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Financial IT

Innovations in FinTech

A LEGACY FOR BETTER BUSINESS BANKING

Anders la Cour,
Co-founder and Chief Executive Officer,
Banking Circle

WHY 2021 WILL BE THE YEAR OF LOW-CODE DEVELOPMENT IN FINANCIAL SERVICES

Chris McLaughlin,
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Nuxeo

A HEALTHY RISK ATTITUDE STARTS WITH DATA COMPLIANCE

Simon Cole,
CEO,
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Tomer Guriel,
CEO, ezbob

UNDERSTANDING THE THREE KEY TRENDS IN SME BANKING FOR 2021

Paris FinTech Forum
by Altéir

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ACCELERATED TRENDS

Andrew Hutchings,
Editor-In-Chief, Financial IT

This edition of *Financial IT* stands out for the broad diversity of topics on which our contributors have written.

Nevertheless, it is possible to link each of the contributed articles to one of three main themes.

New strategies

The first of these themes is: rapidly changed plans. One recent survey that is cited in an article found that the Covid-19 pandemic caused 58% of respondent banks to change their IT infrastructure strategies.

The new strategies will, of course, vary from institution to institution. However, it appears that hybrid private/public cloud models will be used by most banks and fintechs. Indeed, one of the articles notes that recent research found that 86% of enterprises see hybrid cloud models as 'ideal' for their needs.

New strategies may well involve a different approach to physical infrastructure. Automated Teller Machines (ATMs), for instance, could well be required in different places, be owned by different people and be branded in a new way – but still serve broadly the same customers who were using them prior to the pandemic.

Empowered consumers

In other words, what the customer wants, the customer is getting. Consumer empowerment is the second main theme that runs through this edition of *Financial IT*. A recent survey in the UK found that 84% of online shoppers say that their experience with the retailer or financial institution is as important as the goods and services that are being purchased. Over half of the shoppers say that companies need to change the way in which they engage with their online customers. Given that about one third of the UK's retail sales are online, that is important.

Increasingly the newly empowered consumers are placing their trust in challenger institutions and fintechs rather than in established banks. One of the articles suggests that China is now the world's leader in financial technology. In Europe, Russia's Sberbank is the second largest listed bank by market capitalisation. What was formerly the monolithic savings bank of the USSR is using technology and marketing to expand into new markets.

The heightened competitive pressures mean that incumbents and challengers are under pressure to acquire, process and make informed decisions based on data.

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IN TWO YEARS TIME, WHAT WILL WE SEE AS THE MAIN LEGACY OF THE COVID-19 PANDEMIC IN THE WORLD OF FINANCIAL IT?

The race for data

The race for data is the third theme in this edition of *Financial IT*. In the UK, nearly 45% of software developers are using low-code development tools which make programming simpler. Technology companies have profitable businesses that based around the designing, testing and maintenance of APIs. Open Banking continues to grow. The year 2021 could see a breakthrough in the adoption of the ISO 20022 language for payments messages – providing financial institutions with new opportunities.

Of course, more data means more mistakes – or worse. One recent survey found that online fraud in the UK has increased by 33% or so since early 2020. Another survey suggests that 90% of data breaches in the UK are due to human error.

None of these trends are new. As the uncertainty surrounding Covid-19 recedes, it is apparent that the pandemic has accelerated the huge changes that were already underway at the intersection of financial services and IT.

What about the year to come?

In the Winter edition of *Financial IT*, we made three Big Calls for the year 2021.

We suggested that blockchain would return to the spotlight after three years of (relative) obscurity in 2018, 2019 and 2020. In particular, we envisaged that it would play an important role in payments and trade finance (especially in emerging markets).

We also envisaged that the surge in cross-border remote working would boost demand for cheap and instant B2C and C2C payments. Both the price and the time lag for payments are falling towards zero.

Finally, we said that 2021 would really see progress in the area of RegTech. Specifically, we predicted that, by the end of the year, it would be far easier for financial institutions to know for certain whom they are really dealing with.

We stand by all three of these Big Calls.

Intriguingly, the Big Call topics were hardly mentioned at all by the diverse contributors of articles to this edition of *Financial IT*.

As of mid-March 2021, governments around the world appear at last to be getting the Covid-19 pandemic under control. Three months ago, that was not the case.

What has happened in the meantime is that established financial institutions, challenger banks and fintechs of all types are taking a longer-term view of the opportunities that are available to them.

That has to be a sign of, and grounds for, optimism.

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ISSN 2050-9855

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BUBBLENOMICS

BUBBLENOMICS, IT'S NEW, IT'S EXCITING, IT'S A FAILURE?

The world has really changed. It has been a year since the COVID-19 Pandemic has infected the globe. Everything has been touched and everyone has been impacted. There is a distinct change in our daily family life, our jobs, and our communities. As of March 2021, globally there has been 115 million cases and 2.5 million deaths. While the loss of people is staggering, the most overarching impact has been on the economies of the world.

These are some of the different types of economic models used: Socialist, Capitalistic, Planned, Mixed, Free-Enterprise, Freak, Command, Market, Traditional, Normative, Social, Quantitative Easing, etc.

BubbleNomics has taken hold as the newest economic model. This is a whole new approach. It is different than anything done in economic history. Simply put, it is based on the continuing mass printing of money and the issuing of digital money to keep the world afloat. This is being done in every country everywhere with the United States leading through example.

Government support programs have been unprecedented. In the United States, unemployment programs pumped over $500 billion into Americans' pockets. The first $1,200 stimulus checks to most American households added another $276 billion as part of the first $2 trillion stimulus package. In total, the US government stimulus packages totaled over $6.5 trillion for 2020. On top of that is another $1.9 trillion stimulus package just passed by Congress to start 2021. All total, it means $8.5 trillion with no end in sight.

The pandemic has brought about a kind of selective destruction of business.

This is keenly exemplified in the rise of remote and digital services over traditional brick and mortar business. The travel and live entertainment industries have been decimated. There has been a huge swing to remotely working from home and buying everything online with home delivery. This has been great for online business and destructive to physical merchants. This shift impacts many long-time safe haven businesses such as shopping malls, office buildings, and live arenas, which based on their real-estate values, have been safe bets in the past. Now, there are too many restrictions for people to go shopping, meet in offices and attend events.

The warning signs of BubbleNomics mania are everywhere. P/E ratios are high and climbing. Bitcoin rose 300% in the last few months. There is a deluge of SPAC IPOs. Real estate prices are rapidly rising outside of major cities. There are retail-driven short squeezes, mini-bubbles and increased volatility which are symptoms of BubbleNomics. Even with millions unemployed or underemployed, it is not surprising that the bubble exists and grows. Many low-end service workers have lost their jobs. The higher-paying professional jobs were unaffected and even prospered. Low-skilled jobs such as warehousing, grocery stores, and delivery services have boomed. This has developed into a bubble that was not expected.

Add into this the fact that discretionary spending fell dramatically. People did not go on vacation, to restaurants, movie theaters, sports venues, concerts, etc. Instead, there was a bit more spent on durable goods, especially with people stuck at home.

I expect that if COVID is behind us, people will party to end all parties. People are going to travel, consume and spend like there is no tomorrow.

It seems clear that we have a way to go before this bubble pops. Different than the 2000 .com bubble, the 1990's Asia real estate bubble, and the 2007 Great Recession bubble is BubbleNomics 2020. The trouble is brewing from all the government and corporate debt handed in from COVID. Most global governments are suffering from deteriorating fiscal positions due to unsustainable growth in deficits and debt. Combine this with a severe loss of tax revenue. I do not see the bubble popping in the next year or so. However, the day of reckoning is coming. Based on an ever-expanding money supply combined with unsustainable growth in debt and deficits. Will bring the day of reckoning to almost every major country in the world.

We grow out of it. This is not unprecedented. During WW1 and WW2 government debt ballooned. After both wars, there was heavy economic growth coming from strong consumer demand and investment. It may happen again. After the last decades of productivity stagnation, we may be on the verge of a productivity boom. COVID has led to a massive increase in adoption of digital banking, cryptocurrencies, automation, online education, e-commerce, and working remotely. The speed of vaccine development and telemedicine may mean a lot more innovation is opening in healthcare.

I cannot say when or why the bubble will burst from BubbleNomics. There are a few protections that you can take. Owning bonds is risky as the yields are insanely low, and the default risk high. You are at threat for inflation. It is the most dangerous period of time for your capital but also your individual freedom. A shortage of capital is coming. Many of the traditional investments will fail. BubbleNomics has brought a whole new way of approaching spending, saving, and investing. Think outside of the norms! Cashflow is king, not cash!

The euro crisis showed that Europe will do anything for the Euro, and it will be the same now. The US can almost endlessly sustain deficits as long as the dollar remains the global reserve currency. The day of reckoning will come – but not soon. The US debt will keep ballooning.

During a period of dramatic transformation, there are people who recognize these changes. Change can potentially bring disaster; it also presents opportunity. To many people, change is negative. To escape negativity, they tend to support leaders who promise to make these problems disappear. There will be the few that understand the entering of a period of great opportunity. And the future will be primarily theirs to command.

by Chris Principe,
Publisher, Financial IT

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Innovations in FinTech

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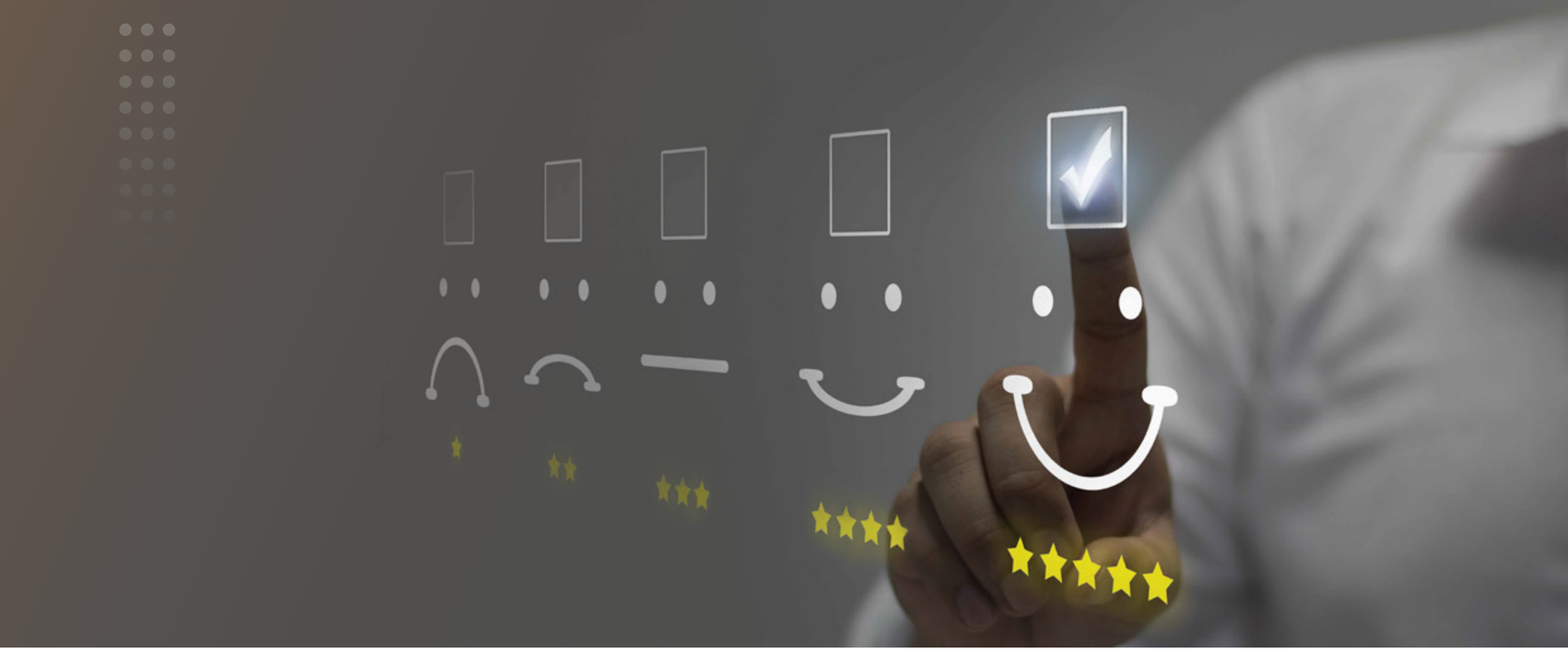
TCS BaNCS Global Banking Platform

Creating Trusted Digital Relationships



Uncertain times beget innovation. Banking is no different. With the right tools and technology, banks the world over are laying the foundation for transforming social distance into elevated customer management and experiences while bringing in resilient ways of navigating financial uncertainty.

