



DAILY NEWS AT SIBOS

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Save the date!

We're excited to announce that the Banking Tech Awards USA will return for 2025.

The **Banking Tech Awards USA** offer categories for banks, financial institutions, software providers, teams and individuals to enter. Nominations will open in October 2024

The awards ceremony is set to take place on **May 29, 2025** and will be held at **583 Park Avenue**, New York

To learn more about the awards and see the full list of categories, visit bankingtechawardsusa.com

[Find out more](#)



Editor's note



China's capital Beijing plays host to this year's Sibos conference, with financial services delegates from across the world set to gather at the China National Convention Centre for four days full of informative panels, collaborative innovation and networking.

And as always, the team at FinTech Futures has been hard at work to bring you the Daily News at Sibos magazine, coming to you this year in digital format once more.

The theme of Sibos 2024 is "connecting the future of finance", with the conference aiming to bring the global financial community together to discuss what lies ahead for the industry.

This supplement aims to explore this theme with a feast of insights covering topics such as AI, cybersecurity, central bank digital currencies (CBDCs), sustainable finance, ISO 20022, embedded finance, connectivity and real-time cross-border payments.

HSBC's Nicholas Soo looks at how countries can achieve the G20's cross-border payments goals by embracing a balanced approach, ING's Annelinda Koldewe discusses the growing need for 24/7 payments processing, and Visa's Moowon Lee details how embedded finance is driving the future of B2B commerce.

The magazine also features insights from a number of regular FinTech Futures columnists. Dr Leda Glyptis, NED and author, highlights the importance of systems interoperability, data management and modernising your tech infrastructure when it comes to tackling modern cybersecurity threats.

Banking technology consultant Dharmesh Mistry takes a look at the evolution of connectivity and what the future of financial services might look like, while NMD+ founder Dave Wallace dives into the trends around 'atomisation' and how the next phase of finance is being driven by embedded and real-time solutions.

Fintech entrepreneur and author Christer Holloman explores the road ahead for sustainable finance, Unconventional Ventures founder and author Theodora Lau discusses how to be future-ready in an AI-led world, and editorial contributor Ni Tao takes a look at how firms can address the 'speed vs security' dilemma in cross-border payments.

We hope you enjoy this year's magazine, and as ever, feel free to [check out our website for all the latest Sibos news](#).

Editor, Paul Hindle

Swift gears up for 2025 live trials of digital asset transactions



Swift is set to commence live trials of digital assets and currency transactions through its network from next year.

The proposed pilot transactions will enable financial institutions operating in North America, Europe and Asia to use Swift to transact interchangeably across both existing and emerging asset and currency types.

The trials will interlink various digital and traditional currency platforms with the network, providing what Swift describes as “a single system for banks to transact across borders with digital and fiat currencies and further aiding this new market to grow”.

The Belgium-based company says the development will seek to address “digital islands” and mitigate the “key challenge” of disconnected digital

platforms which could, according to a statement, “hinder more widespread adoption and ease of use for new forms of value”.

“This marks a giant leap forward from our prior experimentation, with a deliberate focus on providing interlinking and orchestration

“Our intention is to continue offering our community the ability to seamlessly make and track transactions of all kinds of assets.”

Tom Zschach, Swift

capabilities that could support real-world solutions,” Swift says.

In preparation for the trials’ arrival next year, Swift has begun exploring how to combine traditional financial

systems with emerging bank-led networks, such as the US Regulated Settlement Network, using its interlinking capabilities.

This is in addition to its participation in [Project Agorá](#), which is currently investigating the integration of tokenised commercial bank deposits and tokenised wholesale CBDCs on a unified platform under the initiative of the Bank for International Settlements (BIS).

Tom Zschach, Swift’s chief innovation officer, explains that for digital assets to succeed on the required global scale, “it’s critical that they can seamlessly coexist with traditional forms of money”.

“As new forms of value emerge, our intention is to continue offering our community the ability to seamlessly make and track transactions of all kinds of assets – using the same secure and resilient infrastructure that is integral to their operations today,” Zschach comments.

BBVA headed for 2025 token pilot with new Visa asset platform



Spanish banking giant BBVA is

using Visa’s new platform to create tokens on the public Ethereum blockchain, with live pilots scheduled for 2025.

Launched this month, the Visa tokenised asset platform (VTAP) is designed to “enable banks to bring fiat currencies onchain”, according to a company statement.

As one of the first banks to embrace the offering, which is available through the Visa developer platform, BBVA has previously collaborated with Visa to test core functionalities through the VTAP sandbox.

These functionalities include the issuance, transfer and redemption of a bank token on a testnet blockchain, as well as how the token interacts with smart contracts.

According to the bank’s statement, this activity is intended to lead to the launch of “an initial live pilot with select customers” in Europe next year, which is to be based on the public Ethereum blockchain.

The exact timeline of proceedings has not been disclosed.

The bank previously partnered with Spanish insurer Mapfre in 2019 to issue the first structured green bond based on smart contracts.

The Visa tokenised asset platform is designed to “enable banks to bring fiat currencies onchain”.

This led to the bank joining hands with BME and the Interamerican Development Bank (IDB) to complete the first bond issuance in Spain in 2022, using blockchain technology developed by ioBuilders.

For this second bond project, BBVA says it has introduced dollar tokenisation to execute settlements on the network “throughout the life of the issue”.

Citi and Mastercard team up to enable cross-border payments via debit cards



Citi has joined forces with its existing partner Mastercard to enable clients to complete near-instant, cross-border payments using only their Mastercard debit card details.

The collaboration will leverage the bank’s [WorldLink Payment Services](#), which support over 135 currencies, and the money transfer capabilities of Mastercard Move, the network’s digital payments platform for banks, non-bank financial institutions and direct disburseurs.

Citi clients will be able

to utilise this combination to make cross-border payments from 65 origination countries to 14 receiving markets, with “further expansion” planned. However, they must be located in Mastercard-approved markets to do so.

At present, these include Croatia, Czech Republic,

Citi clients will be able to make cross-border payments from 65 origination countries to 14 receiving markets.

Denmark, Hungary, Israel, New Zealand, Peru, Poland, Romania, Singapore, South Africa, Turkey, the UK and the USA.

The technology can support the likes of insurance payouts, airline refunds, compensation payments, on-demand payments for the gig economy, and e-commerce payments, according to a joint statement.

This news comes shortly after Citi’s recent agreement to sell its global fiduciary and trust administration business, [Citi Trust](#), to US-based wealth services provider JTC for approximately \$80 million.

The evolution of connectivity and preparing for what's next

By Dharmesh Mistry, banking technology consultant and FinTech Futures editorial contributor

In 2020, the world was taught an important lesson about the value of being connected.

Isolated in our homes due to Covid, for the majority, it was only through technology that we were able to continue to work. As more people were compelled to use online services, those companies that did not have any or had poor online services were equally compelled to improve them.

Now we have experienced the usefulness of AI, many companies are scrambling to leverage its power to avoid being left behind or disadvantaged. And in 2024, many businesses across the globe were taught another important lesson by the CrowdStrike outage, which impacted several segments of financial services. For banks in the EU, even before the CrowdStrike incident, many have been preparing their cloud systems to cope with potential outages better due to the introduction of the Digital Operational Resilience Act (DORA).

THE FUTURE OF CONNECTIVITY

Our future world is one that is increasingly connected. Whether for work, to socialise, to learn, for entertainment or for pleasure, increasingly we are not only spending more time connected, we are also becoming reliant on our connections.

However, how we are connected is also changing, and moving forward, this will begin to shape all businesses - not only banking. With increasing resilience and increasing bandwidth, our connections will always be on, rather than just connecting when we choose to. To some extent, we have already experienced this with mobile alerts and smart devices giving us constant feedback on our health and wellbeing. As we expect everything to be available online, we will expect everything to be real time and always available.

For example, many countries have implemented faster payments, which in some cases has taken days out of

the time it previously took to receive money. Similarly, international transfers for many countries can also be done within seconds or minutes through services like Wise, while many banks still take days. Going forward, as cash is digitised fully, we will expect instant transfers to anyone globally. Just as we have experienced with taxis through Uber, increasingly, payments will be embedded in everyday customer journeys rather than needing separate payment steps, further removing the need for cards or cash.

Another change will be increased streaming of data in real time. Today, we only really experience this in trading or gambling, where the timing of updates to prices is crucial. Increasingly, we also see our health data being streamed in real time - this is already possible to monitor things like diabetes and heart conditions. To enable this, we have smart devices that are always connected and which update in real time.

