As 2021 looms, Marc Recker at Deutsche Bank reflects on the importance of operational resilience, the acceleration of digital solutions and continued innovation through industry initiatives during a difficult year.

At the start of the year no one could have predicted anything like what 2020 had in store. Covid-19, and the subsequent global lockdowns, have precipitated a difficult year for the financial services industry. As we look back over these challenges at this year’s later-than-usual EBAday, now is a chance to review what we have learnt from the experience.

For large financial institutions, one of the key lessons was that preparation is critical. Once the scale and impact of the pandemic was clear, the majority of banks began triggering business continuity plans that had already been set in place – a series of measures, such as split work site plans, working from home arrangements and amended travel policies, designed to minimise the effects on day-to-day operations. Future-proofing banks against the next unforeseen shock will be a question of taking a step back and looking at their end-to-end ecosystems, influencers, dependencies, and disruptors, and ensuring contingencies are in place to safeguard each of these.

Going the extra mile
That said, the past few months have been about more than simply bolstering stability. Demand for support has been huge and banks have had to ensure they have the necessary resources and flexibility not just to keep going, but to go the extra mile for clients – whatever their needs might be. For Deutsche Bank, at the beginning of the pandemic, this meant anything from processing unorthodox payments at short notice, to rapidly enabling flexible, new processes to allow clients to continue operations from home.

As part of these efforts to maintain “business as usual”, the pandemic has also served as a catalyst for digitalisation across the entire industry. This has perhaps been the largest long-term impact, with the increased investment in and roll-out of virtual channels having played – and continuing to play – a critical role in helping banks and their employees keep the lights on. Deutsche Bank, for example, has seen an uptick in the use of its digital signature solution, as well as its innovative app-based solutions such as Autobahn and FX4Cash.

Forging ahead
Covid-19 has shifted resources and changed priorities. But now, with banks bedded in to the new way of working, it is important that they turn their attention back to industry developments and innovation.

Ongoing projects, such as the migration to ISO 20022, the new global standard for payments messaging, continue to move ahead, despite changes to the initial timelines set by SWIFT and a number of major market infrastructures. Amid these changes, Deutsche Bank remains committed to its front-to-back ISO 20022 destination, with the aim of becoming a “native ISO 20022 speaker” ahead of SWIFT’s November 2022 migration (See Guide to ISO 20022 migration: Part 3 for more details).

It’s also important to keep focusing on the next step forward. In this respect, Deutsche Bank, alongside a select number of banks, is working closely with SWIFT on a pilot programme for a new low-value payments service, which will enable SME and consumer customers to send fast, easy, predictable and low-cost cross-border payments from account-to-account.

While 2020 has been a difficult year – with the challenge not yet over – the industry has nevertheless succeeded in playing an important role for its clients and society more broadly. Now, as 2021 approaches, we have the opportunity to learn from these lessons to create a better tomorrow.
A single view on traffic and one place for handling liquidity:

How the instructing party option will make it easy for RT1 users to manage different SCT Inst flows

In July 2020, the European Central Bank announced that all SCT Inst-adhering payment service providers (PSPs) have to be addressable in TIPS before the end of 2021. Erwin Kulk, Head of Service Development and Management at EBA CLEARING, explains how RT1’s Instructing Party Functionality for TIPS can help RT1 users to meet the new requirements and optimally benefit from the opportunities they offer.

Q: What do SCT Inst-adhering PSPs have to do to comply with the new TIPS-related requirements?

EK: There are two requirements that need to be met: scheme-adhering PSPs must be reachable via TIPS for SCT Inst transactions and they will have to make sure that they can fund and defund through TIPS the positions they hold in the different clearing and settlement mechanisms (CSMs) they participate in. Our users can leverage RT1 for satisfying both of these requirements. They can do so by relying on the Instructing Party Functionality.

Q: How does this work in practice?

EK: The RT1 TIPS Instructing Party Functionality is already in place and used by a number of RT1 Participants today; it allows RT1 Participants to reach participants in TIPS. The functionality works in both directions: it enables RT1 users to send and to receive SCT Inst transactions to and from TIPS and can thus combine the reach of both systems. PSPs will be free to choose where to settle their instant payments, as they are today.

Q: Will the new TIPS-related requirements impact the settlement process or liquidity management of RT1 users?

EK: The settlement of RT1 transactions will continue to take place in RT1. The technical account for this, which today is operated in TARGET2, will migrate to TIPS as part of the new requirements. The legal set-up will remain unchanged, meaning that RT1 Participants will remain the owners of their funds and with these funds they can settle their transactions in RT1 with real-time finality fully backed by central bank money. The change of the technical account to TIPS creates a number of opportunities for RT1 users, because the RT1 technical account will be accessible to move funds amongst the systems they use for instant payments 24/7, and not limited to TARGET2’s standard operating hours (11/5). This is an excellent development, which our users have desired for some time.

Q: How can the Instructing Party Functionality help RT1 users to reap the opportunities you mentioned – and reduce complexity around the management of RT1 and TIPS flows?

EK: The future TIPS set-up will offer improved liquidity management opportunities, which we will help RT1 users to reap. To this effect, we are planning, for example, to evolve the Instructing Party option in RT1 and extend across both systems the forecasting capability we have already built to support our users in better planning for liquidity needs. In addition, the new functions will give RT1 Participants that would choose to use the Instructing Party Functionality the option to concentrate in one place their liquidity for both RT1 and TIPS transactions.

In short, users of the Instructing Party Functionality will be able to benefit from a single view on their transaction flows and a single place to reconcile and manage their positions. And they can reduce complexity for their internal arrangements, because they will be able to avoid reinvesting in new projects, extra system maintenance as well as any additional managed network set-up and maintenance. It is worth noting that in addition to the full EPC SCT Inst Scheme alignment, RT1 has also been closely aligned with the STEP2 interfaces that participants are familiar with.

For more information about RT1, check out EBA CLEARING’s EBAday exhibitor page.
Empowering the digital shift

The payments landscape is transforming faster than ever. And within your expanding business, you may increasingly feel the pressure to digitize the way you, your partners and your customers pay, collect and manage money.

It may seem overwhelming, but you don't have to go it alone. Digital-first solutions supported by experts who guide clients in any industry, anywhere in the world, bringing the scale and security of a global bank and the agility of a fintech to grow alongside your business.

Innovation is core to how we do business

With over 450 businesses and 100+ fintechs engaged in payments innovation concept creation, we have an active tradition of co-creating the latest digital solutions with new proprietary technologies like blockchain and artificial intelligence. Our 50,000+ dedicated technologists and ongoing investments deliver practical solutions to meet you where you are now, and prepare your business for the path ahead.

- **Virtual Accounts**
  Simplify the management of your multiple accounts, payments and cash positions with a single account view.

- **Real-Time Payments**
  Streamline your payments from start to finish with speed, data and communication when you use real-time payments (RTP) transactions.

Capabilities designed for ease of use

Onboarding an API in nine working days. Accelerating the launch of a Payment Tracker tool to support businesses during COVID-19. Protecting your working capital to address the entire balance sheet. Our digital capabilities are designed for ease-of-use from the moment you begin working with us.

From onboarding and implementation to intelligent service, we move fast to deliver customized solutions when and where you need them.

- **Client Services**
  Free up time and receive personal support every step of the way through your onboarding and implementation process, as well as through the life of your partnership with J.P. Morgan, with our digital tools designed with your business in mind.

- **Onboarding**
  Streamline your account opening online and spend less time onboarding.

Solutions for you, your partners and your customers

Pulling from the best practices and our deep expertise in our retail businesses, we build digital solutions for wholesale clients like you. Through an integrated digital platform that supports the complete payments ecosystem, you, your partners and your customers can securely collect, manage and pay via any method or channel.

- **Payments**
  Enable your organization to pay and collect from individuals and businesses — all branded to match the look and feel of their own digital experience.

- **Interbank Information Network**
  Exchange transaction data more securely, and end-to-end, on a distributed ledger with more than 400 banks registered and 100+ live.

Solutions offered on a single, unified global platform

No matter where you do business, our core global platforms ensure you have one unified experience that provides locally relevant digital solutions. Coupled with our treasury and payments experts in more than 60 markets, you can more easily navigate cross-border payments and regulatory complexities around the globe.

- **APIs and Open Banking**
  Run your business with personalized, end-to-end visibility across payments, reporting, data and research when you use our suite of digital channels — including online, host-to-host and APIs.

- **Cross-Currency Solutions**
  Connect customizable and dynamic solutions that already fit into your preexisting treasury workflows to make and receive payments in over 120 currencies.

View our company profile on the EBAday Online Platform
The next normal – are you going to be a winner?

As the saying goes ‘the best laid plans of mice and men often go awry’, and this year has certainly proved that to be true. No one could have envisaged the bump in the road that COVID-19 has generated for all aspects of life, be it cultural, social, political, or in business.

The European and global payments industries have certainly not avoided the disruption. Many of the plans discussed last year at EBAdayY have had to be put on the back burner, or worse still, completely dropped as priorities have had to change.

Major market deadlines have been pushed back to alleviate the pressures on our organisations and the adjustments that have had to be implemented in systems and resourcing to support the ‘new normal’.