Creating more cohesive and personal digital journeys that engender trust. That's what the TCS BaNCS Global Banking Platform is all about.

A contemporary digital banking solution with a global footprint, it leverages a rich ecosystem of partners and FinTechs, actionable data insights, cognitive tools and APIs, to help your bank launch new products and even new business models, acting as a platform for collaboration. It can help you dynamically define and create digital products and services that are contextually right for your customers, while also increasing revenue opportunities for your bank. The solution's cloud native architecture and microservices based approach paired with agile methodology, can help you scale, innovate and create the experience your customers expect today.

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Oliwia Berdak,
VP and Research Director, Forrester

Oliwia is a Vice President and Research Director in Forrester's financial services practice. She leads a team of analysts focused on the impact of technology on customer behaviors and expectations and financial firms' business models. Her personal area of coverage includes digital disruption and digital innovation in financial services, including fintech and insurtech startups. She helps digital leaders respond to these challenges and adapt their companies for the digital age. During her five years with Forrester, she has worked with numerous clients to develop their business and innovation strategies.

FOUR POWERFUL TRENDS ARE CHALLENGING BANKS TO TRANSFORM

For the past century, most banks have created value and profits in similar ways. But now, empowered customers are transforming their relationships with banks and altering the industry's competitive landscape in the process.

Apart from some specialist banks that focus on a defined set of products or customers, most banks conform to the same universal banking model; manufacturing a range of products for a wide customer base. But this is no longer aligned with the demands of the customer. New competitors favored by empowered customers, pressure on traditional revenue models, new regulatory requirements, and emerging technologies driving autonomous finance are all forcing change in the traditional business model.

To remain relevant to the requirements that customers increasingly value, and pressures from new competitors, banks must embrace the future of banking. A future that will be invisible, connected, insights-driven, and purposeful.

Technology is at the heart of strategic advantage in this dynamic environment, and investment needs to be based on a firm understanding of the four new trends that are challenging banks to transform:

Empowered customers are placing their trust with challengers.

Over the last decade, neobanks, fintechs, and tech titans have managed to attract millions of banking customers globally. They succeeded by using technology to address unmet customer needs, innovate relentlessly, and undercut incumbents. Digital bank Monzo is now the top-scoring banking brand in Forrester's Customer Experience Index (CX Index™) globally.

To remain relevant, banks need to insert financial services at the customer's moment of need, earn back customers' trust with purposeful brands, and deliver experiences that help boost customers' financial well-being. This means operating in a new way to match the customer obsession, speed, and agility of new competitors. Traditional design, development, and delivery loops force weeks, months, and even years between ideation and validation. Leading incumbents such as ING or Lloyds Banking Group are adopting the Lean Startup methodology, design thinking, Agile delivery, segregated test-and-learn architectures, and gated funding models to bring value to customers faster.

Current revenue models are coming under pressure.

Sustained low interest rates are challenging deposit-based models, with a host of European banks passing on negative deposit rates to institutional and retail customers. Regulators and fintechs are eroding payment and service fees, too. COVID-19 has only made things worse, hastening a period of defaults and product shifts.

To bolster their profitability, banks must address their legacy technology costs, invest in automation, and explore monetization of open finance and platform-based business models. But automation should not be seen only through the prism of cost savings. Done right, it should also deliver better customer experience by digitizing key customer journeys end-to-end. Customer onboarding, lending, and payments are all rife with manual processes in need of greater speed and accuracy. Automate relentlessly – but not at the expense of customer understanding or empathy. There will be instances where the human touch is crucial to not only show customers that you care, but also improve customer and business outcomes. In those instances, digital solutions should aim to empower human employees and make them more productive.

Regulators are amplifying the challenges that banks face.

In their efforts to protect financial stability and to promote increased competition and transparency, regulators have changed the economics and competitors of banking. Regulations such as Basel III or the IFRS 9 accounting standards have forced banks to hold more capital or take earlier provisions for loans going bad. And open banking initiatives around the globe enable both financial and nonfinancial firms to use transaction-level data access to gain insight into customers, diversify into new sectors, and offer marketplaces.

Rather than simply comply with new regulations, banks need to proactively embrace the new opportunities these bring. For example, leading incumbents such as DBS and Sberbank are using open banking to pivot to platform-based business models. To enable this shift, digital banking architecture will become increasingly porous, using capabilities from ecosystem partners to enable co-creation. Banking technology teams will need to adopt layered architectures in order to support the assembly of banking application landscapes from cloud and on-premises applications. Privacy and security considerations should be baked into this strategy. Zero Trust data principles will build privacy and ethics into the foundation of the data platform, asserting usage, sharing, and compliance rules to give customers ultimate control – offering them "Hero Trust."

Emerging technologies are enabling autonomous finance.

A synergy between a host of technologies across insights, the Internet of Things, identity management, and automation is bringing autonomous finance to a whole new level. It enables more personalized financial coaching and embeds automated financial services into the customer's environment. Products using 5G connectivity will support "edge" finance use cases, allowing banks to integrate finance into devices and adjacent ecosystems.

Financial services will dissolve into a set of modular and granular instruments, with distributed experiences and a host of new competitors entering the industry and upending traditional brands. Banks should steadily migrate (or mitigate) traditional back-end systems by a transition to a layered, decoupled digital banking platform architecture. Layered architectures can help banks to move away from vintage banking applications such as traditional core banking while mitigating transformation risk.

Banks must transform to remain relevant

Changes driven by the empowered customer are putting banking organizations under pressure to transform from their very core business model to their day-to-day customer interactions. Recognizing and understanding the implications of the four new trends that are driving transformation will help technology and strategy leaders to adapt and remain relevant in the new banking landscape.

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A LEGACY FOR BETTER BUSINESS BANKING

Anders la Cour, co-founder and Chief Executive Officer of Banking Circle reveals the findings of the bank's latest research, and how banks are working with third parties to futureproof – and pandemic-proof – their solutions.

Small businesses responded to the coronavirus crisis in 2020 by moving quickly, adapting to changing demands and providing their customers with what they wanted and needed – clearly demonstrating their versatility, creativity and tenacity. But regulation and legacy infrastructure, along with good old-fashioned risk mitigation, meant banks struggled to always respond to customer expectations.

However, what was clear to see was that, in crisis mode, banks rapidly changed their digital trajectory. According to research we commissioned last November, the pandemic caused 58% of banks to change their IT infrastructure plans. And to get new solutions to their customers quickly, more banks than ever saw the valuable opportunity of third-party collaboration.

In collaboration with FinTechs and financial utilities, banks have been able to deliver new digital accessible solutions to meet the needs of their retail and corporate customers. Now, looking ahead to what 2021 holds, the new challenge is to ensure the innovation and collaboration that became necessities in 2020 become the norm, not a passing phase or memory.

In November 2020, Banking Circle spoke to 300 C-Suite decision makers at Banks across the UK, DACH (Germany, Austria and Switzerland) and Benelux (Belgium, The Netherlands and Luxembourg) to discover the specific challenges they face; internal, external and COVID-induced, in future-proofing their organisations and enhancing customer propositions. Soon to be published in a white paper, 'Better business banking: Collaborating for success', the research reveals that existing IT infrastructure is the biggest internal challenge holding banks back from achieving their business objectives.

Unencumbered by such legacy systems, FinTechs have been able to

BANKING CIRCLE

serve consumer and corporate customers efficiently and at low cost in many areas, often competing with traditional banks. But banks have not stood back in defeat; instead, they have been changing their business practices, culture and technology to remain competitive and provide their customers with the solutions they need for today and tomorrow.

Barriers to better banking

Banks have big ambitions; as Banking Circle research revealed in 2020[1], most already had digitalisation plans in place, pre-COVID. However, having been built in very different times, with vastly different technology available, not to mention almost unrecognisable customer requirements, banks now face a multitude of challenges in futureproofing their offering.

Here's a few take-outs from the Banking Circle research conducted in November 2020:

- 42% said existing IT infrastructure is one of their three biggest internal challenges
- Lack of integration with customer-facing departments was a key issue for 40% of banks
- High customer expectations are the most common external focused difficulty faced by banks with 39% saying this was one of their top three challenges
- Working from home operations, area where COVID-19 has changed priorities for individuals, businesses and banks across Europe, came in a close second, with 38.7% of banks placing it in their top three
- Regulation is challenging 34% of banks , but less than a third (30.7%) list impending recession as a top challenge.

2021 brings with it many new regulatory challenges, particularly regarding cross border trade. The UK's exit from the European Union brings significant change, much of which was still to be determined at the time we surveyed European banks. On top of this uncertainty, CBPR2 electronic messaging requirements for card issuers come into effect in April, adding complexity and requiring compliance investment.

Another UK-specific factor is the changes to VAT coming into force in January and July. These will impact profit margins, affecting small businesses' ability and willingness to pay traditional high fees for cross border payments. And with the global digital economy now vital to many enterprises' survival, this could drive a push towards more affordable solutions from alternative providers.

It is unsurprising, therefore, that 70% of the banks we surveyed consider cross border payment provision to be a core banking service. This rose to 90% among UK banks, perhaps reflecting the anticipated consequences of the country's exit from the EU.

Cross border payment routes

Just over half of the banks in our study confirmed that they use direct clearing through central banks to process cross border payments. A similar number use the correspondent banking network, and around one in three use the SWIFT network.

As global trade levels begin to pick back up to pre-COVID levels, banks must be ready to support businesses in their bounce-back. Access to affordable, friction-free cross border payments will be essential to that recovery, and banks able to provide this can empower even the smallest merchant to serve customers in any geography. Not only will this help small businesses and start-ups to thrive post-COVID; it will also bolster international economies at a time when they are in great need.

Working with third party service providers is now an important part of banks' business planning. Half of those surveyed already have partnerships or plan to work with an external provider within the next month. An additional third have partnerships on the agenda for the next 12 months.

Building for the future, together

As the pandemic continues to call the shots around the world, recovery feels painfully slow and uncertainty persists. Now more than ever, therefore, banks need to find cost-effective ways to support corporate customers whatever the future brings. And the support needs to be convenient, accessible and, above all, valuable. Solutions need to be investment light yet deliver strong innovation flexible enough to meet rapidly shifting expectations and needs.

2020 brought an increasing trend towards collaboration. Now to meet these evolving business needs, collaboration must be embraced to bring benefits for all sections of the financial services sector. Through partnerships with infrastructure providers banks gain the agility and innovation of a FinTech, while FinTechs gain compliance and security processes, enabling them to focus on building strong customer relationships.