So, it is not only people, but

devices that will constantly be connected and streaming data. It is estimated that there are 15 billion devices connected today (5 billion in China alone) and that there will be 30 billion connected by 2030. With increasing miniaturisation and longer battery lives, almost anything and everything could be connected and streaming data in the near future.

With AI chips and the evolution of quantum computing, our ability to compute at scale will increase massively. Again, this presents the potential for new capabilities we previously never thought possible. For example, calculating the cost of running your home could become far more accurate and predictable by leveraging streaming data from utilities, weather and other feeds. "Health data" from appliances streaming their operational status could provide a view on when they may need repair or replacement. With your permission, some of your home data could automatically be traded to provide income or discounts from competing suppliers.

PREPARING FOR WHAT'S NEXT

Companies cannot prepare for the future by focusing on one technology alone. The sum of these changes presents a very

different opportunity to what each can provide individually.

This raises a number of questions for all companies: how will these changes affect your business? What new opportunities will these changes create? How can

“ It is estimated that there are 15 billion devices connected today (5 billion in China alone) and that there will be 30 billion connected by 2030.

Dharmesh Mistry

we operate better in light of these changes? It may not be possible to predict the impact of these changes and answer these questions now.

However, it is imperative that companies put in place updates to their existing systems now. Aside from improving the resilience of systems, businesses also have to prepare systems to operate in real time and be scalable as they move from simply transacting data to streaming it constantly. As the rate of technology change and customer adoption increases, so does the need

for companies to increase the agility and flexibility of their systems to keep pace.

When it comes to the future, it is easy to say that thinking let alone planning too far out is a waste of time, because so much can change between now and then. We are not in the same situation as we have been used to in the past. Software is critical to every enterprise and change is moving faster than ever before. As such, this is not the time to wait and see. This is the time for planning and action, because we already have the foresight to understand much about what is about to unfold.



Dharmesh Mistry has been in banking for more than 30 years and has been at the

forefront of banking technology and innovation. From the very first internet and mobile banking apps to artificial intelligence (AI) and virtual reality (VR). He has been on both sides of the fence and he's not afraid to share his opinions. He is an entrepreneur, investor and mentor in proptech and fintech. Follow Dharmesh on [X @dharmeshmistry](#) and listen to the [Demystify](#) podcast he co-hosts with [Dave Wallace](#).

Data lakes and deepfakes

By Dr Leda Glyptis, NED and author

The fundamental premise of the zero trust paradigm is that there is danger in the network at all times and all places, so to speak.

Not everything, everywhere all at once, but something, somewhere at any one time. Which isn't as bad, but it isn't exactly reassuring.

Frankly, when it comes to KYC, AML and People on the Internet, it is safe to assume that you are dealing with a bad actor as a default position. Or at least a sloppy and careless actor.

I am not here to preach paranoia, but the totality of human history has taught us that people will lie the most when they think they can get away with it: people will seek loopholes, weakest links and crumbling parts of your otherwise impenetrable fortifications.

Or should I say in your once impenetrable fortifications? I went to an infosec briefing about 15 years ago in the iconic Lloyd's of London building. If I tell you now that I only went because I wanted to see the building, will you think less of me?

It was one of the best events I have ever been to, by the way. I learned so much. I remember

going back to the office full of ideas and information that was immediately useful.

But I also remember a room full of people sitting in mesmerised silence as a very senior government security expert described to us the endless struggle between embracing innovation, speed and connectivity and protecting all we hold dear. Our hard-earned cash, our identity, our

“ I am not here to preach paranoia, but human history has taught us that people will lie the most when they think they can get away with it.

Leda Glyptis

security at a state level.

We want the benefits of digitisation. And we want security.

If the safest thing to do is keep no records at all, the second safest is to keep paper records (OK, fire hazards aside) and the third safest thing is a standalone computer with

airlocks galore. You catch my drift. If the safest thing is keeping things locked down and the fastest and most user-friendly thing is connecting things in real time, we all agree something's gotta give and the two sides should meet in the middle.

Is that the exact middle, though? Because what feels like the middle is directly linked to what has gone wrong recently. Or not.

If nothing has gone terribly wrong for a while, you would probably become frustrated with the security folks. You chafe at the perceived archaic nature of the protection, the helplessness implied in the reaction of not doing something at all in order to not get hurt in the process. The longer things have been OK for, the more tempted you will be to slide towards the connectivity that compromises security.

“Not at all,” I hear you say. “Our tools and infosec folks are brilliant.” Of course they are. But even they would tell you everything is a trade-off of risks. And they are good at minimising the risks and managing those trade-offs in line with the company's risk appetite.

Why am I telling you all that?

Because if you are a banker, a bunch of your critical infrastructure is older than me. You have data lakes the size of the Caspian Sea (fun fact: it's the biggest lake in the world). You have mainframes and on prem systems and your reconciliations are done on a spreadsheet.

OK. Not a spreadsheet. Many spreadsheets.

And you have 20 years' worth of digital capabilities, greenfield and brownfield initiatives, API wrappers and a whole host of go-forward plans.

You have a complicated estate. But the bad guys don't.

Reports are beginning to appear about deepfakes that are less lurid than the deepfake porn we hear of in the news but which are no less disturbing. Animated photographs from stolen or usurped ID documents that manage to pass liveness checks and KYC checks to open accounts and authorise transactions fraudulently.

Banks are looking at their defences and the temptation to go back to in-person, in-branch is strong. And I, for one, can see why. It won't happen. But people have thought about it.

Security teams are thinking about what protection you can put in place so company

transactions are not authorised fraudulently, which is especially difficult if with deepfakes your boss can come on a Zoom call and authorise a course of action despite it not being your boss at all.

It's a brave new world out there, and the bad guys have all the tools, all the ill intent and none of the legacy to hold them back.

There is danger in the network at all times. Sometimes the danger has a face and the person or persons behind the name have the best of modern technology at their disposal.

And so do you. But you are also carrying several decades' worth of technology antiquities, operational complexity and a million reasons why things are the way they are. But in a world of rapidly changing dangers, the reasons why you still have capabilities that make you vulnerable matter less than the vulnerability.

In a world where the danger is real time, our responses need to be too.

You know what I am going to say now. Of course you do, because you've read my stuff before.

This is only going to get harder.

Since we have opted to

engage with new technology, we are not retrenching, we are not killing progress in the name of security. In order to improve our chances and the mental health of our beleaguered CISO and their team, we need to do three things. We've been needing to do these three things for a while. I've been saying it for years. No matter. There's still time. Just less of it with each passing day.

And those things are:

1) If we are going to play in the real-time world, we need to have a real-time view of our entire estate.

Your systems need to be interoperable across the estate. And that means all of it. Yes, even Dave's spreadsheet. And your mainframes. Yes, that too.

But also, your systems need to be interoperable across your geographies, because your vulnerabilities cross borders.

2) This means that regulation needs to be aligned in the detail, not just the direction across geographies.

A banker reading this will be thinking 'not much I can do about that', but actually there is. The conversation with the regulators is active and specific. Lean in. We need to align on standards for everything from API messaging to reporting

“ **Your systems need to be interoperable across the estate. And that means all of it. Yes, even Dave’s spreadsheet.**

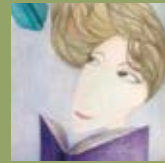
Leda Glyptis

protocols because every time a geography has a nice little quirk of its own in the implementation of a regulatory trend, a global bank has additive pressures on budget, timelines and operational complexity. We can avoid that. We must avoid that.

3) Switch the antiques off. It’s time. You can do this.

There is danger in the network at all times. That’s a given. That will never go away. But the danger coming from your own sloppy housekeeping, our own lack of communication and harmonisation, our own unwillingness to clean up house... that danger can be eliminated. That part is in our control. And where we have control, we should exercise it. Before someone else spots the weakness and plays right into the gap we knew existed and yet didn’t do what we knew was needed when we still had time.

#LedaWrites



Leda Glyptis is FinTech Futures’ resident thought provocateur – she leads, writes on, lives and breathes transformation and digital disruption. She is a recovering banker, lapsed academic and long-term resident of the banking ecosystem. She is also a published author – her first book, Bankers Like Us: Dispatches from an Industry in Transition, [is available to order now](#). All opinions are her own. You can’t have them – but you are welcome to debate and comment! Follow Leda on [X \(@LedaGlyptis\)](#) and [LinkedIn \(Leda Glyptis PhD\)](#). Visit our [website](#) for more of her articles.