However, those drivers, the major market programs, with adjusted priorities and deadlines have not disappeared. In fact, they are very much back on the agenda for all of us and include:

- SWIFT CBPR+ ISO migration
- TARGET2 ISO migration
- TIPS/RT1 SEPA Instant
- Request to Pay

Prior to the arrival of COVID-19, the combination of these initiatives, as well as competitive business challenges and opportunities, were helping to propel visionary strategies for the modernisation of many banks’ payments capabilities.

Financial institutions recognized the need to elevate their capabilities to support the agility, scalability, and processing efficiencies they were going to need to compete in the payments market of the 2020s.

COVID-19 put those strategies and any plans on hold.

What we are seeing and encountering now is an understandable reluctance to re-start those activities. There is no certainty yet as to when we will start to truly emerge from this ‘new normal’ that we’re living through to enter the ‘next normal’, i.e. a robust, functioning business environment free from restricted practices and the limitations of possible lockdowns.

When do we think that will be? Most pundits envisage the availability of vaccines and improved therapeutics by the second half of 2021. Maybe that means by the first half of 2022 we will start to see the ‘next normal’ era?

That’s only 15 months away. Such an era is going to have winners and losers. Which does your organisation want to be?

If history tells us anything, now is the time to start investing in that future. Now is the time to lay the foundation for success in the post-COVID next normal era.

“Looking back at the great recession that occurred 10+ years ago it is recognised that it was those institutions that invested in their capabilities during the hard times that then emerged as winners when opportunity returned. We expect the digital payments market to explode with waves of accelerated growth as the world further embraces contactless and instant post-COVID.

So now is not the time to wait and see, now is the time to start executing on plans to modernise and elevate your core payment capabilities.”

Mick Fennell
Business Line Director, Payments
TEMENOS

“There is no certainty yet as to when we will start to truly emerge from this ‘new normal’ that we’re living through to enter the ‘next normal’, i.e. a robust, functioning business environment free from restricted practices and the limitations of possible lockdowns.”
Strategic roundtable: “The 2020 payments ecosystem: strategies to prepare for the future”

Wednesday, 25 November, 09:45 - 10:30 CET | Join Here

Chris Skinner
Author and Commentator

Ole Matthiessen
Global Head of Cash Management
Deutsche Bank

Shahrokh Moinian
Head of Wholesale Payments, EMEA
J.P. Morgan
Tikkie for business: a real-life example of Request-to-Pay

Though developments for a SEPA Request-to-Pay solution are well under way, it is not yet a reality. In the meantime, a look at Tikkie for Business in the Netherlands provides a good insight into how such a pan-European Request-to-Pay solution can benefit payers and recipients alike.

“Just send me a Tikkie!”

ABN AMRO’s hugely popular Tikkie app lets customers from any Dutch bank request, initiate and receive a payment instantly. With over 6 million users and 250,000 daily payment requests, Tikkie has become a household name in the Netherlands. You simply send or present a payment request directly to someone via WhatsApp, e-mail or QR-code, and they can then pay with just a few screen touches. You also get an immediate notification when the payment has reached your account.

Corporates: integrate and personalise

Initially developed as a person-to-person solution, it quickly became clear that Tikkie is also ideal for C2B and B2B transactions. Alongside using Tikkie via the Tikkie for Business app or portal, the API is another option that allows corporates to fully integrate Tikkie functionalities into their own business systems. You can also personalise both payment requests, for example with your company name and logo, and the much-loved ‘Thank you’ meme-like gifs that payers see once they’ve paid, again with anything from a logo or thank-you message to a thumbs up from dancing employees!

COVID-19-proof solution for DHL

When delivering parcels or other shipments to customers, DHL often needs to collect outstanding transport or customs costs. At the door, the courier simply scans the barcode on the shipment with their handheld device, which has integrated Tikkie functionality. This immediately sends a Tikkie to the customer, who can instantly complete the transaction via their mobile phone without having to touch another device. So the whole payment can be carried out following social distancing protocols, helping protect both customer and courier.

Win-Win benefits

As with many Request-to-Pay solutions, Tikkie appeals to payers because it’s very convenient, as they don’t have to gather or enter any payment details themselves, but still leaves them in control of their own funds. For recipients, the benefits are threefold. First, it reduces the administrative burden, as using their own payment reference, which is included in the payment request, allows for a fully automated reconciliation. Secondly, because payers tend to respond much more quickly to the ‘ready-to-approve’ payment instruction than to traditional invoices, companies also see a sharp drop in their day’s sales outstanding. And last but not least, unlike a direct debit, the received funds, whether via an instant or regular credit transfer, are irrevocable.

New propositions, new possibilities

Recent embedded solutions include Tikkie Check for Food & Beverage outlets and Tikkie Cashback for sustainable digital cashback promotions. And with progress around pan-European Request-to-Pay solutions looking promising, the question is: what’s next for Tikkie?
The imperative for payments modernization has never been more urgent for incumbent banks. However, a compliance-led and technology-driven approach means that many institutions are seeing sub-optimal returns on investment from payments modernization.

Facing growing competition in the payments arena and accelerated customer migration to digital channels during the pandemic, banks know that they need to step up payments modernization to drive operational efficiencies and ensure their continued relevance in a changing market.

Yet examples abound of institutions that are struggling to unlock significant value from their payments modernization programs. One European bank, for instance, achieved only 30 percent of the aims of a modernization program after spending more than double its budget of €1 billion over four years.

New Accenture research, a survey of 120 payments executives worldwide and qualitative interviews with senior bank executives, sheds light on banks’ payments modernization priorities and on some of the challenges they are facing.

Seven out of 10 agreed that transforming the payments business is a core pillar of their broader digital transformation program. However, only 13 percent reported that their institution had increased payments revenue in the last three years by more than the average market growth of 6 percent—despite executives in the survey indicating that revenue growth was a key objective for their payments modernization programs.

Figure 1: Banks’ Prioritization of Payments Transformation

Q. To what extent do you agree that transforming the payments business is a critical aspect of your broader digital transformation program?
A. Agree + strongly agree

So, why are incumbent banks struggling to capture the expected returns from their investments in payments modernization?

We identified two major reasons:

**A compliance-first mindset**

Banks are generally reacting to regulatory change rather than driving disruption. This, in turn, results in them investing in payments modernization via the implementation of point solutions rather than by revamping their payments architectures.

**Fragmented governance and operating models**

The survey indicates that the governance structure at most incumbents does not provide effective direction to the payments business or align it with a strategic approach to growing revenues. As a result, many banks are making uncoordinated payments investments that are compounding rather than resolving inefficiencies and complexity in their payments architectures.

### Four steps to unlocking long-term value from business-led payments modernization

Given the regulatory and disruptive pressures they face—with COVID-19 adding more volatility to the mix—it is not surprising that many banks are addressing payments modernization through ad hoc technology investments. However, those that revamp their entire payments architectures through a holistic and coordinated program will unlock significantly more value from their efforts. This approach includes a number of important steps:

- Define a bank-wide vision for payments modernization that looks beyond cost and compliance towards ways to generate income from new services and products.
- Take an agile, bottom-up approach to budgeting that ensures there is adequate funding for each program yet does not allow costs to spiral out of control.
- Address the weaknesses in the operating model by streamlining governance and putting the right human resources in place.
- Overhaul the payments architecture and replace legacy systems with more flexible modern platforms (especially cloud systems and API architectures).

Many banks have responded to the payments modernization imperative through tactical, technology-driven programs focused mostly on cost and compliance. However, banks that will build the most successful long-term position in payments will be those that take a step back to look at the big, strategic picture. The focus should be not only on today’s urgent regulatory mandates, but also on driving long-term value.
Why payments regulation isn’t a burden for banks – but the opportunity of a lifetime

By Paul Thomalla, Finastra

As payments regulation continues to advance, it’s easy for banks to regard it as an unwelcome imposition on their business. But in fact, it presents them with a golden opportunity.

Why? Allow me to start my explanation with some background.

Throughout history, the world of payments has been analogue: from shekels used in ancient Tyre and Carthage, to the first cheque written in 1659, to today’s electronic transactions, payments have been carried out in essentially analogue ways. Meaning that even if computers were involved, the surrounding process was done by people, working inside a bank.

Until now. Driven by the rise of FinTechs, there’s now a need to allow third-parties into the process. And that doesn’t work in an analogue world.

At the same time we’re seeing increasing regulation of payments. The European regulator is interventionist, and is trying to make change happen for the good of society – for which read corporates and citizens – and not necessarily for the good of the banks.

This regulatory direction of travel will shape the retail payments strategy set to emerge over the coming three to four years. What we’re heading towards is real-time payments as a single silo, with interoperability of things like TIPS and RT1 and a frictionless experience for users.

Meanwhile, corporate customers are looking to take integration and friction out of their change cycle. As they pursue this goal, it provides banks with a chance to work with their customers – and their customers’ customers – to drive value based on payments.

The result? Time to value for new services isn’t the time from the bank to the customer – but from the bank to their customer’s customer, and probably to their customer’s customer’s customer. And that time must be short, at a few months not 2 to 3 years.

This is especially true for mid-tier banks who typically have the same team looking at change and customers. That’s why we launched our Fusion Payments To Go strategy. It’s underpinned by our belief in open banking as the strategy through which all of this will be enabled. And because banks’ ability to deliver open banking services to their customers is underpinned and enabled by payments, the underlying strategy is actually more about open payments – and that’s what we’re driving with Fusion Payments To Go.