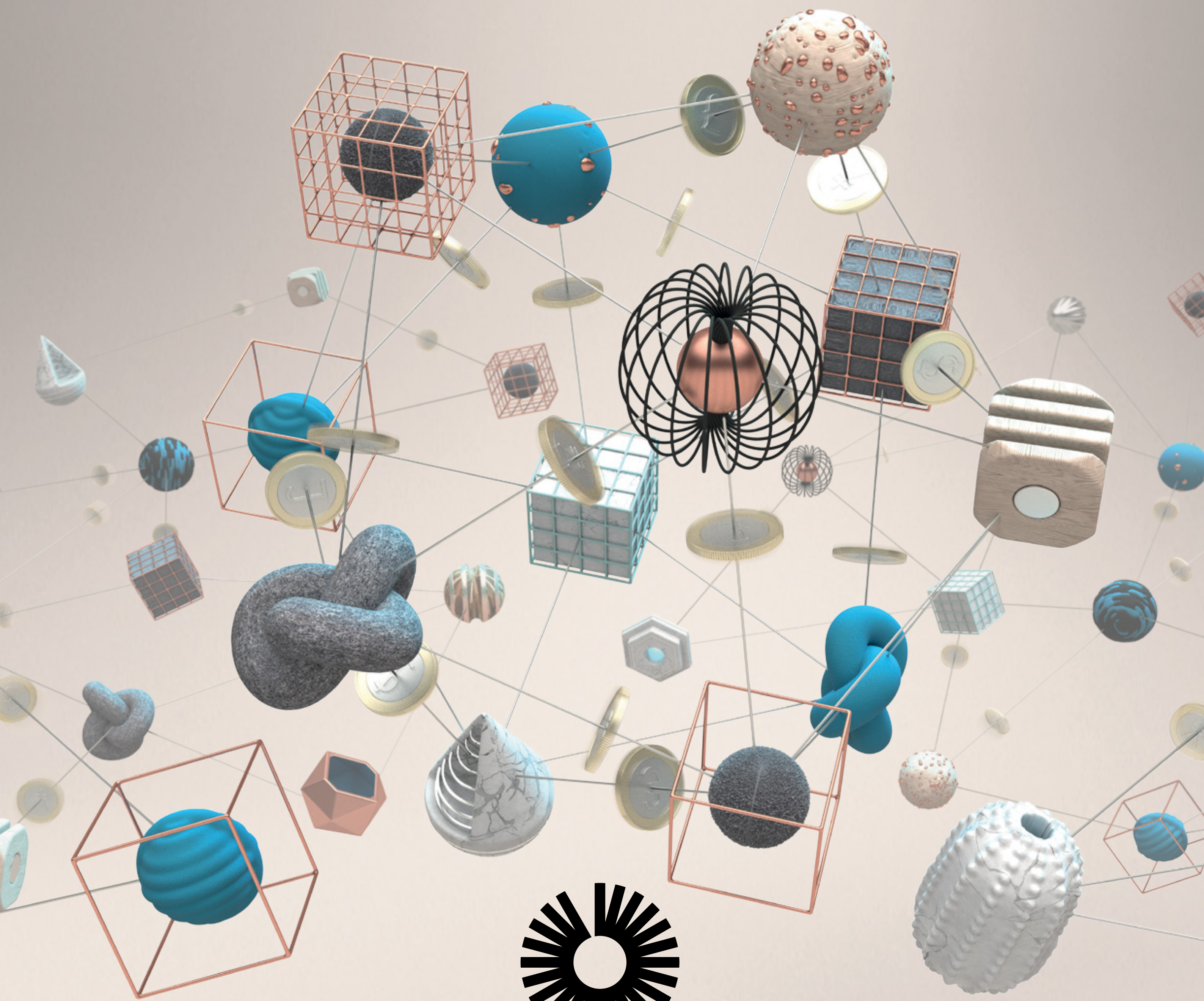
The 2020 legacy

In the past 12 months, banks and payments businesses alike found the fastest way to get essential new solutions to their customers was to work with an expert who had already developed the solution from end to end. And to see how the banking industry stepped up and responded to the crisis was truly inspirational. Priorities and budgets were shifted overnight, digitalisation plans were dramatically fast-tracked to deliver the solutions customers needed, support staff set up call centres at home. It was far from easy, but the pandemic helped banks find the motivation they needed to futureproof their processes and solutions through collaboration.

Now is the time to reap the benefits. In the face of unprecedented challenge, banks stepped up and set the precedent for future-proofing banking. And that has to be the legacy of 2020: better business banking.

To access the new Banking Circle white paper visit bankingcircle.com.

[1] Source: Banking Circle white paper: Bank to the Future – https://www.bankingcircle.com/whitepapers/bank-to-the-future



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ezbob

UNDERSTANDING **THE THREE KEY TRENDS** IN SME BANKING FOR 2021

After a year that's been disrupted by Covid-19, we sat down with Ezbob's CEO Tomer Guriel to find out exactly what the lending sector will look like in 2021.

What does the coming year hold in store for the UK's small and medium-sized enterprises (SMEs) as they build towards recovery, and how will they access the finance needed to fuel their growth?

Mr. Guriel has identified three trends that will shape the evolution of SME banking in 2021:

- The pandemic has accelerated digital transformation in banks' lending platforms, with more now using advanced technology for onboarding and loan management.
- The much-publicised government lending programmes have enabled banks to establish new relationships with many SMEs. The challenge now is how to deepen these relationships to drive profitability.
- Open Banking will continue to be further embraced by financial institutions and their customers.

Customers will expect from banks the same intuitive and intelligent user experience they get from digital leaders like Amazon and Netflix. Banks will need to up their game.

Read on to find out the rationale behind these trends.

Financial IT: What do you think SME lending will look like post-Covid?

Tomer Guriel: There are two elements to consider when answering this question – lending programmes and the SMEs themselves.

The past year has highlighted which SMEs are resilient, and which are not. Those that have shifted their business to online, whether they're a restaurant, a retailer or from another sector, have benefited from a significant spike in online consumption as consumer behaviours change amidst the pandemic, and many have actually become more profitable. Online is a more cost-effective way of managing your business, and the pandemic has shown business owners they can operate effectively with less physical space, which means less overheads.

Such businesses are in a strong position to borrow, whether the scheme is backed by the government or not. The UK Chancellor recently extended the government's lending programmes until the end of March 2021, but with various vaccines breaking through, it's only a matter of time until the likes of the Coronavirus Business Interruption Loan Scheme (CBILS) come to an end. However, digitally oriented businesses with strong fundamentals will become an attractive proposition for lenders to finance.

For quite some time banks have been skittish about lending to small businesses due to the high total costs, estimated at £3,000 per loan. Our work with the likes of Metro Bank and Esme Loans has shown that a digital, automated solution significantly reduces the acquisition cost and can make SME lending profitable. In addition, this automation greatly enhancing speed and customer experience.

Once the government SME lending programs end, I think we will see renewed lender appetite amongst the banks. Interestingly, those SMEs who accessed the government lending schemes borrowed around £30k on average, compared with a pre-Covid average of

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Tomer Guriel,
CEO,
ezbob

£60-70k. I expect to see SMEs, who've proven their resilience amidst one of the toughest economic times in human history, tap lenders, close that gap, and borrow more as the economy recovers. Lenders can service this additional demand by implementing an automated onboarding process that's specifically designed to conquer such high volumes.

Financial IT: How can banks and other lenders build stronger relationships with these SMEs?

Tomer Guriel: In 2020, banks and other lenders embarked on unexpected relationships with SMEs as a result of administering the government lending programmes. And this wasn't just in the UK but also at a global level. In the US, for example, the Paycheck Protection Program (PPP) established by the CARES Act strengthened the bond between many American banks and the country's small businesses.

The challenge for banks is to grow these new relationships; the pandemic created a link via digital SME lending programmes and financial institutions must now maintain and sustain these partnerships through additional product offerings. They have a great opportunity to cater for all of an SME's needs whilst boosting their own profitability.

Banks who participated in these government sponsored programs are able evaluate a new SME customer remotely and very accurately because of Open Banking data. Subsequently, the bank can expand the relationship with other products and services, based on their experience as a borrower.

Financial IT: You've touched on digital transformation in lending. How do you see it progressing in 2021?

Tomer Guriel: Covid-19 has caused banks to hit the accelerator, and we've seen significantly more progress in 2020 than anyone could have anticipated. In the past banks have been looking to implement one specific feature to unlock one specific efficiency. Today however, banks and other lenders are hungry for holistic solutions that are automated and paperless, covering the entire user journey as well as all aspects of compliance, risk and decisioning. Highly automated digital remote lending improves the bank's operations and delivers significant value to the end customer. Next year, we'll see many more lenders using advanced lending technology for onboarding, decisioning, activation, and servicing.

We started Ezbob back in 2011, and it's clear that banks today have developed a lot more trust in fintech than they initially had. Banks are happy for trusted fintech partners to provide an end-to-end digital journey, for the customers but also the bank's employees. The pandemic has shown that employees can work from home efficiently, and so banks are looking for digital tools they can implement to support remote working and unlock further cost savings as they move away from physical sites.

Financial IT: As we approach the third anniversary of Open Banking, how are businesses and consumers engaging with it? What can banks do to promote mass adoption?

Tomer Guriel: Open Banking was ahead of its time. It's an amazing initiative that was conceived and implemented before the pandemic and is a key enabler for digital banking transformation!

In September 2020, the number of Open Banking users in the UK passed two million, up from around a million in January 2020. This indicates that more people and companies are becoming comfortable with it. I think that the EU's General Data Protection Regulation (GDPR) has really helped people feel confident that third parties will handle their data with care and respect.

Further adoption in Open Banking relies on banks using open data in a more holistic way, embedding it into processes and services beyond account aggregation and payments. This amplifies the trust as people see the value that it brings, and the pandemic has helped this process, creating more use cases through necessity.

Open Banking allows banks to understand people, and their circumstances, in new ways. For example, in a world reshaped by the pandemic, traditional credit bureau data is no longer enough to accurately predict credit risk. Open Banking has boosted risk and affordability assessments, with the latest lending solutions capable of mining real-time transaction data and non-traditional sources, such as Amazon or eBay activity, to better inform credit decisions at a time when many people's income is fluctuating.

If you consider the last couple of years have been about raising awareness of Open Banking and finding use cases, 2021 will be the year we take the first steps towards mass adoption. I think the number of users will double, or even triple, in 2021.

Financial IT: Finally, what user experience trends do you think will become more prominent in lending in 2021?

Tomer Guriel: Consumers and business now expect a banking application to be just as smart and frictionless as others they've become used to, whether that's with retailers or service providers like Uber, who use data and analytics to minimise the need for customer input. Enough banks are innovating in this area to swing the pendulum and make these levels of service a basic requirement.

Instant decisions based on minimal customer/business input will also become increasingly common. This is a feature that both consumers and businesses value highly. In fact, a recent study by the British Business Bank highlighted that 'ease or convenience of application' is the number one driving force for a positive lending experience.

This is possible thanks to smarter digital onboarding. In the past, onboarding was all about onerous forms and lengthy Anti-Money Laundering (AML) and Know Your Client (KYC) checks, but advances in machine learning and the data available in the rich Open Banking environment are combining to bring much more intelligence into the process.

Quicker, smarter auto-decisions in lending will be immediately informed by the multiple channels you engage with, whether that's paying a utility bill or data generated at point of sale (POS). Lenders will increasingly draw on so-called 'Golden Files', which are essentially customer profiles that have been turbocharged by the third-party data services available thanks to Open Banking and enable lenders to better refine their services.

I expect that 80-90% of lending decisions will be made right on the spot, meaning less manual work, less personal engagement and more satisfied customers. And this will extend beyond SME lending, into asset finance, mortgages, and other sectors.