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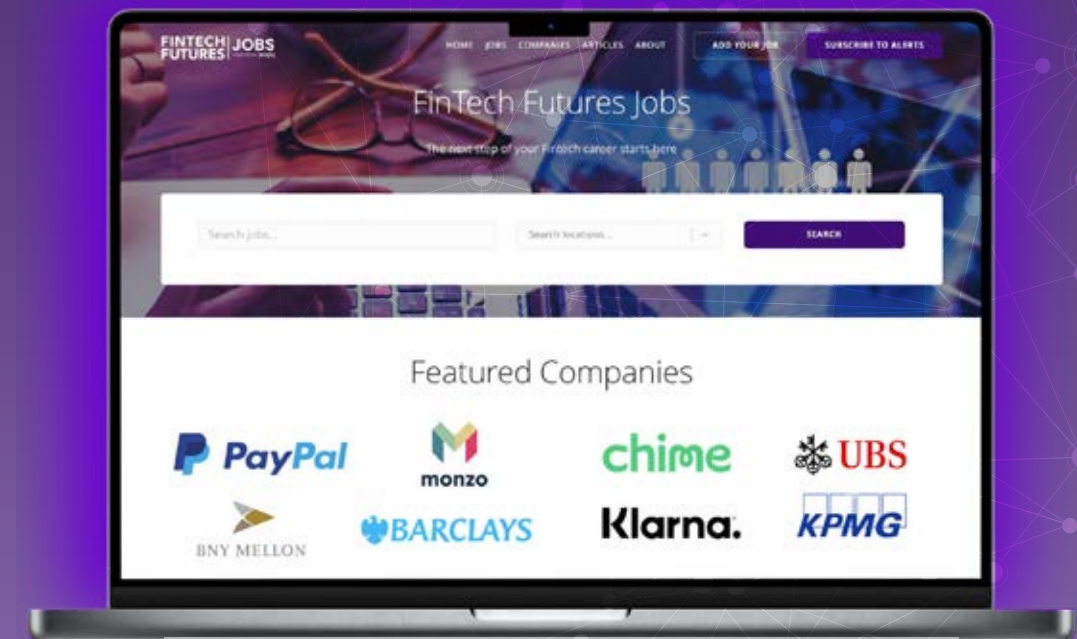
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The future of sustainable finance: opportunities, challenges, and the road ahead

By Christer Holloman, author and entrepreneur

As the global community grapples with the dual challenges of environmental degradation and social inequality, the financial industry is increasingly viewed as a critical player in driving solutions.

Yet for some industry folks, sustainable finance is nothing but a gimmick, while for others, it's a billion-dollar business. I recently sat down with executives from Wells Fargo, ING, S&P Global Ratings, and a new fintech backed by JP Morgan to explore where sustainable finance is heading, what challenges lie ahead, and how banks can adapt to drive both profit and impact.

ADAPTING TO CLIENT NEEDS

John Crum, Managing Director for Specialty Equipment Finance and Leasing at Wells Fargo, has witnessed a transformation in client demands over the past few years. "Our customers are asking for solutions that align with their sustainability goals, particularly in areas like electric vehicles and renewable energy," Crum explains. As more businesses transition toward cleaner

technologies, banks must adapt their product offerings to meet these needs.

At Wells Fargo, this shift has led to the development of tailored financing solutions for EV infrastructure, including a collaboration with EnTech and ChargePoint, the largest EV hardware manufacturer in the US. By monetising government tax credits available for sustainable technologies, Wells Fargo has created financial products that reduce upfront costs for clients while contributing to environmental goals. This alignment between customer demand and innovative finance solutions illustrates how sustainable finance is reshaping traditional banking models.

Regardless of who is in government, incentives might come and go, so when asked about how that can impact his business, John explains: "We try to take the politics out of it. Our strategy is based on the quality of the product, the suitability for what it's doing for our customers, and what their plans are long term. We may see acceleration or deceleration of adoption in the short term, but long term, the right product, technology, and application will find its way to

“ Every \$100m we lend is \$100m an incumbent didn't. ”

John Yuen, Chief Risk Officer and Co-Founder at Credential, a GenAI-first B-Corp fintech backed by JP Morgan

customers regardless of what politicians are doing." Needless to say, banks must remain agile, anticipating changes in government priorities and adjusting their strategies accordingly.

GENAI IS DISRUPTING TRADITIONAL UNDERWRITING

John Yuen, Chief Risk Officer at Credential, a B-Corp certified fintech start-up backed by JP Morgan, provides a striking example of innovation at

the intersection of finance and sustainability. They have taken things one step further, only onboarding customers that are doing something good for the environment; everyone else gets turned away. Credential offers interest-free loans exclusively to small businesses investing in projects that reduce carbon emissions, such as installing solar panels and battery storage solutions. Yuen explains: "In addition to traditional underwriting methods, we use generative AI and rich, real-time alternative data to make decisions quicker and more accurately. We just happen to only lend to things that also do good for society. Every \$100 million we lend is \$100 million an incumbent didn't."

Credential's approach demonstrates that profitability and positive impact are not mutually exclusive. By using advanced AI to streamline the underwriting processes, they are also able to reduce the cost of capital for sustainable projects while delivering value for shareholders. This model presents an alternative to traditional banks, showing that fintechs can lead the way in embedding sustainability into the core of financial services.

FINANCING THE FUTURE

Cindy Jia, Head of Sustainable Finance for the Americas at ING, believes that sustainable finance is entering a new phase—one driven by the financing of emerging technologies. "We're going beyond traditional green and sustainability-linked financial instruments," Jia says. "We're advising and financing innovative sustainable technologies that are essential for addressing long-term climate goals."

For banks, this represents both a challenge and an opportunity. Many of these technologies are still in their infancy, and financing them requires a deep understanding of their risks and potential. Jia emphasises the importance of developing specialised teams within banks that can assess these new technologies and their impact on industries such as chemical and steel manufacturing.

Moreover, as the market for sustainable finance grows, so does the need for standardisation and external verification. Jia predicts that over the next few years, the industry will move toward expanded reporting requirements,



with investors demanding greater transparency on the quantitative impact of sustainable projects. This shift will require banks to invest in systems that track and report on sustainability metrics, ensuring that the financing they provide is delivering real-world results.

REGULATORY FRAMEWORKS AND MARKET SOPHISTICATION

Bruce Thomson, Director of Sustainability Research at S&P Global Ratings, is responsible for advising their global network of 1,600 credit and sustainable finance analysts on how to better understand sustainability risk factors and integrate them into their analysis. He echoes Jia's view on the importance of standardisation. "We're already seeing a consolidation of standards, especially on the environmental side," Thomson notes. This trend is helping to create a more consistent framework for measuring and reporting on sustainability, which will, in turn, provide greater clarity for both companies and investors.

He elaborates: "The cat is out of the bag. You can choose how, when, and to what degree you integrate these non-financial factors into your analysis. But I don't think we are going to be in a

place where we just decide that they're not important or not germane to analysis."

Another key trend Thomson identifies is the increasing sophistication of the market. "Investors are becoming more discerning about the data they receive," he says. Gone are the days when companies could rely on glossy sustainability reports filled with selective metrics. Today's investors demand rigorous, transparent data that provides a clear picture of a company's sustainability performance. As a result, companies—and by extension, banks—will need to improve their reporting practices to meet these expectations.

THE ROAD AHEAD

In conclusion, several key trends will shape the future of sustainable finance:

- 1. The emergence of GenAI and new technology:** AI-driven ESG data analysis will revolutionise how banks and investors assess sustainability risks. This will enable quicker, more accurate predictions about future risks, such as climate change impacts, transforming decision-making processes.
- 2. Consolidation of standards:** As global markets mature, there will be greater consensus on

how to measure and report sustainability performance. This standardisation will provide investors with consistent benchmarks, facilitating more accurate comparisons across projects and regions.

3. The growth of specialised finance: Banks will need to develop niche expertise in emerging technologies. From hydrogen fuel cells to waste heat recovery, these innovations will drive future sustainability efforts, but they require specialised knowledge for effective underwriting.

So, if it's not clear by now, sustainable finance is no longer an optional add-on for banks—it is central to their future competitiveness. The landscape is rapidly evolving, with regulatory pressures, customer demands, and technological innovations driving change. Financial institutions that fail to adapt will miss opportunities to tap into the growing market for sustainable projects, while those that embrace the shift will be positioned to lead in both profitability and impact.

Christer Holloman is the author of [How Banks Innovate](#) and writes for FinTech Futures about innovation within financial services and fintech.



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Embedded finance is driving the future of B2B commerce

By Moowon Lee, Head of Visa Commercial Solutions, Asia Pacific

As enterprises of various sizes across different sectors seek better ways to manage payments and working capital, embedded finance is becoming a revolutionary force in business-to-business (B2B) commerce.

Digital experiences, similar to those found in consumer e-commerce, will facilitate the shift of traditional B2B interactions into the digital age. While embedded finance has been prevalent in consumer markets, its application in B2B is now on the rise. However, a rapid adoption curve may not be immediately visible.