All of this serves to explain why regulation is really presenting banks with a massive opportunity. Left to their own devices, banks would not change – and certainly not at the pace their customers want. Being compelled to act means they have to take up technologies like ISO 20022, open banking and open APIs.

While banks may not want new regulation, it’s a powerful enabler – one that empowers payments leaders to go to the Board and secure investment. Depending on the bank’s size and strategy, the choice then is whether to outsource the open payments capability as-a-service with a solution like Fusion Payments To Go, or build it on-premise. In an environment where speed-to-market is key, we think it’s not really a choice at all.
Request to pay will be a game changer

By David Chance, VP, Strategy and Innovation at Fiserv

In a rapidly transforming digital payments ecosystem, Request-to-Pay (RTP) provides compelling functionality. From improved customer service to reduction in costs, fraud and friction, the benefits of this new way to request payment initiation are extensive. Further, Request to Pay, when combined with instant payments and open banking APIs, has the potential to bring new value to the payments ecosystem while reducing friction and cost.

SEPA Request-to-Pay (SRTP), the Eurozone version of this initiative, allows digitalization of the transaction. This gives the provider of goods or services the ability to interact digitally with the receiver, enhancing transparency and facilitating simple and easy reconciliation.

SRTP enhances the end-to-end user experience covering every type of payment - from business to business transactions, business to consumer, consumer to merchant, person-to-person and machine-to-machine.

A Real time, Digital Payment Option

In its simplest form, SRTP is a set of operating rules and technical elements including messages that allow the payer (the person who is paying) and payee (the person or business being paid) to request payment and for the receiver (payer) to respond directly to the request and then initiate a payment based on the information contained in the request. Using ISO 20022 standards allows the messages to be information rich, carrying details required to support the underlying business interaction.

Following a request to pay, the payer can respond directly to the request, confirming or rejecting the request, providing alternate information on the payment or indicating the payment date. This information can also be included in the corresponding payment, allowing for easy reconciliation and application of funds.

Transforming the Payment Experience

RTP removes a great deal of the friction associated with traditional payment mechanisms by changing the way a payer and payee interact, allowing a digital interaction model underlined with a data rich experience – with the payment element becoming secondary to the interaction itself.

However, the customer experience does not have to change. A business can agree a set of payment terms with a consumer in the same way a SEPA direct debit is mandated. The consumer can agree with their bank that when it receives a request to pay, the bank will automatically make that payment on their behalf if it satisfies a set of criteria as it does for a SEPA direct debit today. The consumer experience does not change. Yet, the business’ experience can change for the better, reducing costs associated with exceptions. Rather than just getting a reject due to lack of funds, they could receive a response to the request saying that the payment will be made on a specific date when the bank knows that the consumer will have funds, without the business having to initiate another collection request.

Success Depends on Effective Overlay Services

Overlay services shape how RTP capabilities are put into use. Overlay services facilitate innovation within the payment environment, allowing distinct capabilities to be crafted from the underlying technologies of SCT, SCT Inst, SRTP and open banking.

Overlay services are only limited by imagination and bring value to both the users and providers of payment services. They can provide a range of different experiences, for example, allowing a receipt to be displayed in a digital wallet with a pay now button; a notification at the physical point of sale that the funds will have reached the merchant or notification of and initiation of the next payment in a conveyancing chain.

Overlay services can govern the actual payment created as a result of the request. For example, they could provide notification to the payee when a payment has been initiated, a guarantee that a payment will be made on receipt of the request, pre-authorization of a payment when a request to pay is received, or payments in multiple installments based on a single request.

Embrace Innovation

Financial institutions have a unique advantage in terms of customer trust and access within the payments ecosystem. Financial institutions that seize the opportunity that Request-to-Pay provides to better serve their customers, both from a business and consumer user perspective, will establish themselves as providers before other alternative payment players enter this market.

Request-to-Pay, together with instant payments and open banking is revolutionizing digital payments. Financial institutions that have a strategy that looks beyond immediate compliance to embrace new payment methods will have a clear market lead. With the release of the SEPA Request-to-Pay rulebook in November 2020 and the EBA Clearing R2P infrastructure set to go live, anticipate significant developments.
Now’s the time to spice up real-time payments

By Silvia Mensdorff-Pouilly, SVP of Banking and Payments, Europe, FIS

It’s been a few years since I first read Yuval Noah Harari’s “Sapiens: A Brief History of Humankind,” but his description of the unique role money plays in society stuck with me: “Money is the only trust system created by humans that can bridge almost any cultural gap, and that does not discriminate on the basis of religion, gender, race, age, or sexual orientation. Thanks to money, even people who don’t know each other and don’t trust each other can nevertheless cooperate effectively.”

The year 2020 has highlighted the critically important role moving money instantly and digitally plays for individuals, businesses and corporates, a truth that was especially evident in the seventh edition of FIS’ recently released Flavors of Fast report. Real-time payments are about so much more than speed; they are equally about precision, transparency and certainty. In fact, real-time payments are the big opportunity the industry has been waiting for when it comes to “spicing up” payments. Here’s why.

**Overlay services enable new customer journeys.**

Overlay services that sit atop the real-time rails enhance the capabilities they offer, and we’ve only just begun to scratch the surface in bringing them to market. For example, data embedded around the customer journey can greatly enhance how convenient and valuable real-time payments are for the user. Similarly, the overlay service request to pay (R2P) offers a convenient, flexible way for people, businesses and governments to request a payment, while also reducing process and cost inefficiencies for businesses. Although real-time payments are driving the development of the new wave of R2P services, it can also be applied to other payment types including direct debits, ACH and even card payments.

In my own neighborhood, a beloved local ice cream parlor that could no longer be a cash-only operation due to the global pandemic immediately demonstrated how beneficial R2P is to the customer journey. Using the Tikkie app via WhatsApp, the parlor now immediately sends the customer an R2P using their phone number, the moment they’ve ordered their ice cream. The customer can then immediately issue payment from their phone, and the transaction is complete. The experience is entirely frictionless for all involved.

**Real-time processing changes how we approach payments.**

The next phase in the evolution of real-time payments will be critical: Opportunities to create something new abound, but that demands that the industry collectively recognize and address the potential mistakes that could accompany them, particularly as more real-time business cases and overlay services emerge.

Now is the time for the industry to join forces and consider where it makes sense to build many different “flavors of fast”—and where it makes sense to standardize. The wide-open space of real-time payments demands that we determine how to keep things simple and eliminate those lagging empty spaces that have the potential to become very confusing.

For more real-time payments insights, click here to get your copy of Flavors of Fast 2020.
INTERCOPE is an independent and highly reputable software technology company serving financial institutions across the globe, including many of the world’s largest banks. At INTERCOPE, we provide deep expertise and a platform for all interbank messaging that embraces new standards and market initiatives while reducing costs and boosting revenues. INTERCOPE and our BOX product provide the following:

A trusted, reliable and experienced partner. INTERCOPE is focused on the financial messaging and gateway solution area solely, a trusted list of reference customers with repeat projects and expanding implementations.

Our BOX user forum is a real asset to our customers, with an annual event where projects, industry events, and product updates are discussed. We are the SWIFT replacement project experts. Our implementation team is experienced in replacement and consolidation projects and we are ready to help.

A complete gateway and messaging infrastructure for all your SWIFT FIN, FileAct, InterAct and ISO 20022 requirements. BOX supports the new migration to ISO 20022 for cross-border payments; providing full message validation services, transformation, co-existence with the current FIN-MT standard (with the ability to manage in either format depending on the back-office interface requirement), truncation management with full support for your existing SWIFT MT solution to ensure a risk averse and best planned migration path for introducing this new capability into the bank. Customers can rationalise or reduce the number of gateways they have onto a single BOX platform.

The solution is designed for and proven at tier 1 banks and service providers on a global scale. BOX is for large institutions, able to handle multiple banks (direct and indirect), and BICS on one system, with separated entities (i.e. with workflow, routing and data completely separated) running across multiple geographies and controlled by the customer. This lowers the risk of change to this mission-critical area of your business. INTERCOPE customers run this solution for their SWIFT traffic today – for multiple BICS covering multiple banks (in some cases using EBICS and SIAnet as well as SWIFT).

BOX is a messaging hub that will meet all future ISO 20022 scheme requirements. We support SIC RTGS today and TARGET2 (ESMIG), Euro 1, Step 1, CHAPS, Hong Kong, Singapore, Chips and Fedwire as they move to ISO 20022 with all supported services (transformation, routing, tracking/tracing, co-existence with MT, RMA support for MX/MT, end-to-end testing, etc.) on a platform and infrastructure that you can use and integrate into the banks operations now.

A multi-network solution. BOX supports multiple financial networks (EBICS, SIAnet and SWIFTNet) on one platform. This provides a single window and multi-network switch for certain payments schemes e.g. TARGET2 (ESMIG) via SWIFT and/or SIA, SEPA and STEP2 via SWIFT, SIAnet or EBICS, SEPA Instant via EBICS or SIA for RT1 and SWIFT for TIPS. This allows payment applications to transfer transactions to BOX without any destination or network specific envelope information. BOX can then enrich the payments with the required/specfic network information and hand the data over to the desired network based on variables such as availability, transmission cost, SLA, etc.