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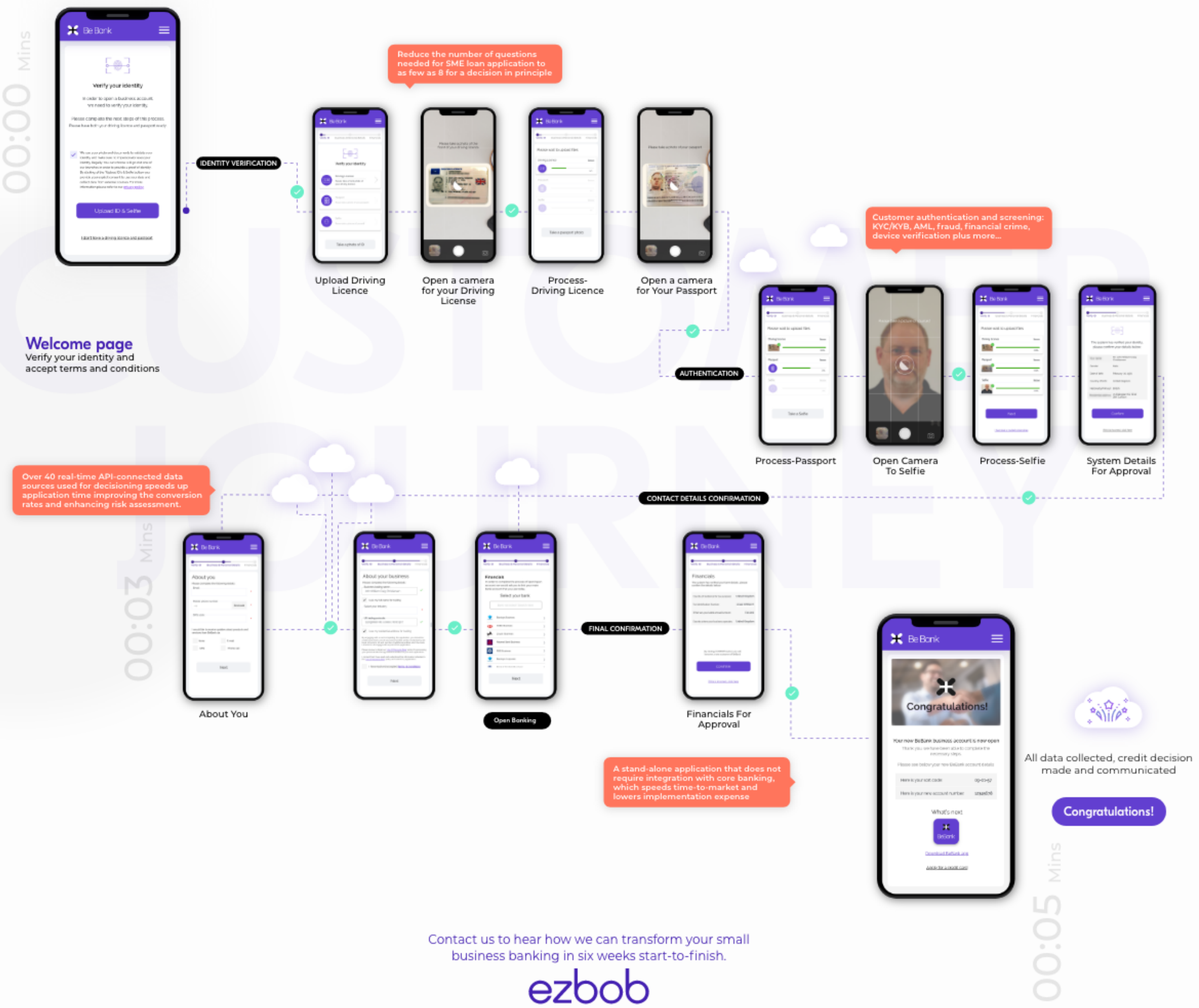

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WHAT IS TO BECOME OF TELEPHONE BANKING IN 2021?

Mark Aldred,
Banking specialist,
Auriga

Looking into the year ahead, 2021 has much to offer the banking industry, however in order to keep up with the trends, banks will need to take a closer look at the industry as it is now.

Lean, remote, 24/7 banking

In 2021, the closure of bank branches is likely to continue. It is predicted that there will be a continued decline in the penetration of UK branches over the next four years, which brings the issue of access of cash to worsen. An alternative way to approach this problem would be to re-evaluate the models banks are using, to establish forward-thinking methods to running a bank that is cost-effective, smaller, automated, and available 24/7 to its community members.

The truth of the matter is that if banks do not adapt by producing lean, remote, and around the clock branches, then another provider is bound to irrespective of whether it is community-based or an independent ATM deployer. The phenomenon of white labels is absolutely part of this new future, as legacy branches are liable to losing customers based on sharing services by third party commercial or community enterprises of white labels.

AI continues to thrive

As financial corporations continue to find new ways to amplify artificial intelligence, AI will be considered a key business investment in 2021. Although, it will not be easy to perfect, as the regulatory framework is required to be 100% accurate. In the months to come, 2021 will show a slow implementation of AI to do repeatable and predictable processes and cash predictions to forecast when cash is needed. This will be used effectively, as predictive tools save both time and money as they can be used to anticipate downtime in equipment use and could give alerts to when engineering work needs to be scheduled before the event of a failure, hence improving time management. In the near future, AI will also be used to predict the mood of customers with the use of facial recognition tools, as this will allow banks to improve their customer satisfaction rates.

Sharing ATM infrastructure

ATM infrastructure sharing is an active trend already taking place in European markets such as Belgium, Sweden, and Finland. Moreover, due to the rapid branch closures, banks may look into bank-neutral ATM estates, pooling, and further investments by way of reducing costs and maintaining access to cash. Other technology-led solutions can also deliver value – for example increasing adoption of cloud-based technologies or removing the need to rely on massive on-premise infrastructure, skills, and services. On the other hand, this strategy does not lead to a straight path to lower costs, as there is a possibility of initiating increased fees, however the main aim of sharing ATM infrastructures is to achieve economic gain.

Overall, 2021 looks promising to the banking industry. Although more bank branches are expected to close, there are reinforcements in place to ensure people still have access to cash, as well as an efficient use of technology to further improve the customer experience.

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DRIVING INNOVATION IN ISLAMIC BANKING

Islamic banking has gained momentum, with more than 520 Islamic (Sharia-compliant) banks and financial institutions operating around the world today. The banks have 8,000 branches holding $1.70 trillion in assets. Today, the Asia-Pacific region represents almost 25% of the global Islamic finance market. In Malaysia, Sharia-compliant institutions account for close to one-quarter of the financial sector. Other mature Asian Islamic finance markets include Bangladesh, Brunei, and Pakistan, where Sharia-compliant assets account for up to more than 15% of total bank assets. Australia is the new market of opportunity, and is expected to welcome its first fully digital Islamic bank in early 2021. That bank will target the growing Australian Muslim population.

Islamic Banking Growth

In other parts of the world, such as Sub-Saharan Africa, Islamic finance is just beginning to take off. Sub-Saharan Africa represents about 1.5% of the global Islamic finance industry. Nevertheless, it also hosts the world's fastest-growing population and 16% of the world's Muslims. Some 80% of the population are unbanked: the opportunities for Islamic financiers appear to be enormous. South Africa pioneered the trend decades ago with the first African branch of Bahrain's Bank Al Baraka back in 1989. Kenya has Sharia-compliant banks and, several conventional banks offering Islamic products as East Africa's largest economy. Nigeria is emerging as the regional Islamic banking hub in West Africa.

Enabling Technology

Technology is becoming a key enabler for future business. IFIs offering Sharia-compliant products need a dedicated end-to-end Islamic banking system. That system should enable to scale up their operations to meet global competition, to grow market share, to retain the loyalty of their customers, and more importantly, to enhance their profitability. Fintechs have become substantial enablers of Islamic finance around the world.

Bright Future

In recent years, the rapid growth has sparked optimism about the future of Islamic finance. However, as competition intensifies, Islamic financial institutions are still left with work to do in terms of strategy. Most Islamic banks need to function more efficiently along the entire value chain, regardless of whether the strategy is aimed at entering a niche market, competing with traditional banks, or at both. If MENA represents Islamic finance's past, the Asia-Pacific region—where the majority of the world's 1 billion Muslims live—may represent its future.

Rich History

With more than 30 years of experience in banking and financial systems, ITS continues to invest in a fully Sharia-compliant solution that is designed to meet the needs of today's Islamic banking and financial industry, whilst solving the challenges of tomorrow. As the trend to digitize the financial world continues, ITS has developed its ETHIX solutions. ETHIX has a very powerful digital arm that encompasses, customer onboarding, lending, Open Banking and payments.

Addressing Islamic Banking Challenges

Today, Islamic banks and financial institutions are offering a diverse range of Sharia-compliant banking products. They require flexible technology solutions that can support operational efficiency and ensure a faster time to market. ETHIX solutions are designed to help institutions to achieve operational excellence, and to adapt to the evolving markets and customers' changing needs. ETHIX solutions provide agility.

Many conventional banks are now looking to open an Islamic banking window to meet market demands for products and services, or to become afully Sharia-compliant institution. ITS is the trusted digital partner to major financial institutions across the globe. It has ensured that these clients adhere to all regulatory and Islamic governance requirements in order to achieve their goals.

www.ITS.ws

Hany Ramadan,
Director – Products,
ITS Group

Financial IT
Innovations in FinTech

WHY 2021 WILL BE THE YEAR OF LOW-CODE DEVELOPMENT IN FINANCIAL SERVICES

Few would argue that we are currently in the midst of a highly challenging period for Financial Services (FS) firms. The COVID-19 pandemic continues to disrupt almost everything, from the health and safety of employees, to the need to meet rapidly changing customer requirements.

The fall-out from Brexit means that FS is still to settle down and there are many more 'mundane' pressures such as cybersecurity, data regulation, the threat from challenger banks, and the need for automation to cite just a few.

This all means that FS firms cannot afford to lose focus on delivering a first-class customer experience. Competition is fierce and if FS organisations cannot deliver such an experience, there is no shortage of rivals willing to do so. It is in this context that 'low code' development has become much more prevalent in FS, a toolset that can help firms become more agile and responsive and to address customer requirements.

What is low-code development?

Low-code development has existed for six or seven years now and refers to development platforms that focus on ease of use and development simplicity. The idea behind it was that it allowed users of all skill levels – not just developers - to code applications and bring them to market, involving business users and not just technical teams.

It has also made software development much quicker and more agile, allowing organisations to bring products to market faster and better meet customer expectations. The use of low-code has been on the increase ever since its inception, but the pressures facing FS in 2021 are bringing about a significant increase in its use.

This was especially highlighted in FS by the plummeting interest rates triggered by the pandemic. Here was a chance for mortgage and loan providers to roll out something special for customers that found themselves financially challenged during the pandemic. Historically, gearing up for peak demand for borrowing would have required advance warning, exceptional resourcing and staff training. Those FS providers that could switch on a virtual workforce however, giving them secure remote access to all the information they needed, were able to fulfil demand spontaneously.

The rise of low-code tool

This increase in the use of low-code tools was highlighted by recent Nuxeo research with 200 UK software developers to understand the growing prominence of low-code environments and their perceived - and experienced - benefits. Close to a half (45%) of software developers said they already used low-code development tools occasionally (once a week or less), and almost two-thirds (64%) reported that their use of low-code tools had increased in 2020 (since the initial global lockdown).

Demand is coming from their employers too, as the benefits of low-code become more widely appreciated. 55% of developers in the survey said they were being encouraged by the business to use low-code development tools. A strong majority (60%) reported that they use these tools specifically to create content-based applications. Furthermore, the use of low-code remains on a sharp upward trajectory. More than six in 10 software developers predicted that up to half of their organisation's app development would make use of low-code by 2022.

Not only do low-code tools make developers more efficient, but they also make it easier for business users to bring applications to market. The realisation that this low-code development approach can be applied specifically to content-based applications is particularly exciting. It paves the way for companies to create new content-based services at high speed.