Larger corporations are expected to implement embedded finance first, with smaller businesses following. Concurrently, the adoption of back-office technologies, such as treasury workstations and enterprise resource planning (ERP) systems, will provide treasurers with the necessary data to identify additional working capital benefits through innovative practices.

THE SIGNIFICANCE OF SCALABILITY

Scalability is crucial for the widespread adoption of embedded finance across the financial supply chain.

The primary challenge lies in creating scalable solutions that can address the unique needs of different stakeholders.

The market is filled with non-scalable solutions that were not designed with the end customer in mind. Scalable embedded finance solutions must adapt to the specific requirements of businesses, especially in the B2B sector. This approach ensures that financial products can seamlessly integrate into existing workflows, reducing friction and enhancing user experience.

One notable innovation is the reassembly of financial products through strategic partnerships, such as integrating payments technologies into various enterprise resource planning (ERP) offerings and business applications.

The importance of scalability is also evident in the broader context of working capital management. Effective working capital solutions can enhance the financial efficiency of businesses, particularly in an economic climate characterized by rising interest rates and shifting market dynamics.

FRAMEWORK FOR WORKING CAPITAL MANAGEMENT

At the heart of innovations in embedded finance is working capital management. The recent increase in interest rates has shifted the focus back to accounts receivable processes, following a decade of developments centred on accounts payable and buyer-led solutions.

The aim remains to streamline transactions for both buyers and sellers, regardless of their

“ Digital experiences, similar to those found in consumer e-commerce, will facilitate the shift of traditional B2B interactions into the digital age.”

Moowon Lee

size or market influence. Visa seeks to facilitate connections between financial institutions and various elements of the financial value chain on a global scale. This enables Visa to adapt solutions from one market to another, sharing insights and making innovations more widely applicable.

Industry specialisation is essential in developing effective embedded finance solutions. Industry experts, particularly in sectors such as aerospace and fleet, will play a crucial role in building trust and creating customised solutions.

As younger generations, particularly Generation Z, become more prevalent in the workforce, the transformation of various industries has reached a critical point. Younger professionals entering the business world question why their work experiences don't match

“ Looking ahead, 2025 is expected to be a transformative year for embedded finance in B2B commerce.

Moowon Lee

the digital experiences they are accustomed to in their personal lives.

OVERCOMING TECHNOLOGICAL AND ORGANISATIONAL CHALLENGES

The push for embedded finance in B2B is not without its challenges. Although the

technological aspect can be complex, it is often the easiest part of the equation. The more significant challenge lies in changing established processes and overcoming organisational inertia.

To address these challenges, solutions must be “ready-to-use” for corporate customers.

Looking ahead, 2025 is expected to be a transformative year for embedded finance in B2B commerce. With many technological components now in place and an increasing demand for more efficient processes, the time for action is now.

As we approach next year, it's time to focus on execution. Listening to customers while building and adapting solutions is crucial, ensuring they are easy to implement and effectively meet business needs.



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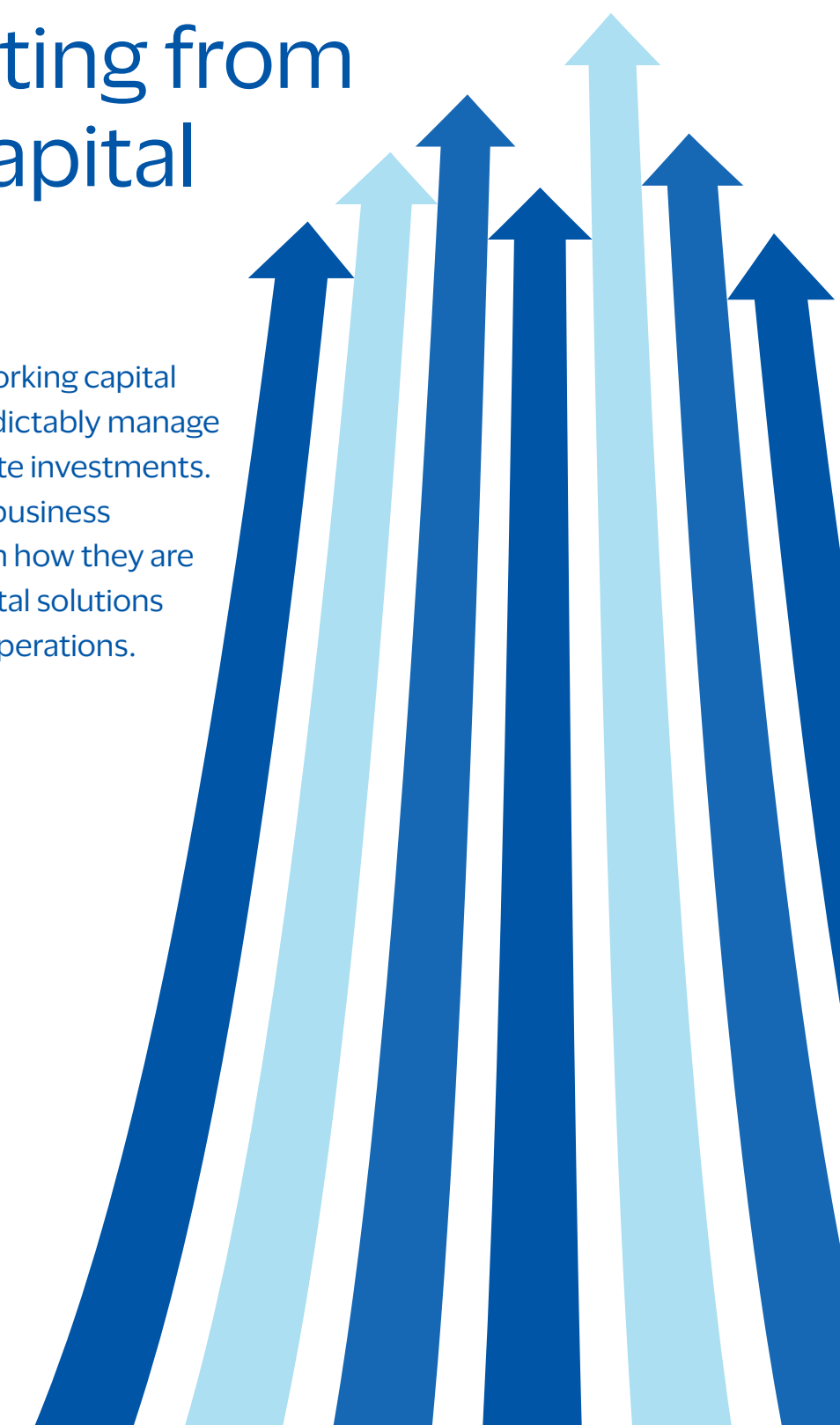
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Achieving the G20's cross-border payments goals: embracing a balanced approach

By Nicholas Soo, head of payment products, global payments solutions, Asia Pacific at HSBC

On my recent travels, I've found myself grappling with the simple yet irksome challenge of power adaptors.

Each country boasts its own unique power socket design, reminiscent of distinct payments infrastructure. Increasingly though, many hotels have USB and USB-C ports built into the power sockets. Relief!

Perhaps I am stretching the analogy somewhat, but this tale of standardisation (or lack thereof) has many parallels to the payments world. Perhaps a single universal protocol isn't realistic today, but we have G20 cross-border payment goals to meet. So, what are the paths ahead? Will interlinking win the day with adaptors and protocol improvements? Or are we overlooking lower hanging fruit on process standardisation? Let's dig in.

INNOVATING CROSS-BORDER PAYMENTS

One of the higher profile G20 enhancement targets is speed, with the aim to process 75% of payments within one hour. As of March 2024, 89% of transactions on Swift reach beneficiary banks in under an hour. There is nuance, as this does not always mean funds immediately reach the end-customers' accounts due to the need for additional checks, but this progress is encouraging. How does the global payments industry improve further?

If you dive deeper into certain corridors, a number of potential challenges around cross-border payments start to expose themselves. Thin liquidity and the potential limited reach of correspondent banks are two examples, but they are perhaps

just symptoms. Underlying issues range from challenges in navigating exchange and currency controls as well as providers needing to balance the economic considerations of a direct presence in these corridors.

“One of the higher profile G20 enhancement targets is speed, with the aim to process 75% of payments within one hour. As of March 2024, 89% of transactions on Swift reach beneficiary banks in under an hour.”

Nicholas Soo

There are a variety of approaches to address these challenges and innovate. These range from fintechs cleverly stitching together RTP rails and operating on a “netting” basis, stablecoin adoption in certain markets, the payment facilitators themselves continuing to develop new tooling, and of course, innovation and direct intervention by central banks.