Highly scalable and designed to run on your infrastructure with deployment and business model options. BOX will run on your desired infrastructure and platform. BOX has scaled to hundreds of transactions per second, supporting full MT/MX transformation and validation and can readily accommodate peak loads and days to scale and exceed our customer requirements. We have tested on platforms with private cloud infrastructures and we are live on Microsoft Azure, AWS and IBM’s Financial Services ready cloud for a public cloud deployment of BOX – providing a potential future deployment model option or even the ability to stand up new test environments quickly off-premise. This gives you a solution with flexible operational and deployment models today and in the future.

A flexible and dynamic solution allowing you to enhance, store and manage your Interbank traffic through configuration on an always up-to-date platform. Customers and their back-office applications can rely on BOX for all their Messaging Gateway requirements.

A complete, secure and robust platform. BOX supports all SWIFT business areas and interfaces (FIN, FileAct, InterAct, RMA), and not just for payments. BOX is secure today and we continue to be an industry forerunner in the SWIFT CSP certification program. As the solution is de-coupled from the back-office payments applications/hubs, it shields these systems from on-going SWIFT maintenance and reduces the impact of network and scheme changes. It also allows our customers to position the solution for all their interbank gateway requirements and going forward, all SWIFT business areas inside a secure DMZ style network location, ensuring SWIFT CSP compliance/ maintenance on a single platform.

INTERCOPE Payments Gateway Consolidation
Creating new value in payments processing – Intix helps banks differentiate using their payment messaging data

Intix CEO Marc Braet shares his insights about ways in which banks can put their payment transaction data to work by tracking payment flows from start to finish and in real time.

Why is there so much talk about data?
The Bank of England report of June 2019 claimed that “more data has been recorded in the last decade than in the whole of human history”. New data technologies now enable to make use of this data and to gain new insights on a real-time basis. Making transaction data accessible is the pre-requisite. This is what Intix is all about.

Creating new value using payment data. Is this hype or reality?
The importance of transaction data is indeed a serious trend in transaction banking. Using transaction details is now seen as one of the ways to add value, however, it will soon become a matter of survival for banks as the “bank of the future” will be all-digital and fully automated. Transaction data includes all details on granular transactional flows that banks process, such as customer payment instructions, inter-bank payments, statements, foreign exchange transactions, liquidity management instructions, financing flows, sanctions screening details, booking status, processing lifecycle details, ... Accessing transaction details across banks’ internal systems is what Intix is best at with xTRAIL.

Which challenges are banks facing in this area?
Banks come to Intix as they face two main challenges: (1) identifying the opportunities to use that data and (2) enhancing their core IT infrastructure to make it happen. Intix helps banks overcome those challenges, whether this is to respond to regulatory reporting requirements or to become more agile and offer tailored services to their clients.

How can banks differentiate?
Knowledge triggers decisions. The Intix transaction data management technology delivers granular insights in real time to trigger the right decisions to sustain operational excellence and business development. For instance, an ageing payment instruction ought to be reported immediately to the Payments Operations team to avoid negative consequences on creditor and debtor. End-to-end tracking is critical to resolve operational incidents and failed payments. This is what Intix delivers through xTRACE.

Which is the quickest way for banks to benefit?
All banks use Swift MT and ISO 20022 messaging and need access to their daily financial messaging activities across a series of messaging channels. Intix embeds real-time analytics on Swift MT and ISO 20022 (e.g., instant payments) natively so insights can be provided instantly.

What is your recommendation to banks?
“Start small, scale at your own pace” is our tried-and-tested approach when working with both top10 and smaller banks. Whilst xTRAIL facilitates access to transaction details, xTRACE tracks end-to-end payment flows and provides and implements the “control tower” that payments operations teams need. Focusing on a specific use case is the right way to start and that is what we recommend, whether starting with xTRAIL or xTRACE.
Mastercard payment tools provide choice and flexibility in the new normal

Much has been talked about the new normal for the payments industry after the pandemic: the flight to digital solutions, reduced use of cash and cheques, and increased adoption of contactless technologies. But one of the loudest demands we’re hearing from the people and businesses impacted by the pandemic is greater need for flexibility and control of their outgoings.

Half of respondents (49%) to Mastercard’s 2019 UK state of pay survey said they wanted greater control over their bill payments as a means to manage their finances more effectively.

New global research shows that people and small businesses are currently struggling to make ends meet: 44 percent of consumers surveyed have borrowed money to cover their costs, and 20 percent have missed a payment or made it late.

This is especially true of those who have fluctuating incomes, such as those who work in the gig economy: 70 percent of gig workers say they currently have no income, and only 23 percent have money saved.

At Mastercard, and leveraging the expertise of Vocalink, a Mastercard company, we’ve developed a Request to Pay solution that enables financial institutions and other processors and billers to participate in Pay.UK’s Request to Pay messaging service.

In July 2020, Mastercard successfully enrolled its solution into the Request to Pay Framework. It adheres to Pay.UK’s service standards, and has been rigorously tested with service participants. Paul Horlock, CEO of Pay.UK, added: “We look forward to Mastercard’s solution coming to market as users begin to benefit from the control and flexibility Request to Pay offers.”

Mastercard’s Request to Pay solution is part of its global portfolio of bill payment solutions, which allow people (and businesses) to view, manage and pay their bills via their financial service provider’s app. They can communicate securely with their biller, and choose when and how much to pay from whichever bank account, digital wallet or card they choose.

On 17 September 2020, Answer Pay and Mastercard completed their first live request to pay transactions in the UK. Dick Paul, vice president for real-time payment applications at Mastercard comments: “Request to Pay offers huge advantages from enhanced communication and flexibility between participants, to speed and transparency of bill payments.”

Gregor Dobbie, CEO of Vocalink, a Mastercard company, adds: “Request to Pay is a key part of Mastercard’s vision to digitise payments to make life simple, seamless and secure for all parts of the payment ecosystem.”

Learn more at vocalink.com/requesttopay

2 https://mastercardcontentexchange.com/perspectives/featured-topics/the-global-state-of-pay/
Helping banks compete in the new economy

By Peter Hazou, Financial Services Industry team, Microsoft

COVID-19 was not the beginning – the deeper digital changes shaping financial services predate the pandemic. Retrenchment of banking business models, as a core shift in strategy, began after the financial crisis a decade ago, but the factors behind this transformation – driven mostly by non-bank competitors, PSD2, shifting customer behaviours – and yes, technology – have made the tasks more complex as COVID-19 suddenly flipped the world in which banks operate. And payments are at the forefront of this (r)evolution.

Initially, bank investments focused on improving customer experience through the multitude of channels they offer. Reducing friction in core processes was a hugely positive step in putting customers at the center of the picture. However, the remediation and simplification of underlying core systems that support customer centrality has been more problematic to achieve. This is mostly due to the limitations and lack of agility of older technologies on which banks have evolved since the dawning of ‘data processing’ (remember, banks were leaders in the application of technology to banking, which is when many of the currently running systems were first installed).

This has put the modernization of core systems squarely on today’s C-suite agenda as banks seek to align their strategies with future-proofing of functional applications and the data platforms supporting it. Microsoft is a partner in this process.

Microsoft is not a payments vertical competing with banks nor do we compete with the ecosystem of providers that support banks. Rather, we are a financial services platform with a broad array of tools on which banks can build superior propositions to compete with “big techs” and other non-banks that are competing for traditional bank franchises like transaction banking.

The cloud is part of this story – in part because all new entrants against which banks compete are natively born with the benefits of the cloud. More importantly, cloud technology offers agility and the latest modern tools that banks can use to transform product capabilities and improve time to market. In addition, cloud technology helps reduce ‘run the bank’ costs that are allocated back to product line P&Ls.

In financial services, Microsoft focuses on partnerships. We are the strategic partner to banks in their digital transformation journey and support a wide ecosystem of partners, many of whom are active supporters of the EBA.

We are proud to be the Cloud Sponsor of EBAday 2020 and look forward to our dialogue with all delegates in this important industry body.
Request to Pay completes the electronic payment process

Request to Pay (RTP) is the next upcoming major topic and holds great potential for payments. Financial service providers are involved in RTP as intermediaries, in individual cases even as enablers. This gives them the opportunity to contribute to application concepts at an early stage, to place innovative value-added services in the market and ultimately to achieve a stronger customer-bank relationship.

RTP has the potential to change payment processes in both the B2B and B2C sectors. The standard offers a high degree of control over one’s own payments with a high degree of convenience. It thus becomes the missing piece of the puzzle on the way to a fully digitised payment process without media discontinuities.

With RTP, existing payment models can be set up anew in line with ongoing digitisation. In addition, design possibilities for new models may arise, even going as far as machine-to-machine payments. Other conceivable applications include delayed payments and recurring transfers for insurance or energy supply contracts. By using RTP at the point of sale, retailers could benefit from the elimination of interchange costs. For the customer, the convenience of RTP achieves the level of card payments.

“RTP has the potential to change payment processes in both the B2B and B2C sectors.”

Since the receipt can be transmitted completely electronically, the respective data is available for additional evaluations (if required) and printing costs are no longer incurred. The introduction of the RTP standard brings significant advantages for all parties involved: companies can significantly streamline their billing processes, customers can pay conveniently and securely, and financial service providers can strengthen their customer loyalty.