Whereas it might have taken up to 12 months to create a new customer experience the traditional way, development teams with access to a low-code development platform for delivering new content-based services and experiences, can do so within just a few weeks.

Low-code in 2021

Crucially, shortening this gap between idea and launch gives FS firms critical market advantage. They can then go about evolving the application or service to deliver the best possible customer experience – one which they can keep tweaking and embellishing over time.

For all the challenges facing FS in 2021, there is also opportunity. There's even an argument that recent events have stirred businesses from their inertia and forced them to be more agile, bolder and more decisive. Agility is perhaps the most highly prized quality in any business, and while it is not practical to try to conceive and build the perfect FS application right from scratch, with a low-code development approach this is much more viable.

Low code allows for the unforeseeable and provides FS firms with the agility to create new content-based services at high speed and to improve them on an on-going basis, according to changing market requirements.

About the author

Chris McLaughlin is Chief Product & Marketing Officer at Nuxeo, a provider of content services and digital asset management solutions, helping firms build smart content applications that enhance customer experiences, improve decision making, and accelerate products to market.

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Nuxeo Content Services Platform

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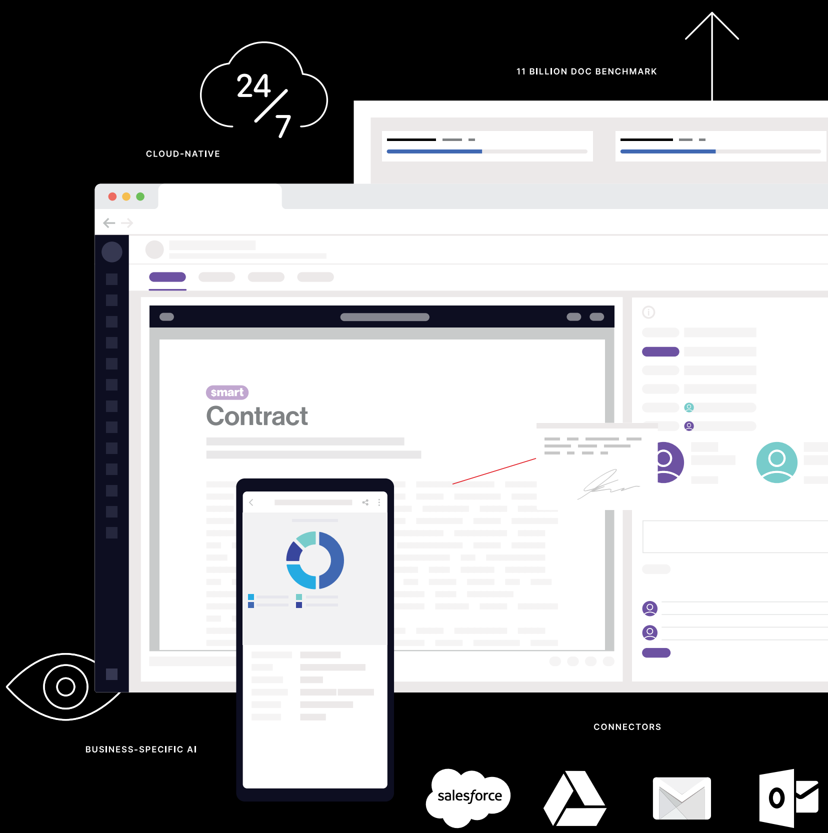

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Francesco Lo Conte,
Managing Director,
Esprow

APIs
EVERYWHERE

APIs Everywhere.

As software continues to “eat the world”, APIs are proliferating everywhere. This trend is only likely to accelerate, perhaps until all human processes are automated, with machines talking to each other via APIs and managing our society nicely – hopefully.

Nowhere is this trend more visible than in the financial industry, where trading has been augmented by algorithms and open-banking platforms – often government-sponsored – are proliferating. “APIs Everywhere” is the new mantra, and financial institutions are toiling hard to transform themselves into technology companies that deliver services through innovative software and financial APIs.

Their challenge is compounded by a new reality – gone are the days of exclusive business relationships and regulatory moats; they are now besieged by Silicon Valley’s “tech barracudas” – hungry startups offering financial services in the same FinTech arena, but with better apps and an option to fail fast!

APIs are business drivers.

Designing, maintaining, and testing APIs requires expertise and tools. If done right, well-designed, and easy-to-adopt APIs, can open the doors to new business.

The new millennial customers no longer come through the door at the local high-street branch – they come through APIs, Apps, or better, they are the developers assessing how good your banking APIs are and whether you deserve the business flows their new startup can bring you.

Good APIs are the new “window dressing”, and financial institutions would be better off making sure that they are rich, responsive, and most of all, they work well!

APIs as first-class citizens.

Esprow has designed tools to test APIs for more than a decade, but we understand that to many stakeholders, APIs are just another acronym among KPIs and RFPs. We take it upon ourselves to educate and support key decision makers on their journey to deliver financial services through APIs and turn their APIs into a competitive advantage.

One of our challenges is to change the old perception of APIs as a necessary evil happening inside the bowels of the IT department, to a modern perspective where APIs are the front-line enablers of business – they are where business happens – and the door through which money comes in.

Like marketing departments intent on reaching out to a human audience, 21st century FinTech companies should look at APIs as first-class citizens. They should create departments dedicated to API design and maintenance, with the stated goal of reaching out to the “machine” audience out there – fridges and cars included – because in the not-so-distant futures, those will be using financial services and carry out transactions too.

API evangelism and converts.

Sometimes our job at Esprow is made easier by firms that have already embraced APIs as critical elements of their infrastructure and that are investing in API management and testing as part of their business development strategy. One of these opportunities came up recently when working with BidFX, a leading cloud-based FX trading platform for institutional investors with the stated goal of setting industry trends through innovation and excellence. Being able to quickly and efficiently react to opportunities in the FX market is important and as such, the ability to effectively test custom and complex APIs. Since they shared our common belief in the importance of APIs, it was easy for our team to deliver our ETP Studio frameworks for automated testing of APIs. We mostly needed to provide custom configurations for different types of users, and their technical team was able to pick it up quickly and integrate it into their workflows.

“It’s the Top Layer, Stupid.”

Like modern industries shifted from manufacturing to services, business value continues to shift to higher layers of abstraction, with software, protocols, and APIs becoming the place where business value is built today. The blockchain being a textbook example of that. Now more than ever before, it is important to deploy the lower layers of the stack quickly, by partnering with market leading vendors, and to focus on delivering competitive APIs at the top. At Esprow, we help our clients stay competitive by helping them build and test the top layer of their stack – their APIs.

As companies worldwide continue to shift to remote work, machine-learning evolves, and the fridge starts talking to the kettle, the role of APIs in our business and society will become more important. Like good communication is key to effective human interaction, good APIs will pave the way to greater business value.

A HEALTHY RISK ATTITUDE STARTS WITH DATA COMPLIANCE

hivera

Feeling hungry?

At times, our appetite can feel uncontrollable. When you're ravenous, it's easy to end up eating more than you'd planned. Even if all you really needed was a snack.

The same applies to risk appetite. When financial services firms know their hunger for risk inside out, they can build processes that satisfy it and keep their business moving in the right direction. When the opposite is true, firms face the prospect of exposing themselves to high levels of risk, without having the measures in place to mitigate it. And when financial services firms can't compensate for these mistakes, they're likely to land a hefty fine.

Of course, businesses will each have their own idea of what constitutes an acceptable risk. But when it comes to regulatory compliance, there are certain criteria that must be met. Before looking at risk in general, financial services firms must address regulatory compliance risks with a comprehensive data management strategy.

If financial services firms want to sustain a healthy risk appetite, they need to be able to demonstrate control over their data, or chance stumbling at the first regulatory hurdle.

Visibility comes first

It's important to remember that just like our own diet, risk appetite is unique to each individual firm, and will depend on several internal and external factors. These include market attitudes, stakeholder influence, and how much capital the firm has available to rectify a problem.

But your risk appetite can't truly be healthy unless you're demonstrating regulatory compliance, and proper data management. Firms also need to have enough regulatory capital reserved for a potential breach – which is difficult to estimate, if you don't understand the full extent of your data.

Sometimes, a firm's attitude towards risk doesn't match their ability to absorb damages. For example, a start-up could have a high tolerance for risk, but lack the capital to sustain their appetite, should something go wrong. One way firms can get clear on how much risk

Simon Cole,
CEO at Automated Intelligence

Simon Cole is CEO at Automated Intelligence, the company behind hivera, a data management platform specifically created for managing regulatory risk within unstructured data for the financial industry. In addition to significantly reducing regulatory risk and minimising human error, hivera also offers huge resource, time and cost savings through automation. This is achieved through polices which enables ongoing data compliance and remediation, such as performing deletions or archiving according to organisational retention schedules. hivera improves data analysis, data privacy, data protection and the risk mitigation capabilities of its clients.

they can withstand is by analysing their unstructured data based on their governance and compliance against regulation.

No doubt, there's plenty of it to sift through. Fortunately, data management systems can do most of the heavy lifting. And properly utilised, these platforms provide firms with a clear overview of their data estates and flag data which breaks information management strategy processes.

Real world impact

Businesses across multiple industries now carry an increasing amount of unstructured customer data. It's why having a data management strategy is so important. Opening an email attachment on an unmanaged device doesn't sound like a major threat, but it could leave a business wide open to a data breach. And as more businesses choose to implement working from home policies, this risk grows tenfold.

Data protection is imperative to customer trust and retention, but regulators are also looking to see good systems and control measures in place. They want to know that data is kept in the right place, for the right amount of time, with tools to flag data breaches and the capacity to deal with them quickly. The company risk statement can't be a standalone document either. It should be a living, breathing resource. Because as the business changes, so does the potential for a data breach.

The average organisation sees their unstructured data expand by 23% every year, and roughly a quarter of organisations see their unstructured data double every two years, which makes it even more important for firms to have a live view over their data estates. It's one of the reasons we created the hivera risk score dashboard, where users can monitor regulatory compliance risks in real time. Things happen quickly in the digital age, and if you're standing still, you might as well be going backwards.

Better decision making

When financial services firms manage their unstructured data in a cohesive way, they can use it to make informed decisions that reflect their risk appetite. Alongside this, they can build a framework for managing regulatory risks so that employees from various departments are on the same page when it comes to addressing them.

In the UK, 90% of data breaches are due to human error, but it's rarely the result of a malicious attack. Instead, firms often lack clarity on what they consider to be risky behaviour, and employees get caught in the crosshairs.

But with a data protection framework in place, teams from across the business can make strategic decisions on marketing, product development, and customer services that are fully in line with regulation and data protection.

Ultimately, when financial services firms can support their appetite for risk with empirical evidence from their unstructured data, it reassures customers and demonstrates control to regulators. These days, no two businesses are the same, and it follows that their risk appetites won't be either. But if business longevity, regulatory compliance, and data protection are the aim, firms should start analysing their unstructured data.

Jani Gode,
Chief Compliance Officer
at Payoneer, global
digital payments provider
and eCommerce enabler

2021: THE COMPLIANCE CHALLENGES HERE AND ON THE HORIZON

At Payoneer, we have encountered many challenges as we have grown, and the current economic and political context is creating an increasingly complex environment in which international companies must operate. Here are some of the most important compliance challenges to bear in mind as your business grows.

Choosing a banking partner to grow with you

One of the challenges Payoneer encountered as we grew was finding a banking partner who understood our business model and who would support us as we innovated in new verticals. We found it wasn't as simple as finding a purely economic match. We discovered that the best, healthiest and most complete partnerships grew when there was a good cultural fit. Yes, you do need to find a partner where your risk level matches their portfolio, and it is reasonable and logical for you to do business. But, if you pursue a partnership purely on fiscal considerations, without aligning on values, you might find yourself struggling to keep it.

