journey. The launch of Swift gpi in 2017, with its tracker database, finally made end-to-end visibility on the status of a payment transaction a reality.

The tracker, through 'stop and recall', allows for an immediate halt to payments not yet credited and can recall payments already credited. It can be updated by FIN message or via API and can be accessed through a graphical user interface (GUI) or by API calls to allow the service to be embedded in other back office systems, according to Swift.

Subsequent to this, a payment investigation and resolution service (extending to non-gpi payments too) was rolled-out; allowing for dynamic query handling between banks, enabling them to quickly resolve cases where regulatory, operational or compliance information has either been incorrectly submitted or is simply missing.

As Paul puts it: "Swift is at the cutting edge of finding more effective ways to manage case exceptions in an environment that's dynamic. Appian is the perfect fit, as our dynamic case management expertise enables them to engage very quickly, and in a very compelling way."

Laura is presenting at Sibos with Swift on Tuesday 24 September – 09:15 am - 10:45 am | Swift Room 1



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