All financial service providers practically start from scratch when it comes to digital payment requests. Hence, now is the time to act – those who get involved early on have a good chance of increasing the potential that RTP offers for their company. You are welcome to have a look at the two RTP whitepapers on our website.

SWIFT’s new strategy will enable seamless transactions from one account to another anywhere in the world with end-to-end transparency and predictability.

Over the next two years and beyond, SWIFT will fundamentally transform payments and securities processing, retooling cross-border infrastructure as part of a new strategy approved by our Board.

This strategy will enable the world’s financial institutions to deliver instant and frictionless end-to-end transactions.

Harnessing the power of transaction management
SWIFT will expand beyond financial messaging to provide comprehensive transaction management services. This new approach will support and accelerate innovation, paving the way for financial institutions — independently, or in collaboration with fintechs — to create new value-added services to support their business growth.

In payments, financial institutions will be able to expand offerings to businesses and consumers and enhance the end-customer experience. In securities, financial institutions will benefit from improved reconciliation, reporting and asset servicing processes as well as end-to-end visibility of transactions to reduce settlement fails and fines.

Account-to-account transactions anywhere in the world
SWIFT’s enhanced platform will orchestrate interactions between financial institutions and other participants to minimise friction, optimise speed and provide end-to-end transparency and predictability from one account to another anywhere in the world. This move has the potential to power instant and frictionless transactions between at least 4 billion accounts serviced by financial institutions across the SWIFT network.

The next-generation digital platform will use APIs and cloud technology to provide a set of common processing services that banks have historically invested in individually, saving the industry time and money. New and extensive data capabilities will enable the pre-validation of essential data, fraud detection, data analytics, transaction tracking and exception case management.

Building on decades of innovation
“We are innovating the underlying infrastructure that financial institutions use to make transactions run even faster end-to-end, and at the same time further reducing costs for the community through industry-shared services in the areas of cyber, fraud and compliance,” said Javier Pérez-Tasso, CEO of SWIFT.

“We will introduce data innovation that embeds risk and control elements expected from SWIFT, creating peace of mind for business-critical operations. Combining these elements, we are creating a broad platform with faster technology and smarter and better services that the industry can trust as a foundation for innovation towards their own end-clients.”

The planned platform capabilities build on SWIFT’s recent successful transformation initiatives, including SWIFT gpi, the benchmark in cross-border payments messaging, and leverage the cooperative’s unrivalled reach across more than 11,000 institutions in 200 countries and territories. They will be underpinned by SWIFT’s continued investment in cyber security and risk management to ensure resilient and secure transactions. Users will benefit from the capabilities with minimal disruption through backward compatibility.

The new strategy already has received widespread support from across the financial services industry.

Find out more at www.swift.com/about-us/our-future/
Resilience in the cloud: How modern core banking will future-proof the industry

By Travers Clarke-Walker, Chief Marketing Officer, Thought Machine

It almost goes without saying that the pandemic will have a profound and lasting impact on people’s lives. While governments, charities, and corporates have all stepped up to provide much needed support, in many cases it has been the banks which have been responsible for helping families and businesses stay afloat. Mortgage and credit card payment holidays, the distribution of relief funds, and new terms on business loans are just a few examples where banks have helped play a critical role in social support.

This crisis, as others before it, reminds us that uncertainty and change is an inevitability. With zero warning banks were forced to operate remotely, expand digital customer support, and offer new terms on products, all at high speed. How effective and successful a bank has been in navigating this change is dependent on its resilience and agility.

Much of the industry operates on outdated technology built in the 1970s and 1980s. Archaic technology overlaid with a chaotic patchwork of middleware designed to extend its functionality. This type of ‘spaghetti’ technology stack severely limits a bank’s ability to innovate quickly in response to changing customer demands. These issues have become even more tangible during the pandemic and all contribute towards the significant technical debt being managed by banks – in short, they are spending a fortune simply maintaining outdated and unreliable technology.

A window of opportunity

Financial institutions and their customers no longer need to bear the burden of legacy technology. Founded by ex-Google engineer Paul Taylor, Thought Machine has built a next generation core banking engine, Vault. This core banking platform has been built from scratch using industry-leading cloud native technologies, enabling the bank to take full advantage of cloud properties: scalability, security and flexibility.

Thought Machine’s Vault enables financial institutions to configure any product, user experience or operating model, quickly.

The arrival of coronavirus has spurred Thought Machine to accelerate what was already an aggressive expansion strategy. Between 2018 and 2019, it signed Lloyds Banking Group, Standard Chartered, SEB and Atom bank as clients, and opened its APAC HQ in Singapore. This year, Thought Machine has raised $125m in series B funding, the fifth largest VC round in European fintech, named two further clients and added more than 100 employees to meet this accelerated demand.

Going forwards in a post-pandemic world

This public health crisis has shown that retail banking is incredibly competitive, customers’ needs are ever-increasing, liable to change, and organisations must be prepared. Financial institutions have just about weathered the storm of the first wave of the pandemic. The organisations that will bounce back stronger will be those with resilient, agile core banking technology. HSBC struck a deal with Amazon Web Services, Standard Chartered has moved to Microsoft Azure, and Monese has announced it is adopting Thought Machine’s Vault. This next generation core banking platform with robust cloud native engineering will support banks as they go forwards in this post-pandemic world.
Payments represent a major opportunity for financial institutions to differentiate themselves in the eyes of their customers. To achieve this, banks must get to grips with payments transformation and modernisation. We caught up with Debbie Payne, SVP of Global Customer Success at Volante Technologies, to get her perspective on the meaning of customer success in these complex times.

How do you define success in the context of payments modernisation?

When undertaking payments modernisation projects, banks need to realize that the purpose is not merely to follow a trend, but to ultimately ensure that their customers can operate in a world of instant, frictionless money movement. This can involve greater investment in real-time, staying ahead of the complex ISO 20022 migration landscape, or taking on open banking as a business model rather than compliance effort. All of these are paths to customer success through payments transformation.

You mentioned real-time payments, what’s necessary for success there?

Our industry needs to make sure that real-time payments are available to every consumer and corporation, wherever they are in the world and whoever they are transacting with. In order to achieve this, banks need to start focusing on incorporating real-time payments into every aspect of what they do, domestic and cross-border. This is about democratising access to technology, which is one of the reasons we at Volante offer real-time/instant payment processing as a free service. We can help banks connect to U.S. RTP or SEPA Instant Payments, for example, without any upfront cost, implementation or service fees.

What about ISO 20022 migration? Is success just about becoming compliant or something more?

When defining success, the answer is absolutely something more. Obviously, in the case of SWIFT, Fedwire™ and TARGET2, institutions need to comply with mandates, but they should also be looking at customer value. If a bank provides an end-to-end ISO 20022-enabled service, its customers can then benefit from the rich, extended data, which will not only help them reduce reconciliation and fraud, but increase straight-through-processing as well.

Are there any other trends in payments technology that should be highlighted?

One broad trend, which is perhaps more of a technology trend than a payments trend, is the move to cloud. Nearly all aspects of payments transformation, including ISO 20022 and real-time payments, have been catalysed by cloud. By utilising cloud, banks are able to develop a wider variety of new services in collaboration with fintechs and release them to market much faster.

Cloud deployments are also vastly more efficient, reducing processing costs in financial services by 40% on average. Eventually, banks will be able to plug into a larger cloud ecosystem of financial services, and with open banking it’s almost inevitable that most of these services will move in some fashion to cloud-based models.

That’s why we recommend that any financial institution looking to be more successful – and wanting to make its customers most successful – should accelerate its investment in cloud.

“Our industry needs to make sure that real-time payments are available to every consumer and corporation, wherever they are in the world and whoever they are transacting with.”
Session Promo

Strategic roundtable: “The great unknowns in payments”

Thursday, 26 November, 09:45 to 10:30 CET | Join Here

What are the corporate liquidity management needs in the age of instant payments? How can banks fulfil them? Which implications do they have on intra-day liquidity?

Reinhard Höll
Partner
McKinsey & Company

Mark Buitenhek
Head of Transaction Services
ING

Simon Eacott
Head of Product Development & Innovation, Payments
NatWest
Domestic and regional instant payments are already well established in Europe. But many of the promised use cases have yet to see such rapid adoption. Open banking PSD2 initiatives sought to enable consumer choice and drive new ways of making payments, underpinned (in theory) by a rich and exciting ISO 20022 instant payment rail. There has been limited traction. For European banks multi-lateral capabilities could be set up, with rules around arbitration and usage scenarios to encourage adoption of issuance and acceptance. But the prospect of creating new proprietary, closed-loop offerings seemed at odds with the very essence of PSD2, not to mention the severity of competition at the ecosystem level with other significantly well-established payment methods.

And this is where Request to Pay (R2P) comes in. R2P services are fast becoming a reality around the world: The Clearing House in the US has its Request for Payment service integrated as a core offering within its RTP network. Hungary is live, UK has its own R2P capability and EBA Clearing is live November 2020. Malaysia’s DuitNow enabled R2P via QR code and it is being used to continue to drive instant payments volumes growth at more than 175% CAGR.