We also found it incredibly helpful to undertake a complete business analysis of our goals. This makes is much easier to determine whether the partnership makes sense for your business and your shareholders.

Once you enter into an agreement, recognize poor communication and an unbalanced relationship are also pitfalls to be wary of, and make sure that everything is documented clearly. If you skip this step, the lack of clarity can quickly lead to a breakdown in goodwill between parties.

The impact of negative news

Before onboarding a new customer, you will of course wish to complete a risk assessment to ensure that taking them on will not compromise your business from a regulatory or reputational standpoint. Even after onboarding, you will need to keep tabs on their profile to ensure you remain compliant.

Monitoring for negative customer news is vital if you're to stay aware of their risk profile in real time and to prevent compliance regulation breaches. With an increasing flood of information in the public sphere, the real challenge is filtering the data in a way that delivers actionable insights. You'll need to be open to investing in technology which leverages AI and machine learning to deliver relevant real-time insights; be confident that the upfront investment will ultimately help with cost and efficiency savings.

That being said, you cannot expect to have a perfect model in place immediately. Be prepared to continuously refine your monitoring service. Deciding early when you need to be aware of risk will help you to speed up the process. When do you need to be aware of a piece of news? At the time of accusation or when fault is established?

Remaining aware of risks in real-time will ensure that your organisation remains consistently compliant within your resident regulatory structure.

Politically Exposed Persons (PEPs)

As the United Kingdom establishes its own distinct regulatory structure, we expect to see increased scrutiny of PEPs from auditors and regulators alike. What's more, as the population increases, so will the number of PEPs.

You must think intelligently about the risk profile a PEP represents, i.e., thinking beyond what their job title might indicate to the reality of their situation. Each country will have their own hierarchical structure and political nuances, for example, a Colonel in the UK military will have a very different remit to one in Nicaragua, so you have to move beyond a literal, tick-box approach here.

Having a system where you are able to leverage smart tools to monitor and analyse risk in real-time is essential as unfortunately, relying on an existing list of PEPs is no longer a sufficient safeguard. This data will also help you should you need to justify the start and continuance of a business relationship with a PEP to stakeholders and potential partners.

By remaining constantly aware of the risk presented by a PEPs profile regarding their susceptibility to bribery and fraud, you prevent the connection from threatening your compliance status.

Shifting compliance sanctions in cross-border commerce

Unsurprisingly, this is an area of huge focus for Payoneer globally. As a global entity dealing in cross-border commerce, we must ensure that each and all of our customers are compliant within the network of interlapping international sanctions.

Each country has their own regime, and each country wishes to evolve their regime within their own timeframe.

To keep up with this ever-changing framework, you need a team, or a partner, who is alert, agile and international in outlook. This will allow you to quickly assess the impact of any changes to your business plan, customer base or even your supply chain.

Once you have updated your business plan, be sure to update your business policies in line with the regulatory shift and in a way that is both accessible and logical for your customers. You will also need to operationalise your policy, setting in place processes to ensure your ongoing compliance.

Also, be wary of some countries' policies contradicting each other, e.g., the sections regimes established by the United States and European Union differ in how they deal with Iran. The cost of error, both in terms of fines and reputational damage, is not one which growing companies can afford.

In short, there is no simple fix to ensuring that you are able to capitalise on the opportunities presented by the rapid digitalisation of the financial ecosystem without compromising your business, but for those who plan and act intelligently, the rewards will certainly repay the investment.

Financial IT
Innovations in FinTech

ADOPTING ISO 20022 IN PRACTICE

CANONICAL: WHAT IT IS AND WHY IT MATTERS

Interview with Biju Suresh Babu, Managing Director – Banking & Financial Services, Fiorano Software

Financial IT: Biju, ISO 20022 was first introduced in 2004. The widespread adoption of ISO 20022 by financial institutions is expected to continue for at least four more years. Why is 2021 an important year for ISO 20022?

Biju Suresh Biju: That's a very good question and something I feel not everyone is aware of, that ISO 20022 is not new at all. The standard has been around for more than 15 years and in some cases (e.g., SEPA in Europe) has already seen large-scale use. However, it is really now that we are seeing global adoption of the ISO 20022 message specification on such a large scale as currently being adopted by almost all Market Infrastructures and SWIFT themselves, whose CBPR+ deadline was originally the end of 2021 but has now been pushed to December of 2022.

Financial IT: Of the various benefits that ISO 20022 brings, which do you consider to be the most important?

Biju Suresh Biju: There are so many benefits, including better STP rates, automation capabilities, and reduction of operational costs within financial institutions, however, if I had to single out the most important one, it is absolutely data: better and contextual data from payments.

For a long time now, across industries we've known that 'data is the new gold', however, despite all the advancements the world has made in practically every other field, cross-border/international payments have often remained a mystery, with an unnecessary, almost complete lack of visibility from beginning to end. ISO 20022 changes everything. The new data language banks all over the world are now adopting brings structured and contextual data to payments, opening up data-centric intelligence, analytics, cognitive, AI, and automation possibilities that were impossible till now. With ISO 20022, financial institutions can jump-onto the data bandwagon.

With Open Banking becoming an unstoppable global reality and changing from a peripheral project to part of mainstream banking, traditional banks absolutely must take advantage of everything available to them to create powerful and valuable, data-centric customer propositions that improve stickiness. The answer to all of this lies in the ISO 20022 data model.

Financial IT: What are the key factors that make Fiorano a leader among consultants advising institutions about ISO 20022?

Biju Suresh Biju: Well, I must clarify that we (Fiorano) are not a consultancy. Fiorano is a technology product company that has been working with organizations in the Banking, Defence, and Healthcare sectors with mission-critical technology since 1995.

ISO 20022 is a new data language and for banks and financial institutions adopting, the impact can be significant. There are generally two options:

- Core transformation to ISO 20022 native (new) systems or adoption of a payments hub, often clubbed with strategic migration of payments to the cloud. This is typically disruptive, time-consuming, and expensive. In addition, while the benefits of ISO 20022 are tremendous, often realizing these could take time as in reality it will be a matter of years before global payments value-chains adopt ISO 20022 in full, and co-existence is no longer supported.
- Use a ready-made translation product such as Fiorano ISO 20022 Accelerator (FIA), a canonical technology platform that connects to existing systems and converts messages in real-time, stepping-up (MT) and stepping-down (MX) messages from existing MT / FIN formats to ISO 20022 / CBPR+ and back, without mandating changes to

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Biju Suresh Babu,
Managing Director – Banking and Financial Services, Fiorano Software

Biju is an experienced senior executive and natural leader with over 20 years of experience in IT and Digital transformation, across various global locations. As a Managing Director - Banking and Financial Services at Fiorano Software, Biju leads Fiorano's initiatives and product strategy in next-generation banking globally, covering the areas of Open Banking and PSD2, Financial APIs, ISO 20022, Composable Banking and API Banking.

systems. This approach is low-risk, relatively low-cost, and non-disruptive, and is often considered as an easy first step towards full-fledged payments transformation, delivering fast compliance with impending SWIFT and other ISO 20022 deadlines.

Financial IT: What exactly do you mean by 'canonical' in relation to discussions about ISO 20022 adoption?

Biju Suresh Biju: The ISO 20022 language is rich, complex, and in most cases going to be unfamiliar for banks starting to adopt. As a technical resource for ISO 20022 adoption, FIA delivers canonical data and process models mapped to SWIFT CBPR+ and other ISO 20022 formats. Business specifications are incorporated as pre-configured maps/templates, including scheme-specific ISO 20022 semantic and data definition formats. FIA supports standards and interoperability through a common and canonical data model that in addition to CBPR+, is easily extendable to meet evolving ISO 20022 message formats and versions.

Financial IT: Why is this concept important?

Biju Suresh Biju: In addition to reducing much of the risks and costs associated with initial ISO 20022 adoption, canonical technology delivers other advantages. Payment schemes globally are adopting their version of ISO 20022, and specifications are continuing to evolve. SWIFT CBPR+ is by far the most broadly used scheme globally but Financial Institutions will need to comply with other schemes in addition to CBPR+. Each of these schemes will have multiple versions as individual specifications mature, and canonical platforms such as FIA simplifies adoption through standards-based scheme-specific templates.

Financial IT: Please provide a real-world example of how the FIA will have a positive and transformative impact to banks that are using it.

Biju Suresh Biju: FIA delivers value:

- During the initial adoption of ISO 20022 for CBPR+ and other schemes, accelerating compliance in a low-risk and efficient manner, helping financial institutions meet impending deadlines.
- Providing a strategic pathway, facilitating rich, contextual ISO 20022 payments data to be internalized within and across the enterprise, as the bedrock for data-driven payments transformation.

Founded in 1995 in Silicon Valley, California, Fiorano is a multinational Corporation providing API-led hybrid integration technology to customers enabling interoperability, agility, profitability and new revenue streams. For over two decades, Fiorano has been at the fore-front in transforming enterprise backbone infrastructure. With Fiorano, businesses can implement a dynamic strategy to tackle challenges arising from digital transformation projects involving cloud, IoT and APIs.
Building on its unique platform, Fiorano continuously delivers timely industry-specific solutions, including Core Banking Integration and the PSD2 Accelerator for Banks, Data Frameworks for Healthcare and more, enabling enterprises to easily comply with regulations dynamically deliver assets and build capabilities for better customer engagement.

Financial IT
Innovations in FinTech

Ian Murrin,
Founder and CEO,
Digiterre

BREXIT IS NOT THE GREATEST RISK FACING THE CITY, IT'S TECHNOLOGY AND DATA

Financial institutions in Europe are falling behind in the technological arms race. In twenty years of working with financial institutions of all kinds, we have noticed that the most successful firms recognised early on that technology and data would be game changers in the digital age and acted accordingly. On the buyside, investment managers with the strongest growth relative to their peers all invested early in institutional class technology and data management in the areas of trading, valuation, risk and operations. On the sell side, a striking geographic disparity has emerged with European banks under-investing in technology compared to their US peers. US banks have transformed into technology companies, in some cases employing more developers than Google. They continue to invest heavily in data and technology engineering and adopt workable technologies early on. For example, using the cloud earlier in the cycle compared to European banks or investing in more speculative technology such as blockchain.

The greatest obstacles to digital transformation aren't technical; they're cultural. Often the cultural roadblocks start at the top of the organisation. Technology is not well represented at board level in European banks. Recent board reshuffles favour bankers and deal makers not technologists or engineers. So the board is not qualified to draw inspiration from Big Tech or run their businesses with an engineering and technology mindset – they are grounded in traditional financial strategy and product skills which are no longer sufficient, on their own, for success in the digital world. In fact, recurring calls for M&A activity in European banking, which these deal makers are predisposed to heed, would result in short term financial gains but risk creating more unintegrated organisational and data silos, and incompatible technology cultures, in the long term. This could spell the death of digital transformation for many banks in Europe.

Board members who did not rise up through the ranks understanding technology have little or no experience of what great looks like – precisely at a time when digital transformation is so crucial to success. They may be too willing to accept mediocre, sub-par technology delivery. This is because they don't appreciate what is actually possible when the right type and size of technology team is assembled to solve the problems at hand and they don't understand how to manage innovation effectively.

Data is one of the greatest drivers of both efficiency and innovation, but crucial aspects of data management are not well understood at board level, for example Agile methodologies or the data maturity model. The former is a powerful methodology that emphasises the use of small, focused teams, working in a pragmatic, iterative way, and partnering with those closest to a problem, to deliver useful outputs as they go. Rather than wait until the end to produce something which may not be the right solution, the methodology enables businesses to work in a nimble, efficient way to resolve day-to-day pain points while also identifying and delivering on longer-term strategic goals.