Much credit must go to central banks and the Bank of International Settlements (BIS) for leading many groundbreaking initiatives. Examples that come to mind are Project Nexus, Project mBridge, Project Agora and Project Mandala. Allow me to briefly elaborate on Nexus and mBridge, projects that HSBC has been participating in or closely tracking.

With Nexus, BIS and participating central banks have developed a blueprint and subsequent Proof-of-Concept (PoC) for multiple domestic instant payment systems (IPS) to be interlinked via a central “Nexus” platform. Instant payment system operators of different countries can connect with each other through a single connection, and the system design is expected to contribute to goals of improving speed, access, and transparency while reducing cost. The BIS Innovation Hub (Singapore) is now working with the central banks of Malaysia, the Philippines, Singapore, Thailand and India as they work towards the live implementation of Nexus, currently focused on establishing the critical foundations of a Scheme Organisation and Technical Operator.

A look into payments innovation is never complete without exploring distributed ledger technology (DLT). Since 2021, BIS Innovation Hub (Hong Kong) has been collaborating with the Bank of Thailand, the Central Bank of the United Arab Emirates, the Digital Currency Institute of the People's Bank of China and the Hong Kong Monetary Authority to explore a multi-central bank digital currency (CBDC) platform, focused on the wholesale side.

Leveraging the CBDC systems of participating countries, Project mBridge aims to develop a scalable and interoperable cross-border payment system with CBDCs. Having developed this base, further work to enhance efficiency and transparency of cross-border payments will be tested via Project Rialto. Rialto aims to use



a modular foreign exchange (FX) component combined with settlement in wholesale central bank digital currencies (wCBDC) to streamline FX settlement, a key component of cross-border payment.

It's exciting times with many projects underway. It can also be envisaged that these projects may eventually synergise, such as mBridge potentially supporting settlement flows of interlinking schemes like Nexus.

BEYOND NEW TECHNOLOGY

BIS has brought together many central banks to focus on solving cross-border payment challenges, leveraging their position as the "central bank of central banks", coordinating multiple countries to drive forward the future of payments. The effort in getting many countries to collaborate cannot be underestimated, with the achievement of Project Nexus as a proof point both of BIS's leadership in this space and also a culmination of many years of ASEAN diplomacy.

However, while technology is enabling great progress, there remain hard yards to be gained, such as regulatory harmonisation, particularly on compliance guidelines and a supporting legal framework, but also in other

technical areas such as limit synchronisation. Nonetheless, the hard-earned foundation that has been set with these large-scale projects can also be leveraged to shine more light on process improvement opportunities.

PROCESS INNOVATION

Sitting in Asia, it is clear that challenges to achieving the G20's goals remain. Especially in this region, many of these challenges stem from exchange or capital controls, which necessitate additional checks. These are important for central banks to understand the nature and purpose of payments entering and leaving their borders, record such transactions, and also detect fraud. However, the consistency of interpreting these guidelines among banks and other licensed payments providers leaves much to be desired. There are no shortage of examples, but perhaps the best ones are differing levels of due diligence required on supporting documents in markets that practice exchange controls, or varying interpretations on whether cross-border originated transactions terminating in domestic instant payment schemes are permissible.

It is these examples which cause significant friction, delayed and returned

payments, and ultimately unhappy end users of payment systems. As such, more focus on process harmonisation is needed. We are very encouraged that Project Mandala recognises this and is adopting an innovative approach of utilising tokenisation and zero-knowledge-proofs (ZKPs) to address this. We would argue to supplement this with an attempt to streamline some of the root causes of these issues. Innovation can be many things, including collaborating on simplification.

Many of the ground-breaking projects highlighted earlier will take time to mature and build network effects, thus their direct benefits and contribution to the G20 goals may remain limited in the near-term. So let's balance this out by attempting to tackle some of the deeper-rooted process inconsistencies which could positively impact the broader ecosystem.

After all, as I was reminded by an old industry hand at a 'payments leader' thought exchange in Mumbai earlier this year, block four (of the 19 G20 building blocks to enhance cross-border payments) is indeed focused on regulatory harmonisation. Who else wants to pick this up and run with it? After all, payments is a team sport!

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24/7 payments processing: the road ahead

By Annelinda Koldewe, Global Head of Wholesale Banking Payments and Cash Management at ING

In today's world, the economy runs 24/7. It's a world driven by technological advances resulting in non-stop production, distribution and consumption of goods and services.

Our payments ecosystem needs to keep pace. But is it succeeding?

The non-stop global economy has not only reshaped industries but also expectations. We have all got used to the convenience of round-the-clock operations and business. Anytime, anywhere is what consumers expect.

For corporates, this has a real impact on their business models and the treasury that supports them. We see this in retail, insurance, logistics, and travel and leisure, among many other industries. In business-to-business (B2B), instant ordering, releasing and delivery of goods and supplies have also become more common.

Expectations and standards don't just impact the pace of physical supply chains. The financial supply chain also needs to support the 24/7 rhythm, enabling the demand of B2B and B2C business. Without a financial system

supporting the demand for an instant, always-on economy, business comes to a standstill.

So with payments acting as the oil in the financial supply chain machinery, are regulators and financial institutions keeping up with tomorrow's 24/7 economy?

According to Maarten Lossie, ING's Head of FI Product Management, a future of cheaper, faster and more transparent payments is a certainty. This is reflected by the actions of regulators and industry bodies to uplift the full end-to-end payment chain across all industry participants.

In over 60 countries, including those in the Single Euro Payments Area (SEPA), instant payments 24/7, 365 days of the year will be the standard in the domestic or regional arena. Since 2017, SEPA Instant Credit Transfers have opened the door for financial institutions and payments service providers (PSPs) to deliver real-time, cross-SEPA payments throughout the eurozone. But a real-time payment scheme needs scale and availability to support a 24/7 instant economy. With limited uptake

till now, the SEPA Instant Payment Regulation has come into force.

This regulation means all banks and PSPs in the eurozone have to be able to receive instant payments by 9 January 2025 and must be able to allow customers to send instant payments by 9 October 2025. For non-euro SEPA-based banks and PSPs, this will be two years later in 2027.

For financial institutions, it is therefore time to act quickly.

For smaller and medium-sized banks, being ready for reachability by January 2025 and initiation by October 2025 is cumbersome and a real challenge, and requires large investments in technology, infrastructure and compliance.

Large SEPA banks in Europe, like ING, are providing solutions for bank and non-bank payment service providers that will help them to be ready on time.

That being said, even when opting for an indirect participation solution, the change remains a material undertaking, for example when considering 24/7/365 funding.



TAKING INSTANT PAYMENTS FURTHER

Cross-border trade is not limited to the SEPA region in our global economy. So how do we translate this move to instant payments to global trade?

On a global level, the G20 has set quantifiable targets to enhance cross-border payments with a focus on speed, transparency, access and cost.

Some key projects have started under three pillars:

- Data exchange and

messaging standards: for example, the migration to ISO 20022 for all cross-border and RTGS (Real Time Gross Settlement) traffic or the use of application programming interface (API) protocols.

- Payment systems interoperability: for example, bilateral and multilateral initiatives.
- Legal, regulatory and supervisory frameworks: this is of paramount importance since legal and compliance are often

a cause of friction in international payments. Support from public authorities and central banks is conditional and crucial.

In order to reach the G20's targets, there are several market initiatives currently taking place - for example, the Bank for International Settlements (BIS) Nexus initiative in Southeast Asia, the TARGET Instant Payment Settlement (TIPS) cross-currency initiative and the European Payments Council's

(EPC) One-Leg Out Instant Credit Transfer (OCT Inst) scheme from outside to inside SEPA and vice versa.

Two main developments are now converging: removing friction in international payments and enabling international payments on instant, 24/7 infrastructure that was originally designed for domestic payments. The latter is the catalyst to realise a true 24/7 international payments arena.

Of course, Swift initiatives like Swift Global Payments Innovation (Swift GPI) have already seriously improved the ability to measure the speed of processing cross-border payments, as well as pushing industry participants to move the needle. The industry currently sees 90% of cross-border payments reaching their destination within three hours and 75% within one hour. We now need to take a step further to improve these numbers.

As stated above, there are quite a few initiatives in the market, and each initiative requires broad support across the industry.

The challenge boils down to determining which initiative will make the most difference for clients, while also assessing uptake throughout the market. A key initiative to improve the process of euro payments from outside the SEPA zone into the SEPA zone is the EPC's OCT Inst scheme.