Europe is already well versed in reachability via interoperability through connected clearing and settlement networks, and local and regional schemes. But what the Malaysia example shows is the importance of defining a standard for the digital overlay services that ride the real-time rails, and simplifying the connectivity of participants from banking, acquiring and merchant segments in order to drive adoption and value.

The success of R2P in Europe will be driven by the collaborative approach to defining the best possible standard for the service, to support participants in designing and developing services that leverage R2P. Scheme rules are important. But it is the real-time and digital customer experience that will truly drive adoption as consumers and businesses alike latch onto improved customer journeys, time to transact, convenience, control and heightened security, and more.

As we cast the net wider across the global ecosystem, it is important to remind ourselves that the aim for any market investing in a new payments system is to create continuous growth and offer a value adding experience; create a new habit. Sometimes this is around migrating existing transactions to new rails (such as cash to instant payments), but often the focus is also on creating net-new transactions. This expansion of digital transactions is driven by both financial and non-financial transactions connected to payment accounts and instruments, including microtransactions, balance inquiries, R2P messages and other API calls. The most critical factor in laying the foundation for this growth is bringing value-added services into the hands of customers: consumers, merchants, billers and corporates. In their hands is a literal reference to the customer’s ability to interact with these services via their personal and work devices, corporate systems (such as ARP) and POS terminals.

For banks, any investment in real-time payments should include the ability to easily integrate this into the digital channel both internally and externally to underpin the digital overlay services demanded by customers. Demand has been augmented by the proliferation of instant payment types. The sheer breadth of use cases necessitates a channel-agnostic approach for services, therefore customers seek best-of-breed payment providers who can easily integrate with their own platforms. They also seek out other services that form part of their market offering. Real-time payments solutions should be API-enabled and facilitate this ease of integration via SDKs to ensure seamless experiences and speed to market.

To learn more about the potential for Request to Pay and other digital overlay services, download our white paper:

Making Real-Time Payments a Reality

View our company profile on the EBAday Online Platform
RTGS Replacement, or standards and why we need less of them

By Sean Devaney, CGI

The Bank of England are in the process of replacing the existing RTGS system in the UK, which is a good thing as the existing system is old and not exactly up to modern standards. We at CGI should know; we helped design the existing system over 20 years ago. It’s going to be a long and complicated process as it’s responsible for final settlement of almost all the sterling money movement in the UK and as I said, it’s old, which as we all know means difficult to replace.

Old systems use old interfaces, have inconsistent data models and have unreliable documentation, which always makes them hard to replace if you need to keep the lights on whilst you do, definitely a requirement with the RTGS system.

That problem is though, frankly speaking, an IT problem, another large programme of work that means the Bank will have to do lots of testing, will have to make changes to legacy systems that are still going to exist after the programme ends.

They will have many sleepless nights worrying about what could go wrong and preventing it (which they will do, they have an excellent team who we know and respect).

Frankly though, that’s not the real issue. The real issue is standards, and the fact that even after the RTGS replacement we will still have too many of them in the UK, and that’s a business problem.

It’s a business problem because it makes entry into the market difficult, it’s a business problem because you have multiple approaches to things like address management and it’s a problem because your domestic payments don’t use the same standard as your international ones.

I think the focus needs to switch to the work on a Common Credit Message standard. A number of other institutions around the globe (including the Bank of England) have been working on this, fairly quietly in the background.

It’s this that will make the biggest single difference to how payments work, both domestically and globally. You will be able to have a single gateway to all payment schemes, you can map your customer data in a consistent way across all payment types, both inbound and outbound, and most importantly you will be able to use that new flexible standard to enable new products and services that will be carried across the common message format.

ISO 20022 is talked about a lot as the answer to these consistency problems, but ISO 20022 alone is just a framework.

Unless we can all agree on how we implement that framework in a consistent way, we are going to have the same problem all over again and I’ll still get to use my favourite line: “the thing I like about standards is that there are just so many of them”.

We do a lot of financial services in the UK and we are often the first to market with new innovations. In this case though, the industry globally needs to agree what this standard is going to look like, and the Bank of England have a unique opportunity to shape the future of payments not just in the UK but across the globe.

“The focus needs to switch to the work on a Common Credit Message standard.”
Small island, big benefits from instant payments

Instant payments are now available on the Dutch Caribbean island of Aruba. The new instant payments product is called I-Pago, and an important step forward in the innovation of the payment infrastructure of Aruba. The Centrale Bank van Aruba (CBA) partnered with equensWorldline because of its decades-long experience with interbank payments processing and its proven track record with real-time payments processing, as the largest instant payments processor in the Eurozone.

The main reason for Aruba to implement Instant Payments was the response to the increasing demand from consumers and businesses for a faster and more efficient transfer of funds. Before the introduction of instant payments, it could take up to three working days to transfer funds in Aruban florin from one account at a commercial bank to an account at another commercial bank.

I-Pago is an important step forward in the innovation of the payment infrastructure of Aruba, with the ambition to benefit all stakeholders and to leapfrog the state of Aruba’s payment infrastructure.

The switch to Instant Payments happened in a big bang implementation – a major challenge because all the commercial banks had to switch to instant payments from one day to the other. Since the implementation of instant payments, you can already see a shift to more digital payments/transfer.

Of course, COVID-19 plays a role, as people prefer not to use cash for hygienic reasons, so this is not exclusively due to the transition to instant payments. The creation of an instant payment rail for economic growth on the island is essential.

“The switch to Instant Payments happened in a big bang implementation – a major challenge because all the commercial banks had to switch to instant payments from one day to the other.”

It has a positive impact on the economy, for example the cash flow benefits for the merchants, because funds are now available instantly on their bank accounts. In addition, instant is also part of the new era of digitalization. Nowadays everything is instant, from e-mail, to Google searches, to WhatsApp. So, it makes sense that consumers also pay and receive money instantly.

The Instant Payment implementation was a big step forward, but it is just the beginning. The first phase was all about interbank transfers, the coming phases could introduce instant in-store and e-commerce payments. The payment infrastructure will be improved step by step, which results in many advantages and new interesting business opportunities for Aruba in the near future.
Open Finance: are you ready for the transition?

By Adrian Mountstephens, Business Development, Senior Manager, Equinix

Open Banking is evolving, paving the way for new players in the Open Finance game

In conversation with Hesus Inoma, Head of Digital and Fintech at Grant Thornton Ireland, Adrian explores how the evolution of Open Banking is paving the way for new players in the Open Finance game.

Open Banking demonstrates the potential for new innovators to provide modern and exciting ways to manage money with the latest technology. While still in its early stages, it’s enabled third parties across Europe to access payment account information and make payments on the customer’s behalf for the first time, mandated by the revised Payment Services Directive (PSD2).

Under Open Banking, application programming interfaces (APIs) allow third parties to access financial information more efficiently, enabling the development of transformative new apps and services. This has paved the way for Open Finance, a complete mobile and digital experience for all consumers with a full suite of financial services.

We’ve joined forces with Hesus Inoma, Head of Digital and Fintech at Grant Thornton Ireland, to discuss this evolution from Open Banking to Open Finance. Hesus joins us with specialist knowledge on the Open Finance business models required to address the huge technology challenges for major players in the banking industry and how this will pave the way for new and exciting consumer-facing financial services.

Read the full discussion here.

“Under Open Banking, application programming interfaces (APIs) allow third parties to access financial information more efficiently, enabling the development of transformative new apps and services.”
Banking for food, banking for the Netherlands – with Rabobank

Rabobank is a cooperative bank. There are almost ninety local Rabobanks in the Netherlands, which each operate with a high degree of independence so they can better serve their customers and local communities. Rabobank also has sizeable international banking operations. They focus on international business and rural activities in general and on the Food and Agri sector in particular.

Rabobank is a socially responsible bank. We are committed to making a substantial contribution towards achieving wealth and prosperity in the Netherlands and to resolving the food issue worldwide. We focus on strengthening our customers and their communities in order to achieve these objectives.

Close to the customer

Our ambition is to be the most customer-oriented bank in the Netherlands and the leading Food & Agri bank worldwide – the bank next door. Rabobank is committed to making the difference as a leading, cooperative, customer-oriented bank locally through Banking for the Netherlands and worldwide through Banking for Food. In doing so we opt for excellent customer focus and aim for a ‘9+ customer experience’.

Through our local Rabobanks we are moving closer to our customers in every way: physically (through customer meetings and networks), virtually (through apps and websites) and mentally (through involvement). In achieving this, the local Rabobanks will be able to rely 100% on the support of an extremely well-organised banking business in which innovation, fast procedures and ready-to-use knowledge will ensure there is once again ample room for our cooperative customer service.

Banking for the Netherlands

Rabobank feels a strong connection with its customers and members and consequently also with the future of the Netherlands. We prosper when our customers prosper.

We can distinguish ourselves as a cooperative bank by making a targeted contribution to meeting the challenges the Netherlands will face in the years ahead. This constitutes an investment in sustainable welfare and prosperity in the Netherlands. We strengthen the Netherlands of the future through Banking for the Netherlands. We approach this from three angles. We strengthen the Netherlands’ earning capacity, the life courses of its households and the living environment of its local communities.