The data maturity model, on the other hand, charts the stages of data utilisation within an organisation. It begins with an initial "no data" stage where there is limited known or useful data for an organisation to gain information-based insights. However, in the digital age, as soon as a business starts exploring its data, it accelerates into the "big data" stage where there is a deluge of data. At this point, businesses need advanced data wrangling, which encompasses data selection, ingestion, validation, visualisation and schema creation. We find that up to 90% of a data scientist's time can be spent in data wrangling, yet organisations often under-invest in it. Businesses get less value and output from their data management, despite spending huge sums on data scientists, if they fail to take this in to account. The subsequent "quality data" stage is when a business can perform effective data analytics and modelling, create and easily interpret standardised sets of data, and take decisions based on explainable data. It's followed by the "predictive" stage when organisations can conduct predictive analysis and retroactive analysis. The data maturity model culminates in the final "strategic" stage when data is fully embedded in all business processes and no decisions are made without forward looking analytic data. There are very few businesses that have reached this stage, especially in the West.

In fact, Europe and the West is not leading the way in financial technology at all – China is. For example, contrast the fate of RBS' Bo digital bank in the UK to Ant Financial's end-to-end financial lifecycle management in China. Even Russia's once monolithic state savings bank Sberbank, which is now the second largest bank in Europe after HSBC, is on the cusp of leap-frogging the rest of the European banking sector.

Recent European regulatory change, including GDPR and MiFID II, forced the microscope on data strategies and provided an opportunity to gain a competitive advantage through data. However, the opportunity was largely squandered with some organisations treating it only as a mandate to comply with regulation rather than a spring board for true digital revolution.

The structural changes now occurring due to Brexit present a second chance to get technology and data management right. European finance leaders should conduct a root and branch review of their operations from a data perspective – and ensure Agile methodologies, data maturity models and advanced data management are built into their DNA for generations to come.

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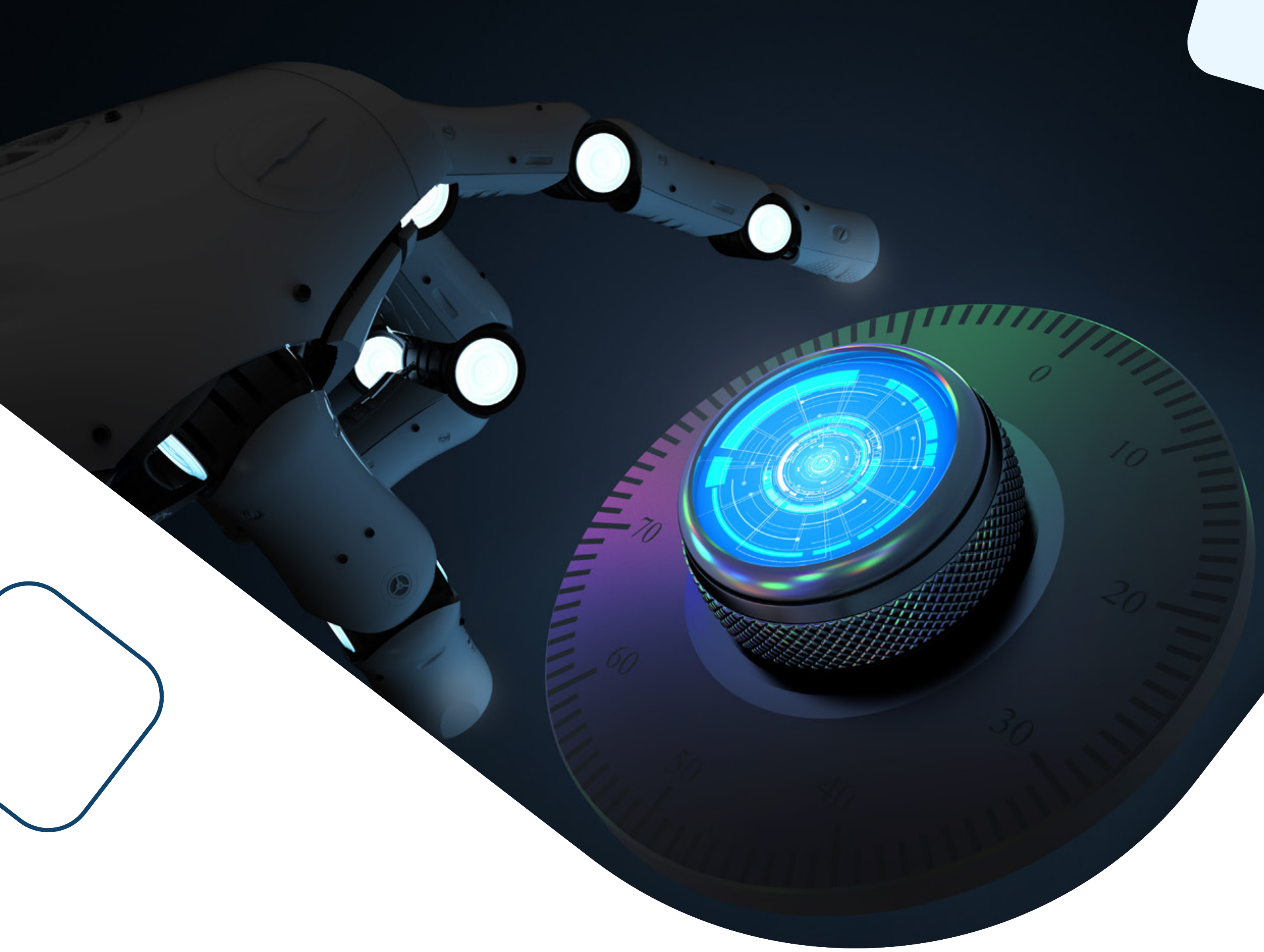

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Financial IT
Innovations in FinTech

PAYMENTS IN 2021 AND BEYOND: INNOVATING IN THE NEW NORMAL AND WHY YOU SHOULD CARE ABOUT SECURITY

A quick Google search on the global payments landscape will serve up a myriad of articles ranging from how COVID has accelerated the adoption of contactless and the rise of digital technologies, but also how financial crime is on the rise.

Visa's recent 'Back to business study' notes that the number one area of tech investment in 2021 will be in payment security and fraud management software, with 47% of small businesses believing this is a critical area of investment to meet consumer needs. Indeed, as fraudsters ramp up their activities and the cost of acquiring stolen IDs on the dark web decreases due to the sheer volume that are now available for purchase, we will see an even greater surge in fraud. Particularly as sectors such as travel reopen and start processing large volumes of transactions.

Innovation and security – a balancing act

There's no question that the world is experiencing a digital revolution. The power has shifted to the consumer, who (for some time now) is dictating how they want their experiences with brands to be. Customer experience is table stakes, and these stakes have never been higher. According to the 2020 Salesforce State of the connected consumer report, 84% of consumers say the experience a company provides is as important as its goods and services, and 54% say companies need to transform how they engage with them.

If we look at how this applies to the payment aspect of the customer experience, this is an area that has not changed a lot, until recently. For example, in a physical retail store there are technologies that can improve almost every aspect of the shopping experience, yet customers often still need to line up at the front of the store to pay using hardware that is literally fixed to a counter.

There's a good reason why payments hardware has stood the test of time. It's secure. It meets the robust standards required for secure payment transaction processing. But it's also cumbersome. It creates a bottleneck that counters the rest of the experience the retailer has worked so hard to improve. And this is why there has been a raft of companies like MYPINPAD emerge over the past decade offering solutions to shift payments onto mobile devices like smartphones and tablets.

The concept of turning mobile devices into payment terminals is brilliant. And it solves a lot of problems for consumer-facing businesses. It opens up all sorts of innovation and improvement opportunities for the end-to-end customer experience and eliminates the (often high) cost to purchase and maintain payments hardware. But generally speaking, mobile phones are not secure. They have secure elements within them, but the fragmented nature of phone manufactures makes securing them to perform things like payments, difficult. I'll delve more into this topic in the next instalment in this series.

The role of PCI (and why it matters)

The Payment Card Industry Security Standards Council (PCI SSC) is a global forum that brings together payments industry stakeholders to develop and drive adoption of data security standards and resources for safe payments worldwide. It plays a critical role in ensuring the solutions deployed to market aren't developed by anyone with a laptop and coding skills, and that they meet the robust and stringent standards required to deliver payments securely.

Achieving PCI certification is much more than just having your solution adhering to its standards. It involves every aspect of the

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company, from policies and procedures to having the right skillsets, down to how you employ, manage and (if necessary), dismiss people. PCI is something that is instilled through the fabric of the entire company – which means you need to have a certain degree of business maturity and capital and is why it is so difficult to achieve.

For many years, you could not deploy any payment solution without it being PCI certified. This was when payment solutions were hardware based and had remained relatively unchanged for some time. It gets interesting when the playing field shifts into another dimension, such as the case with software-based payment solutions, and there is no existing PCI standard.

And as is often the case with technology innovation, it leaps ahead of standards and regulations and we find ourselves in unchartered waters. But also, the market's response to such innovations means there is pressure to have these new solutions deployed and adding value. So, with software-based payments, scheme waivers being issued has meant there are solutions in market that probably don't pass muster when it comes to PCI standards. How do we know this? Because MYPINPAD is the first company in the world to have both its SPoC and CPoC solutions certified by PCI, and we know what a lengthy and involved undertaking it is.

This is an important point because there are solutions in market under scheme waiver that may not have been built with a robust enough foundation of security. In a world with levels of fraud we've never seen before, any payments solutions should be able to withstand the rigour of PCI standards, irrespective of whether they have to have them right now, or not. And any business looking for a software-based payment solution to help create innovative and seamless end-to-end customer experiences should have the security of the solutions they are considering at the top of their list.

Combining the familiar and the new

And this brings me to the technology. Innovating in the payment solutions space is not easy – there are many aspects that impact successful adoption. Consumer education and trust is a biggie. Consumers of today want and embrace new technology if it makes their lives better, but when it comes to things like making a payment, they need to feel secure.

Some parts of the world have been using debit cards and PIN since the mid-1980s. PIN is a universally trusted and familiar part of the payment process. Being "something you know", PIN cannot be stolen or hacked, which makes it the ideal way to verify a payment transaction. The introduction of PIN in card present environments significantly lowered losses due to fraudulent use of credit and debit cards and it brings lots of other benefits.

Software-based payments technology has developed to utilize PIN as the gold standard in authentication. In doing so, the best of both worlds can be achieved – payments solutions that can be shifted to mobile devices and offer up unparalleled opportunities to improve the customer experience, which are anchored by a process that is universally familiar and trusted. But, not all software-based payments solutions are equal and my advice to any organization looking at deploying this type of technology is to really understand exactly what it is (and isn't) before you sign on the dotted line.

MY PINPAD®

PAYMENTS MUST SHIFT FROM A 'CUL-DE-SAC' TO AN 'INTERSECTION'

" Tomorrow's victors will be the most agile, transparent and interconnected parties." - Rob Lincolne, founder & CEO of Paydock on convenience, exposure, ongoing evidence of value and the future of default of payments.

The payments market is tipped to exceed USD $6.7tn by 2023, up from an already astronomical $4.1tn during 2019.

When it comes to payments, digital-first is the default today. Any merchant, platform or not-for-profit who has not yet heeded this reality may already be obsolete.

Default-shifts can often appear rapid, often brewing beneath the surface ready to catch out the unprepared.

Some may recall the time before cloud computing was 'default'? The security and data ownership concerns we often heard. Our in-house CIO, Dell servers and a few dollars with Western Digital were definitely better than this AWS thing.

Then we turned 180 degrees. Instead, a strong argument had to be made to roll a server bank under the desk downstairs. It wasn't always this way, but we are quick to forget how convinced of our previous default we were.

Convenience, exposure and ongoing evidence of value will shift any market.

API-first was not always a default either. Since the first web API was released by Salesforce in 2000, we've come a long way. Today, if you are considering anything other than API-first in application development, just like those servers under the desk, you better mount a pretty solid argument.