It enables banks and non-bank PSPs located outside the SEPA zone to process international SEPA payments instantly, on a 24/7/365 basis, in full compliance with Financial Action Task Force (FATF) recommendations on transparency in the payment chain.

“ The industry currently sees 90% of cross-border payments reaching their destination within three hours and 75% within one hour. We now need to take a step further to improve these numbers.

Annelinda Koldewe

We believe this will materially improve the average processing speed (especially considering opening hours), transparency (especially because of status updates processed in the scheme) and costs.

There is fierce competition in winning international payment mandates and capturing the associated foreign exchange (FX) margin among financial institutions and fintechs around the globe. When talking to our FI clients, costs are a top priority, especially for low-value remittances, followed

by instant 24/7 processing.

We believe the OCT Inst scheme can make these needs a reality for euro payments into the SEPA zone. However, the reach is currently still limited, unfortunately.

Our view is that there is a clear benefit for all industry participants to know that one-leg-out SEPA payments are processed via the OCT Inst scheme. This is a clear commercial incentive to promote the uptake of the scheme for banks and PSPs across the SEPA zone.

Therefore, we would advocate that the OCT Inst scheme becomes mandatory to make sure that we can all meet the G20 objectives, which is in line with the position of most transaction banks.

Our objective is to offer our non-SEPA FI clients the ability to offer their retail and corporate clients an international payment experience that is faster, cheaper and more transparent. This may take time, but we believe this will result in a consistent experience across the SEPA zone in the end.

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Why the future of finance is atomised, embedded, and real time

By Dave Wallace, founder, NMD+

The financial services landscape is transforming, driven by technological advancements, changing consumer expectations, and innovative business models.

As we look towards the future, three key trends are emerging that will shape the industry: atomisation, embedded finance, and real-time capabilities.

These trends redefine how financial services are delivered, consumed, and experienced.

Atomisation, the process of breaking down traditional financial services into smaller, more specialised components, is a trend that is revolutionising the creation, distribution, and consumption of financial products. This trend offers a promising future, allowing for greater flexibility and customisation in financial services.

Atomisation enables consumers to pick and choose specific services that best meet their needs rather than being locked into a one-size-fits-all offering. Mobile wallets are increasingly driving this trend. Apple and Google Pay can be loaded with cards for propositions that perform specific functions, such as budgeting, day-to-day spending, FX, and investments, with consumers comfortable with a more comprehensive range of services instead of trusting in one or two providers for everything.

Increasingly, financial providers are reducing costs and improving efficiency by focusing on smaller, targeted solutions.

This trend has led to the rise of niche providers offering specialised solutions, such as micro-investing platforms and AI-powered budgeting tools.

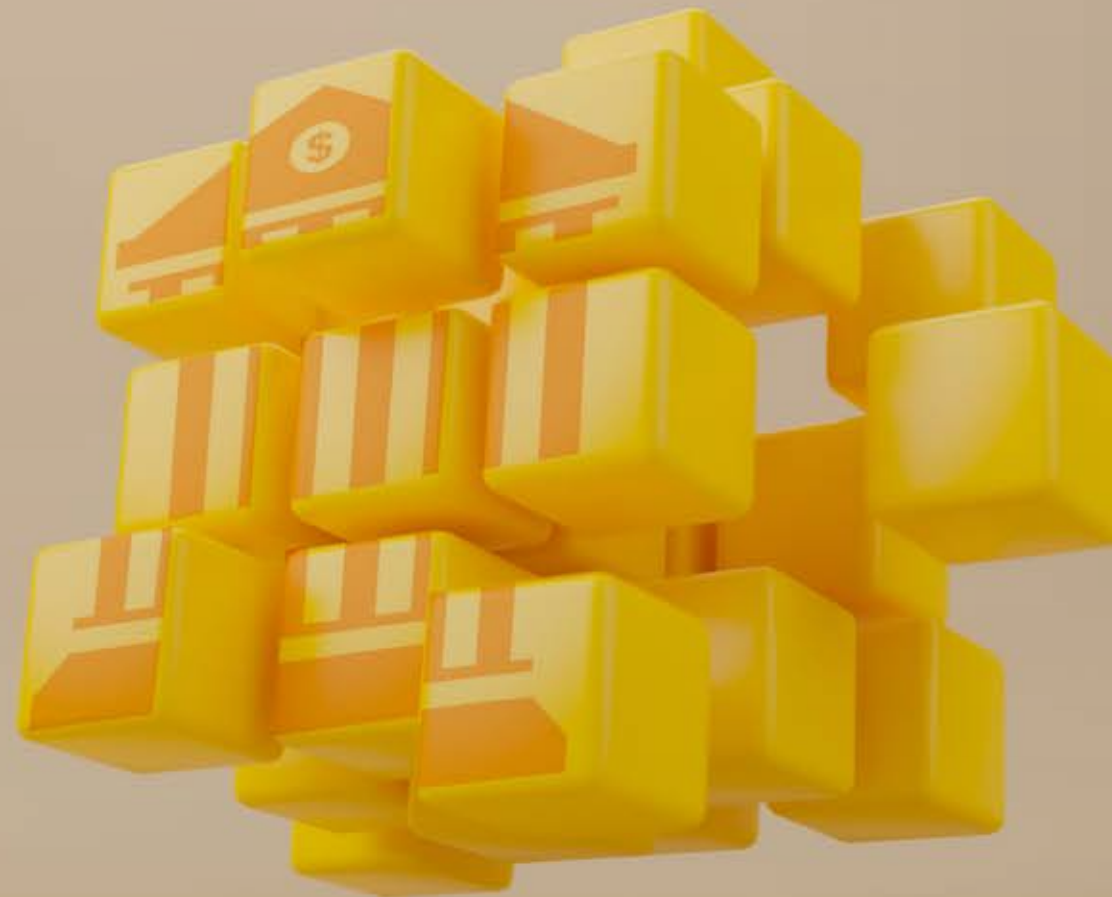
Embedded finance is rapidly becoming a cornerstone of the financial services industry. It involves integrating financial services directly into non-financial platforms and applications, creating a seamless user experience where financial transactions become part of everyday activities.

This trend streamlines

“The embedded finance market is projected to reach \$7 trillion by 2030 (according to Bain & Company), underscoring its growing significance.

Dave Wallace

payment processes and integrates lending and insurance services at the point of need, enhancing user engagement and satisfaction.



The embedded finance market is projected to reach \$7 trillion by 2030 (according to Bain & Company), underscoring its growing significance.

In today's fast-paced digital world, real-time financial services are becoming essential. Consumers and businesses expect instant transactions, immediate access to financial data, and up-to-the-minute insights.

Real-time capabilities enable instant payments and fund transfers, real-time risk assessment and fraud

detection, and dynamic pricing based on current data. This shift is driving innovation in technologies like blockchain and artificial intelligence (AI), enabling faster and more secure financial transactions.

As the financial landscape evolves, incumbent banks face significant challenges. One of the main issues is underperformance. Many banks struggle to achieve the returns on equity (RoE) necessary for long-term viability, and this pressure is forcing them to find ways

to enhance profitability and justify their valuations.

Legacy systems are another critical challenge. Outdated technology infrastructures hinder banks' ability to innovate and respond quickly to market demands. This reliance on inflexible IT systems makes it difficult for traditional banks to compete with agile fintech firms and digital-first challengers.

Rising customer expectations further add pressure. Today's customers demand higher deposit rates, personalised services, and seamless digital experiences. Many banks need help to meet these expectations due to outdated tech and limited digital capabilities, risking the loss of market share to newer entrants.

Competition is intensifying from fintech firms and digital banks. These competitors leverage advanced technologies and customer-centric approaches that are challenging for traditional banks to replicate quickly.

Meanwhile, regulatory pressures continue to mount, with new regulations imposing higher capital and liquidity requirements. Complying with these regulations requires significant resources, further straining banks already operating with thin margins.

Economic uncertainty adds another layer of complexity.

Geopolitical tensions, fluctuating interest rates, and unpredictable economic conditions make it difficult for banks to plan for the future and manage risks effectively. This instability impacts profitability and complicates strategic decision-making.

Finally, the competition for specialised tech talent is fierce. As banks attempt to build more innovative and digitally capable teams, they face stiff competition from tech companies and start-ups. Attracting and retaining top talent is crucial for banks looking to modernise their operations and stay competitive.

To overcome these challenges and thrive in the evolving financial landscape, incumbent banks must transform their operations and strategies.

Accelerating digital transformation is a critical step. Banks must adopt flexible and adaptable digital technologies to improve operational efficiencies and meet evolving customer demands. This includes upgrading outdated systems and embracing a digital-first mindset throughout the organisation. The reality for them is that new technology enables a more nuanced approach through phased modernisation. They can update their core systems

through a series of projects rather than replacing what they have wholesale. This has enormous benefits from a cost and organisational perspective but also de-risks the process, removing entrenched legacy as an excuse for not transforming.