Banking for Food

The Netherlands is leading in the food and agri sector. Stemming from its agricultural roots, Rabobank has contributed to securing this position for the Netherlands and also wants to make a relevant and sustainable contribution to the global Food & Agri sector in the future. The related aim is to increase the availability of food, improve the access to food, promote healthy nutrition and enhance the stability of the food industry.

Through Banking for Food we want to play a prominent role in the social debate concerning the wider food issue and in doing so connect producers, consumers, farmers and the public with each other. As the unrivalled market leader in the agricultural sector in the Netherlands, Banking for the Netherlands and Banking for Food are closely interconnected. Rabobank’s roots are formed by our vast knowledge and extensive networks in the leading Dutch Food & Agri sector.
Session Promo

The future role of correspondent banking in the evolving payments ecosystem

Thursday, 26 November, 11.00 - 11.40 CET | Join Here

Correspondent banking is faced with a paradox: while connections are declining, volumes are growing. Are banks successfully adapting to meet future client demands and how can they best deal with the massive changes on the horizon?

Harry Newman
Head of Payment Strategy
SWIFT

Veerle Damen
Global Head of Network Management
NatWest

Jon Lloyd
Head of Sales, Treasury Services
J.P. Morgan

Michiel Ranke
Liquidity Manager
ING

Marc Recker
Global Head of Institutional Cash Solutions Product
Deutsche Bank
**ISO 20022 harmonisation is the accelerator for the automation of tests.**

**Should payment service providers consider an automated testing solution? Yes, but with caution!**

A software that tests another software can of course work! But all too often such a project is prone to failure. Answering basic questions related to costs and benefits for instance, seems to be easy, but in reality, the opposite is the case.

**Test Automation - Costs**

What needs to be considered to make relevant costs transparent? License costs are usually transparent and therefore no issue, checked off. Costs for the operation of such a solution can also be calculated relatively easily. But after this, it becomes increasingly difficult.

What does it cost to implement the solution? How much is the cost to create an automated test case? And what about the costs if something changes and test cases have to be adapted accordingly? How often will this be necessary? What is the meaning of "scripting", and how does it work? Can this be done by existing employees, or are external specialists required?

These are certainly not all of the relevant questions. But these examples alone demonstrate that questions pertaining to automated testing are not easy to answer, and of course cannot be generalized.

**Test Automation – Benefits**

How should benefits be determined? Crystal clear: costs for a test with automation must of course be lower than costs for a test without automation. Hold on, do we even know the cost of testing without automation? And is our approach really crystal clear?

Or can the costs be even higher in absolute terms with automation? In fact, when calculated on a per test case basis, costs are much lower, because with automation a lot more test cases are carried out in much less time.

Significantly reduced test cycle duration through automation results in faster, more accurate feedback based on a much larger number of executed test cases. What is the monetary value of increasing quality and decreasing operational risk? In order to make the right decision on whether to introduce test automation or not, it is crucial to determine the right answers to these questions in relation to the application area under consideration.

ISO 20022 promotes the development of industry specific solutions for test automation that offers significant advantages compared to generic solutions.

Just as it is impossible to find blanket answers to the above questions, there is no one-fits-all solution for test automation. Let’s therefore have a look at a specific area: ISO 20022.

Through ISO 20022 it has become possible to create specialized solutions to support and automate testing for the clearing and settlement of financial transactions. This area is currently dominated by this standard. Previous to this harmonisation, a specialized solution was unthinkable due to inhomogeneous payment landscapes with countless formats and processes.

Why is this worth mentioning? When it comes to test automation, so-called generic solutions usually come to mind. The more generic a solution, the more universally it can be used. The more specific a solution, the better it solves the problem of a specific industry and less customizing and scripting is needed.

**Conclusion**

There is no one-fits-all solution to automate testing! Diversity and complexity of IT landscapes has become too great, much too great.

Generic and specific solutions have their justification and their respective strengths. A generic solution might even work for almost anything. But considering only functionality does not tell the whole story on costs and benefits.

So if you start exploring in order to obtain the right answers on how to automate testing connected with ISO 20022, it is worth considering industry specific solutions.
Now that payment transactions have become European with SEPA, they are on their way to real-time. Many years ago, a cross-border payment took several days. With SEPA, the duration was reduced sometimes to less than one day, and now the market is facing a revolution with instant payments – payments proceed within seconds.

For banks, instant payments mean an enormous acceleration of processes. Not only is the pure execution time of the remittance increased, but also all necessary decisions (e.g. fraud detection, embargo checking, etc.) need to be made within seconds during all associated settlement processes.

As a result, banks are confronted with new challenges. In order to achieve 24/7/365 availability and no batch processing, old systems must be modernized or partially or even completely replaced to meet these challenges.

In addition, the market is confronted with new competitors on the payments market in Europe and especially in Germany (FinTechs, Big Techs and international banks). This leads to market and product expansions in the shortest time – regardless of national borders.

This competition causes cost pressure. New investments in IT also lead to enormous financial costs.

In order not to be left behind by these new developments, in particular the implementation of instant payments, outsourcing is becoming more popular.

"For banks, instant payments mean an enormous acceleration of processes."

Especially for institutions whose core bank and payment systems architecture does not allow real-time processes, this can massively reduce the project duration and optimize expenses. In addition, it makes the bank more agile.

Outsourcing becoming more popular will lead to an increase in the transfer of operations to a service provider in the future. A service provider can scale much better as they can offer these services in the same way for several customers. Furthermore, they are always up to date in their area of expertise, more flexible and they can also react better to regulatory changes. This allows the bank to focus on its core business.
The growth of digital payment options

Tuesday, 24 November, 15.00 - 15.40 CET | Join Here

Digital payment technologies and the way goods and services are paid are constantly evolving. The growing demands of new-age consumers, complemented by the availability of mobile devices, make it increasingly challenging for PSPs to meet customer expectations on time. What do PSPs need to be able to offer a seamless user experience while adapting to evolving needs?

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World Bank
Euro Banking Association delivers cyber regulation e-repository, RTP corporate survey and new publications

Meeting pan-European needs of membership and the wider ecosystem is at the heart of the Association

To meet the needs of its members for insights on forward-looking topics and for enhanced pan-European payments harmonisation and cooperation, the Euro Banking Association (EBA) has completed a number of deliverables in the fourth quarter of 2020:

**Go-live of cyber regulation e-repository**

The EBA Cyber Regulation E-Repository is now live and provides EBA members with overviews of the most relevant payment-related cyber regulations or industry standards. The e-repository covers the core principles and key implications for cyber resilience and cyber security aspects of frameworks and regulations such as PSD2, GDPR, TIBER, PFMs and CROE, Regulation on SCA and CSC and several Guidelines by the European Banking Authority. It was prepared under the guidance of Chief Information Security Officers from multinational banks and with the assistance of EY; the repository is located on the EBA Member Portal.

**White paper on the future of banks in European payments**

Together with McKinsey, the EBA has delivered a white paper on the future role of banks in European payments. Key findings will be presented at a side session on 25 November 2020 (more details on our exhibitor page).

**First findings of request to pay survey for corporates**

Corporates from 17 countries have already replied to the EBA’s request to pay survey conducted with the support of PPI. For first findings, join our morning session on 24 November 2020 (more details on our exhibitor page).

**New report on data analytics in liquidity management**

The EBA Liquidity Management Working Group has released a report on data analytics in corporate banking. It explores what corporates need to do to expand their use of data analytics and how their banks can support them. The report can be downloaded from the EBA Member Portal; a fact sheet is available on the EBA website.

**Promoting an optional fraud information field in SCT Inst for sharing contextual data**

The SCT Inst Migration Round Table (SMART2) facilitated by the EBA has delivered a note promoting the sharing of contextual information between PSPs through an optional fraud information field that is part of the SCT Inst transaction.

**Raising awareness about gift card abuse in connection with payment fraud and scam**

SMART2 had also drilled into the question of “Gift cards: a gift for fraudsters?”. Published at EBAday, this new paper draws attention, in particular, to the use of closed-loop cards by criminals striving to cover up their tracks after an account takeover or an abuse of card credentials.

Thank-you to all contributors

“The Association’s agenda is driven by our members: the topics we explore have direct impact on their work and we strive to offer them high-quality thought leadership and guidance that adds true value. I would like to thank all our expert and working group members for contributing to these deliverables,” says Thomas Egner, Secretary General of the EBA.
There has never been a better time to monetise anonymised data

Anonymised datasets present a significant opportunity to create new, high-margin revenue streams, while driving more informed business decisions and broad economic and societal benefits.

In recent times, several factors have come together to unlock the huge value potential in transaction data. Fable Data’s market leading approach allows our banking partners to build new stable income from the data they hold, securely and ethically.

Anonymised data unlocked

The introduction of GDPR in 2018 provided a strict framework for defining and handling personal data, and supported Fable’s decision to create a PII-free business. Working solely with anonymised data reduces risk and protects consumers.

Our mission to provide better data to leading decision makers in government and business is closely aligned with the aims of regulation. Earlier this year, the European Commission set out a data strategy for Europe, a key theme being the benefit that can be derived from providing more access to non-personal data.

“Citizens should be empowered to make better decisions based on insights gleaned from non-personal data. And that data should be available to all – whether public or private, big or small, start-up or giant. This will help society to get the most out of innovation and competition and ensure that everyone benefits from a digital dividend.” - (A European strategy for data, European Commission, February 2020)

Evolving revenue models

Banks and financial institutions across Europe are facing the challenge of rising costs from digitisation and regulatory requirements, combined with reducing profits from traditional revenue streams, and increased competition.