Building strategic ecosystems is another critical approach. Banks can enhance their service offerings and customer experiences by partnering with fintech and tech companies. These collaborations allow banks to leverage their partners' strengths, such as specialised technology and innovative business models.

Innovation should be at the forefront of every bank's strategy. This means launching new business models that leverage flexible, easy-to-deploy solutions and cloud technologies. By embracing these technologies, banks can reduce costs and accelerate time-to-market for new products and services.

Personalisation is also crucial in the future of banking. Banks should utilise advanced data analytics and AI to deliver real-time, tailored financial advice and services. By understanding customers' preferences and behaviours, banks can provide more relevant and engaging experiences that build loyalty and drive growth.

Exploring new growth areas is essential for banks looking to expand their market presence and diversify their revenue streams. This includes tapping into embedded finance and open banking

“ Innovation should be at the forefront of every bank's strategy.

Dave Wallace

opportunities, which allow banks to integrate their services into non-financial platforms and provide more seamless customer experiences.

Leveraging incumbent strengths is equally essential. While adopting new technologies and business models, banks should not lose sight of their established strengths, such as brand reputation, customer trust, and extensive regulatory experience. Balancing these strengths with the agility and innovation of a start-up can help banks foster a culture of continuous improvement while maintaining their core functions.

Investment in AI and data analytics is another strategic priority. These technologies can enhance risk assessments, improve customer service, and drive operational efficiencies. By harnessing the power of AI and data, banks can make more informed decisions, automate routine processes, and deliver more personalised services.

Finally, banks need to cultivate agility within their organisations. Developing a culture that empowers executives and employees to make bold, decisive moves is essential. This requires fostering a mindset that values

flexibility, experimentation, and a willingness to take calculated risks.

THE CONVERGENCE OF TRENDS

The convergence of atomisation, embedded finance, and real-time capabilities is creating a new paradigm in financial services. This convergence is leading to hyper-personalised financial products, increased financial inclusion, more efficient capital allocation, and enhanced customer experiences. These trends make interactions more engaging and responsive, building loyalty and trust.

Looking ahead, the financial services industry will continue to evolve, becoming more integrated into our daily lives, more responsive to individual needs, and more efficient in delivering value. The future of finance is indeed atomised, embedded, and real time – and incumbent banks that act swiftly and decisively, embracing these changes, will be best positioned to thrive in this new landscape.



Dave Wallace is a user experience and marketing professional who has

spent the last 25 years helping financial services companies design, launch and evolve digital customer experiences.

He is a passionate customer advocate and champion and a successful entrepreneur. Follow him on [X @davejwallace](#) and listen to the [Demystify podcast](#) he co-hosts.



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AI and the human-centric future of financial services

By Theodora Lau, founder, Unconventional Ventures

When we think about the future, what do we typically think about? Flying cars that allow us to zip around the city and through traffic? Virtual worlds that enable us to connect and collaborate regardless of where we are? A data-led workplace where autonomous AI agents handle the mundane tasks and make decisions for us? Or an algorithm-led life where every aspect of our journey is optimised?

Whichever version of the future we visualise, money is one common thread that runs throughout all of them. Much has changed. But much hasn't.

THE BEGINNING OF A MOVEMENT

To envision the future, we need to look at the past. Going back two decades or so ago, fintech was still a fairly new concept. Online banking started around the mid-90s, when we were able to manage accounts and pay bills via the internet for the first time, though it took almost a decade before the practice became common.

Then came the first-generation iPhone in 2007, which ignited the smartphone era and became a tipping point in our modern lives. When consumers were no longer tethered to home broadband services to connect to each other, mobile apps flourished. The freedom to access services when, how, and where we want them led to the creation of a new on-demand economy. Mobile banking soon followed.

Over the years, the rising popularity and affordability of mobile internet, advancements in technology, and an evolving global banking ecosystem have not only changed how we bank and manage our finances, but have also enabled the development of new business models, new products and

“ Whichever version of the future we visualise, money is one common thread that runs throughout all of them.

Theodora Lau

services, and new players.

I can't help but wonder, will AI play that same role in empowering new innovations and changing our habits and expectations? Will it bring forth a more inclusive world — the way fintech has enabled access to credit, savings, and other financial services for those who have been forgotten? Or will it widen the gaps that communities already face?

We have come a long way — from the day internet banking was first adopted, when paper cheques gave way to online transfers and mobile wallets. *Is AI having its iPhone moment?*

THE CONNECTED FUTURE AND SHARED RESPONSIBILITY

It is an intriguing question to ponder. Though one might argue that the future is already here, it's just not evenly distributed.

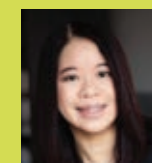
While AI has been making waves, especially in the last two years after the launch of ChatGPT, the application of AI as a technology in the financial services industry started long before the current generative AI hype cycle, from back-office automation to fraud detection and customer service. The recent surge in interest and funding for AI, however, has given us an opportunity to rethink the role of emerging

technologies in our daily lives, and there's a rallying call for more responsible and inclusive innovation.

If our collective future is AI-led, whose needs are we considering and whose future are we building towards? Those who already have access? Or those who are unbanked and left out of the digital economy?

As the saying goes, money cannot buy happiness. It is a tool — a means to an end, but not the destination. We must learn to look beyond transactions and see the story behind the data points. Only when we connect the dots can we begin to better understand and see the role that AI and money can play as we navigate different life stages and journeys.

To be future ready will require us to be not only data-ready, but empathy-enabled. The human-centric future world of finance is not one of walled gardens but bridges, where seamless money movement across borders and communities can become the fuel for a more equitable world — with AI as our copilot.



Theodora Lau is the founder of Unconventional Ventures, a public speaker, and an advisor.

She is the co-author of *The Metaverse Economy* (2023) and *Beyond Good* (2021), and host of *One Vision*, a podcast on fintech and innovation. She was named one of American Banker's Most Influential Women in FinTech in 2023. She is also a regular contributor and commentator for top industry events and publications, including BBC News and Finovate.

A delicate balancing act: addressing the 'speed vs security' dilemma in cross-border payments

By Ni Tao, editorial contributor for FinTech Futures

A major trend today is that traditional offline B2B trade is increasingly moving online. This shift has resulted in a boom in the number of B2B marketplaces.

The explosive growth of online B2B trade has been a key driver of cross-border payments in recent years. But this has also presented a myriad of challenges.

In the opinion of David Messenger, a long-time participant in the global fintech industry: "The benefit of this is that, when you digitise [trade], you inherently are more data-rich, and more data-enabled than in an offline analogous business model."

"B2B trade definitely is higher-risk than B2C e-commerce marketplaces," says Messenger, who is CEO of Global Businesses at PingPong, an international cross-border payment service provider.

As he sees it, part of that risk stems from more stringent anti-money laundering (AML) requirements for the financial institutions and fintechs that serve B2B platforms.

With massive amounts

of trade data now digitised and multitudes of new players introduced into the global payment ecosystem, Messenger believes financial service providers need to have the right tools in place to manage the higher risks of money laundering and fraud.

"This is where you need to be deploying new machine learning and AI tools and look for ways to standardise data, and share data between institutions," he states.

Messenger is not alone in advocating a bigger role for cutting-edge technologies in mitigating ever-evolving risks in the B2B sector.

Lyu Weiyan, Co-CEO of LianLian Global, a Chinese platform for cross-border payments, has had a front-row seat to witness the profound changes in China's cross-border B2B e-commerce landscape over the past few years.

The adoption of AI in particular can deliver a boost in the fight against fraud. Typical use cases include leveraging it to analyse transaction models and conduct risk scoring to identify abnormal

activities "within seconds of a transaction," she says.

Lyu has noted a significant shift in cross-border B2B e-commerce in that customers no longer operate in just one or a few countries, with the aim instead to forge a global payment and settlement network.

A TRADE-OFF

Amid this fast expansion, customers are constantly demanding faster and more convenient cross-border payments. This expectation sometimes clashes with ever-tightening AML regulations and protocols in almost every jurisdiction.

"One thing I would highlight is that in an era of heightened risk, there is always a trade-off between managing risk and fulfilling the customer's expectations and delivering the service that we are here to do, just to facilitate trade," Messenger says.

He explains the financial services industry is permanently looking to harmonise "speed and effectiveness" from a customer's point of view and



“B2B trade definitely is higher-risk than B2C e-commerce marketplaces.”