High demand from global corporates, investors, and governments for real-time data insights and analytics can generate significant income for banks. For neobanks and open banking applications, such revenues may be fundamental.

However, the costs of building product development, data science and sales infrastructure are significant. Data partnerships ensure onboarding and maintenance costs are minimal, maximising bottom line benefits for the data owner.

Democratisation through technology

Raw transaction data has little value on its own. And, while generating revenue from data is not new, previously financial institutions have been limited by low granularity, high latency products. New technology and advanced machine learning have unlocked premium use cases for the first time, allowing Fable Data to develop market leading tagging and structuring.

Furthermore, the cloud has democratised data science, and today there are hundreds of clients with the computing power to work with very large data sets.

Unprecedented need for real-time data

High levels of demand for real-time transaction data have increased further due to Covid-19. For investment funds alone, spend on alternative data sets is projected to reach $5bn by 2022 (Forbes, Dec 2019). While several banks are already monetising data in some form, reports suggest only a very small number are currently maximising this opportunity.

To find out more about the advantages of partnering with Fable Data, contact partnerships@fabledata.com

Access to an ethics-centred solution

Data partnerships provide a mechanism to access data revenues, at a low cost, with shorter timescales and reduced risk. But banks need a broader business case, and partnerships must deliver more than numbers. Fable Data’s focus on data ethics, and commitment to providing data to governments and academia, allows our partners to provide real world benefit.

The use cases and market for banking transaction data continue to grow exponentially. And there has never been a better time for banks to enter this market. Today, more than ever before, transaction data can deliver significant revenues alongside meaningful change in business and economic policy.

To find out more about the advantages of partnering with Fable Data, contact partnerships@fabledata.com
Are you ready for the digital payments of the future?

As much as payments have changed since the onset of digital and the cloud, they’re on a path to look very different in the coming months. Financial institutions today are already managing a tidal wave of change, partially due to the pandemic, but also because of factors that were already in motion at the beginning of 2020 – an influx of new competitors, widespread digitalization, open banking, and more.

To find out, let’s examine recent changes and their influences:

1. **Growth of service providers**
   The payment industry is witnessing a growing emergence of a wider group of players and service providers alongside traditional banks. The pandemic has intensified this growth.

2. **Growth of alternative payment methods**
   This has been driven by retail customer demand and the diversification of banking services in an increasingly consolidated and competitive market. Bank partnerships – Traditional banks are evolving and re-evaluating their services to remain competitive, in addition to partnering with FinTechs, and buying software companies to extend their service offerings and remain relevant in the 21st Century.

3. **Remote payments**
   Remote and touchless transactions have increased, because of customer demand for convenience and efficiency.

4. **Regulation and compliance**
   With more consumers and businesses capitalizing on the benefits of digital payments, awareness of transaction risks and user risks has further pushed the focus for regulations and standards, such as ISO 20022 on digital governance.

5. **Open banking and greater interoperability**
   Open banking still faces roadblocks, but financial institutions are driven to develop APIs for greater transparency options with bank statements and account transfers.

6. **Increase in faster, smarter payments**
   Financial institutions are taking the steps to move forward with real-time payments initiatives where possible.

How Can You Prepare for Tomorrow?

- Innovate with new products and services that follow the customer’s journey, such as remote, contactless and digital payments.
- Deliver compelling user experiences to lock in behavioral changes.
- Gain awareness of transaction risk and fraud, adopt AML policy. Maintain control in three key areas to ensure they are future-proof and relevant: bank accounts, balance sheets, and guardians of digital ID.
- Increase interoperability through open APIs to enable faster banking processes, while standardizing and monetizing APIs.
- Drive applications to the cloud in strategic ways to improve efficiency and save costs.

To prepare for the future of payments, financial institutions must redesign and increase their digital footprint and digital capability. A hybrid integration platform can help with that.

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**SEEBURGER Hybrid Integration Platform for Financial Institutions**

- **Customers and Business Partners**
  - Integration and Collaboration Services
  - End Users and Customers

- **SEEBURGER BIS**
  - Digital Client Onboarding
  - Secure & Managed Data Transfer
  - Payment Services APIs
    - ISO 20022, PSD2, FST, JSON (Open Banking), etc.

- **Internal Applications**
  - Accounting
  - ACH
  - Cash Management
  - CRM
  - OmniChannel
  - Retail
  - SWIFT
  - Wholesale Apps

To learn more, contact us today.

https://blog.seeburger.com/financial-services/
Efficient cash flow forecasting is critical to effective liquidity risk management at any time, but the effects of COVID-19 have heavily underscored this point, as well as adding a further measure of urgency. However, while the economic disruption from the virus has greatly increased existing liquidity management challenges for finance functions, the right cash forecasting solution can materially assist in addressing these.

Simplicity and reliability

Around the globe, companies of all sizes are striving to improve their liquidity forecasting/planning in order to support strategic objectives, such as business resilience or enhanced shareholder returns. In many companies there is still significant scope for improvement in these areas, with highly manual processes that cannot deliver a satisfactory reporting output still commonplace. Given that most finance organisations need to forecast across multiple time frames, from as little as a few days to perhaps several years, this situation is clearly less than ideal.

The still common practice of emailing spreadsheets around the company for the collection of local cash forecasts is neither simple nor reliable. At the other end of the spectrum are extremely sophisticated solutions, which while they may be more reliable than a spreadsheet, are costly and complex to implement and resource-intensive to maintain. Therefore, any new technology that is going to materially improve on these scenarios must be able to deliver simplicity and reliability. In the context of COVID-19, it also needs to be the sort of digital-ready, cloud-hosted tool that enables finance personnel to collaborate remotely, while still all working from the same consistent forecast.

Conclusion

The need for better cash forecasting is longstanding, but the current environment has made this need more pressing - for some organisations perhaps even an existential concern. Under those circumstances, a fully-integrated forecasting solution that can be made immediately available without additional implementation overhead is extremely valuable. If it also has a flexible and extensible architecture that enables multilevel deployment, while simultaneously facilitating the addition of new functionality, then it presents the opportunity of robust, future-proofed, cash forecasting.

This will add considerable value - both in the current highly challenging conditions, as well as more generally - by supporting more effective risk management and facilitating growth.

Read the full article here.
Digital payments: pushing towards a cashless society

The payments landscape is in continuous evolution driven mostly by the affirmation of Instant Payments and nowadays by the innovative “Request-to-Pay” service, also supported by the emerging technology, new payment schemas and the PSD2 legal framework that is paving the way for the introduction of Open Banking.

The main advantages brought by instant payments are definitely the possibility to transfer funds from one account to another within a few seconds and the opening up of the path of new applications: P2P, B2B and user-to-merchant by using a QR code scanned through a mobile phone, for example. The new trend of payments is evident in mobile solutions that allow peer-to-peer payments, like BANCOMAT Pay in Italy with the Jiffy technology provided by SIA, which have significantly improved the user experience.

The instant payments environment is boosted by the two main pan-European systems, EBA Clearing RT1 and Eurosystem TIPS, fully compliant with the core SCT Instant scheme and therefore interoperable and ready for a fair and open landscape. However, some ancillary services, such as reporting, have not been standardized and are implemented in different ways, with a consequently duplicated integration effort on the banks’ side. This is the reason why most of the banks decided to have a single transaction pipeline for their preferred Clearing and Settlement Mechanism acting as instructing agent for the fractional part of the traffic to be rerouted to TIPS.

Instant payments could represent a key opportunity to drive the digitalization and payment evolution. With investment in the new technology, banks could reposition themselves in the driving seat of the payment business, developing new B2B and B2C real-time payment use cases, while also combining Open Banking opportunities and cross-account services. Customers have increasing expectations for easy-to-use instant payments. Banks should investigate whether changes in the way consumers move money - card usage, account-to-account payments, branch visits - will transform payments from a standard operational transaction to a distinguishing feature able to drive customer engagement. The digital evolution is redefining the bank-client relationship and the ability to shorten the process between the point of sale and the funding, making it real-time, is an opportunity for banks to understand customer behavior and improve end-customer engagement.

Additionally, Instant Payments together with Open Banking, could be one of the building blocks for a European payment scheme representing an alternative to the existing international payment schemes. Among SIA’s strategic initiatives, Open Banking allows for the creation of an ecosystem at pan-European level, overcoming differences in the domestic scenario, and instant payments are the killer application to make this happen. Together they can allow banks to offer simple, real-time payment solutions across multiple accounts.

This path is completed by an additional block, namely Request2Pay, soon to be launched by EBA Clearing and which aims to enrich the payment experience for customers. SIA is already prepared to enable banks, corporates, public administration bodies and fintechs for this new service, once it is available, to meet their needs and to develop dedicated use cases for the end-customers. This will contribute to the creation of an ecosystem in which all the market actors can implement new business models, also thanks to the opportunities offered by PSD2 regulations.
Session Promo

Request to Pay – what’s possible?

Wednesday, 25 November, 11.00 - 11.40 CET | Join Here

With the first RTP services to go live later in 2020, how will the new initiative change the European payments landscape? How will RTP contribute to the further ramp-up of instant payments?

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