David Messenger

"managing the risk" from the regulatory perspective. "That's probably one of the biggest tension points for all financial institutions to be managing," he adds.

Financial institutions are also performing a delicate balancing act between rising compliance standards and stricter legislations around user data security and privacy.

"The key to managing AML and fraud risks in cross-border

transactions really comes down to data," says Messenger. "It comes down to having consistent data and protocol across different regions, because the more data you have, the better able you are to detect and manage risks and fraud."

The role of PingPong, and that of many similar companies, puts them in an advantageous position. Having access to information from both sides of the transaction allows them to double the data, enhancing their ability to detect fraud and identify broader patterns within the settlement network.

But tensions are likely to persist, as many tend to believe both being faster and being safer cannot be reconciled in cross-border payments. Recently, there have been

attempts to address the risk management conundrum from a fresh perspective.

Traditionally, AML procedures centre on the sender instead of the recipient. But according to Rod Francis, a partner in Oliver Wyman's Financial Services Practice, some industry practitioners are calling for more attention to be directed toward the latter.

This would require the recipient's bank or fintech partner to undertake risk scoring around the client before deciding to release funds either in whole or in part, says Francis, who is a Hong Kong-based expert specialising in anti-financial crime and regulatory compliance.

Otherwise, under the unrelenting pressure to be quicker in processing cross-

border payments, conducting risk management would become extremely challenging in all classes of financial crime, including fraud, he adds.

THE ONE-MILLION-DOLLAR QUESTION

Despite the innovative proposal, Francis says that the “faster vs safer” dilemma is the “one-million-dollar” question to tackle, with no “silver bullet” in sight.

However, Lyu of LianLian believes that speed and security don’t necessarily have to be at odds. While financial service providers worldwide are struggling to strike the right balance between “faster” and “safer,” many, in her view, have overlooked the role of technology in reconciling these two goals.

Aided with advanced technology, “speed and security surely can become complimentary,” she claims. “We just need to improve our risk control technology while enhancing our efficiency.”

As positive as this outlook is, the fast ascent of emerging technologies also brings with it its own challenges. Powerful tools like generative AI automate lots of work, making life easier for financial professionals, but they also complicate risk management in cross-border payments.

Recent years have seen a spike in cases where fraudsters have tried to circumvent risk control systems using AI-generated synthetic

identities and deepfakes. “So it’s a double-edged sword,” Messenger says.

With both good and bad actors in possession of advanced technology such as generative AI, it becomes tricky for financial institutions, banks and fintechs to ensure they stay one step ahead.

“Previously, the pace at which new frauds happen and can be detected is slower. With the rise of these powerful new tools, that pace is accelerating,” Messenger says. “Therefore, the approach on the side of financial institutions needs to have that sense of urgency in terms of developing tools and recognising that new trends and new fraud risks will appear very quickly and require faster response.”

Francis concurs. He acknowledges the vast potential for AI misuse, which is already occurring, but emphasises its role in advancing risk management. In some areas of financial innovation, this is being robustly implemented and explored.

Possible applications are many. For example, when submitting a suspicious activity report, AI can analyse investigation data to draft the report, covering 80-90% of the necessary details. This helps articulate the grounds for suspicion, clarifying why the activity raises concerns in relation to fraud or money laundering.

But he warns that when using

generative AI, it’s essential to conduct thorough reviews and testing to ensure desired outcomes and to comply with mounting regulatory scrutiny.

Comparing AI’s use from five years ago to now, Lyu has noted many differences. Initially, AI was mainly used in generative applications like knowledge bases and Q&A systems. Now, it is integrated into operational workflows, such as automated screening during technical development reviews.

“However promising they are, at the end of the day, new technologies must be assessed on their risks before they can be applied for greater efficiency, compliance and safety,” she says.



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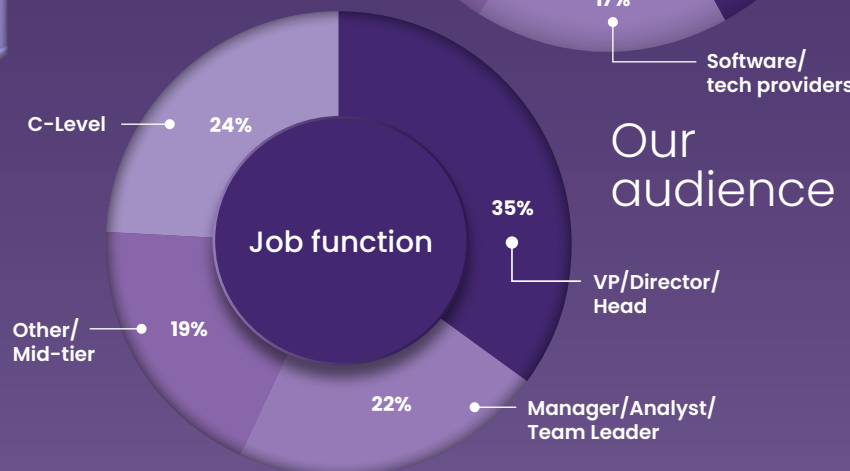
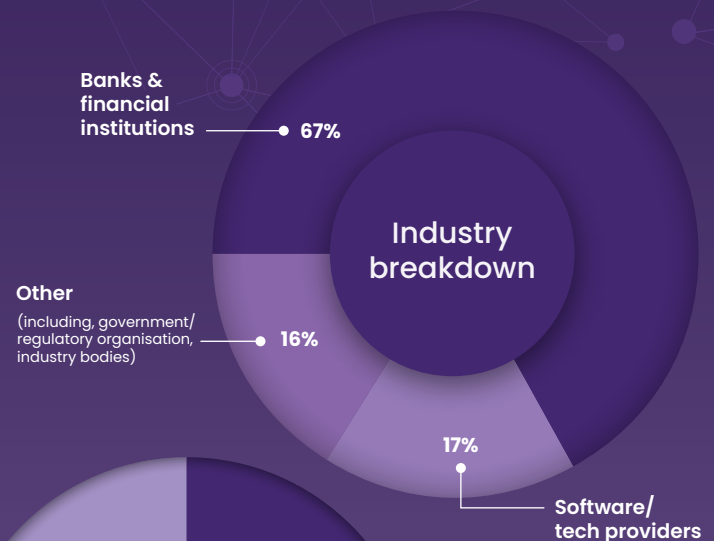
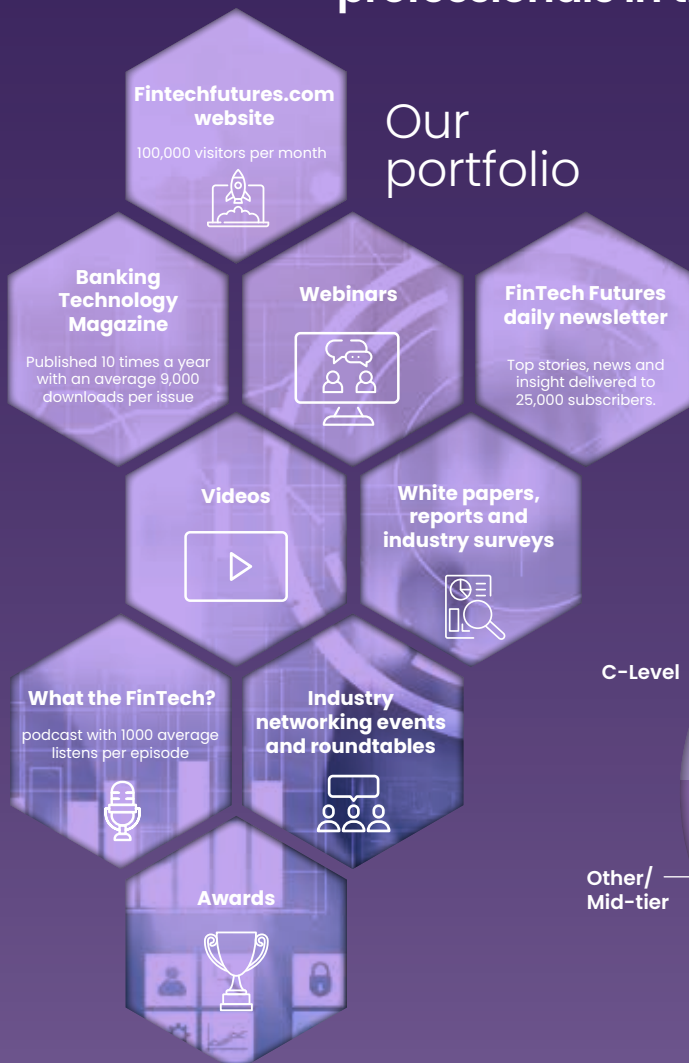
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