APIs are the default way the internet moves information around. It's convenient, flexible, robust and we're all just 'used to it'.

Change takes time, but once it's here, resisting it results in twice as much effort, and worse, it's hard to catch back up.

The payments industry is experiencing such a generational shift. Just like cloud computing in the 1990s and APIs in the 2000s, those left behind will struggle to compete. Instead, a better approach may well be to embrace, capitalise and outpace those who hesitate.

For years now underlying regulatory and technological changes have been quietly reshaping the foundations of a long-held status quo and approaches to solutions. Today, it's genuinely a challenge to defend any single-vendor strategy, but as an industry we haven't quite yet figured out what's next. This is what makes the exponential arrival of the digital payment frenzy so interesting. We know what doesn't work, but have we determined the solution we'll land on? Consequently, we've witnessed record amounts of venture capital pouring into the space to unlock the genie.

Cloud was the next thing for data, and APIs for applications, but what is next for payments?

Building on each of these paradigm shifts, the fascinating multiplicity of cloud, APIs, regulatory sandboxes, and a shift in consumer behaviour has clearly brought us, willing or not,

beyond a point-of-no-return, and the pace is increasing. Aside from the eye-watering growth referenced earlier, PYMNTS.com projected a 28% CAGR in buy-now-pay-later solutions alone (10% higher than the overall growth in the digital payments sector). This simply one of the many new B2C or value-added services streaming into the market.

Consider this: a 30% increase in solutions entering the market can arguably also correlate to a ratchet increase in overall cost for participants within the supply chain. This includes merchants and gateways / payment service providers. Each party is left to incorporate and support each new entrant – or leave a gap to a competitor.

In reality, my experience is that this increase in cost is substantially more than 30%. While positive for the consumer and merchant, often a net benefit, there are real-dollar costs attached to managing ongoing integrations, compliance, reconciliation and fulfillment across each new, distinct offering. This means money is left behind and resources are distracted from core business. Each new vendor sports its own data dictionary, processes and procedures and risks.

Juggling one ball is ok but juggling fifteen is a lot harder.

Paralysis is not the answer. Opportunity cost hurts and as the market continues to walk away from monolithic single-vendor mindsets, succeeding in deploying scalable future-proofed acceptance strategies can feel like hailing a cab on a busy highway.

My experience is that the burden of supporting labyrinthine payment solutions can grind many businesses to a halt. With lack of trust in the market (everyone promises everything all the time) good money is often thrown after bad to plug gaps, back out defects and try again.

Payments must now shift from being a ‘cul-de-sac’ to an ‘intersection’. Even the biggest cul-de-sac in the real world is still a dead end, and the industry is simply moving too fast. Tomorrow’s victors will be the most agile, transparent and interconnected parties. Accessible, transparent “API gateways” for payments who enable processors, BNPLs and of course the merchants – will be a new default method, in the way that AirBnB became the new default for accommodation and Amazon Prime for fast moving consumer goods.

With this new default, wonderful new services and innovation can enter the market faster, incumbents will be equipped to return to the merchant and leverage their infrastructure for good. Along with this, new AI/ML solutions can be experimented with in non-disruptive ways further accelerating innovation within the payments industry.

The future default of payments will be not a winner-takes-all, instead the new default might be far more open and collaborative than we suspect.

Nikhita Hyett,
Managing Director,
Europe, BlueSnap

CORONA-FREE PAYMENTS: HOW DIGITAL TRANSACTIONS ARE HEIGHTENING THE RISK OF ONLINE FRAUD

The coronavirus pandemic has transformed the way we pay. With health and safety measures front of mind for consumers and businesses alike, traditional cash and card payments have been replaced by 'corona-free' alternatives such as contactless and digital transactions.

While a contactless revolution is afoot on our high streets, more than a third of total retail sales are now made online in the UK. In fact, e-commerce has been a lifeline for many in recent months, providing access to goods and services from the comfort and safety of our own homes.

COVID and the increase of fraud

But, sadly, a rise in digital payments means a rise in fraudulent ones too. With transactions rapidly moving online thanks to the rise of e-commerce and increasing shift away from physical stores, bad actors have quickly adapted to exploit these changes in our purchasing behaviour.

In June 2020, Experian found that fraud rates had risen by 33% across all financial products. Taking advantage of the crisis, fraudsters wasted no time in targeting businesses as they adapted to a new way of buying and selling to meet consumer demand in the new normal.

Key fraud trends

Over the past year, we have seen new types of fraud emerge in line with the increased volume of online payments. For instance, fraudsters are now harnessing technology to automate the process of buying products on the cheap and re-selling them elsewhere for a profit – also known as 'retail arbitrage'.

While not illegal, this type of fraud exploits consumer demand for highly sought-after products or services – think hand sanitiser and face masks during the first wave of the pandemic.

There's also been an increase in 'cashing out', i.e. when fraudulent actors make purchases using stolen validated debit or credit cards. This can result in heavy losses for shoppers via the compromised bank account for as a long as they are unaware their card has been stolen – a risk heightened by the rise in the contactless spending limit.

Another type of fraud that has become more prevalent in recent months is 'friendly fraud', also known as first-party fraud. This occurs when customers request a refund from their bank, believing they've identified fraudulent transactions on their card statement.

Rather than contacting the retailer where the purchase was made to verify this, customers simply call their bank and, lacking the relevant verification information, the bank refunds the account and issues a chargeback to the merchant.

This type of fraud can be accidental or intentional, and accounts for 40% to 80% of all fraud losses. This makes it a major threat to business revenue as more consumers purchase their essentials online.

Fortunately, just as online fraud tactics have become more sophisticated, so too has fraud prevention technology – enabling businesses to identify fraudulent transactions throughout the customer journey.

Forward-thinking businesses are now deploying fraud prevention tools powered by the latest AI technology, rather than relying on manual reviews which are tedious, time consuming and prone to human error.

This enables firms to weigh the risk of fraud against the value of a customer – more quickly and efficiently than previously possible – to mitigate against emerging fraud types, accept more legitimate transactions and take greater control of business outcomes. All this is while ensuring a frictionless checkout experience for customers, essential for repeat business.

How to avoid falling victim to fraud

There are also steps we can take as consumers to protect ourselves from falling victim to online fraud.

This can be as simple as avoiding use of the same usernames and passwords across multiple accounts to being vigilant of unsolicited email requests, which may contain suspicious links or encourage you to share personal information online.

It's also important to regularly monitor loyalty and bank statements to guard against a fraudulent account takeover and verify that all transactions have either been made or approved by the named account holder – whether online or in store.

While the last thing any business or customer needs right now is the threat of fraud, it's a risk that's growing exponentially. And one merchants must prepare for as the digital payments revolution shows no signs of slowing down.

Thankfully, armed with better awareness of emerging fraud types and the latest innovations in fraud prevention technology, merchants can significantly reduce this risk – meaning customers can make transactions that are safe, secure and fraud-free.

BlueSnap®

RBR'S SELF-SERVICE BANKING CONFERENCE EXTENDS ITS REACH TO THE AMERICAS FOR 2021

Strategic research and consulting firm RBR organises a series of annual banking events in the UK and overseas. Owing to the popularity of its 2020 events, RBR will be adding the Americas to its flagship three-day Self-Service Banking 2021 event taking place this year on 25th-27th May. Delegates from around the globe will gather virtually to discuss current and emerging trends shaping the industry. We caught up with conference producer, Gillian Shaw, to discuss what we can expect from the event.

Financial IT: How will RBR's Self-Service Banking event be structured this year?

Gillian Shaw: We are really excited to be leveraging the best in virtual conference technology to deliver a truly global event this year. It features a unified expo area and incorporates conferences for Asia Pacific (25th), EMEA (26th) and the Americas (27th), with tailored agendas on topics pertinent to each region, streamed at the relevant time zone. Having previously only focused on Europe and Asia, the addition of the Americas will bring new perspectives to the event and delegates will be able to learn and exchange ideas from innovators from all corners of the globe.

Financial IT: What exactly do you mean by the term "self-service"?

Gillian Shaw: While self-service banking used to just mean the more traditional options like ATMs and banking kiosks, it now includes a real mix of different digital banking channels including internet and mobile. Customer behaviour had already been changing largely due to the impact of smartphones and the advent of new banking technologies powered by the inexorable rise of fintech, but COVID-19 and the need to limit face-to-face interaction has made self-service more important than ever. Banks with strong self-service infrastructures have been able to continue to deliver seamless financial services to their customers throughout the pandemic. Moreover, we are increasingly seeing the importance of building a bridge between the physical and digital worlds and this is happening most noticeably in the self-service domain.

Financial IT: What makes Self-Service Banking 2021 unique?

Gillian Shaw: The event features a speaker programme that brings delegates together to discuss the topics and innovations that really matter today. Through our extensive research work, we are close to the industry and are continually following the latest trends and innovations. Many of the banks we work with on the research side are leaders and innovators in the industry and often speak at our events about their work. Similarly, RBR's research relationships ensure a high number of senior bank decision makers attend the event. Over 2,000 delegates attended RBR's virtual events last year, representing more than 460 banks from 100 countries.

Financial IT: What can we expect from this year's agenda?

Gillian Shaw: Not surprisingly the agenda this year outlines the essential role technology and innovation is playing in helping banks emerge from the crisis in a stronger position. The pandemic has highlighted that customers should be able to transact easily in their channel of choice with some form of human help on hand if something goes wrong or if extra advice is needed. Video has really come into its own in all areas of our lives over the past 12 months and its application in retail banking is no exception.

The programme features an inspiring case study from Eurobank outlining how video banking can connect the physical and the digital, creating the right sort of "phygital" experience for the customer. With customers unable to visit bank branches to open accounts and apply for loans, the question of digital identity has gained significant importance to the industry. Emirates NBD will be talking us through the challenges it experienced and what it learnt when it rolled out its advanced contactless identity solution.

The pandemic and the accompanying economic hardships have emphasised the need for fairer and quicker access to financial services across all segments of society. A number of presentations will tackle this key topic and Standard Chartered will show how it is leveraging technology to make sure no-one is left behind. The programme will also discuss other emerging trends in self-service banking such as the growing popularity of contactless ATMs and the use of big data and AI to improve the customer experience. Bank of America will be explaining the role it sees Blockchain playing in powering ATMs of the future, while KBC will focus on how mobile banking apps can simplify merchant payments. The programme will also feature insights and case studies from thought leaders at institutions such as DBS, Metro Bank, Santander, Maybank and National Australia Bank.

Financial IT: Networking is always an essential part of any conference. How will SSB21 recreate this virtually?

Gillian Shaw: After the last year, I think it's fair to say we are all looking for the chance to reach out and make positive professional connections. The event offers delegates the opportunity to network through real-time chat functionality and video meetings. Delegates will be able to engage with the event's expert speakers through an interactive Q&A. They will also be able to visit virtual booths where they can watch videos, download materials and talk to industry experts about the specific challenges they may be facing.

Financial IT: How can our readers get involved in Self-Service Banking 2021?

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

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6 LESSONS I'VE LEARNED ON MY WAY TO THE C-SUITE

1. Focus On The Now

Compared to many of my contemporaries, I think my path to becoming a CFO has been a little unusual. For starters, I'm a woman and 'we' are still shamefully under-represented at Board level. But also because I never set out to be where I am today. I have always been – and continue to be – focussed on the job I am doing. 'Put your head down and do the right thing' has always been my motto. Trust that if you're doing a good job, you'll get noticed and opportunities will open up.

Many young people are taught the opposite – to have clear career goals and a plan for how to get there. There's nothing wrong with that approach, but it is not the only way. And sometimes, thinking too much about the future can backfire.

I recall early in my career, when I worked in public accounting, my colleague was always the one to head to the golf course with the partners and clients. I'm sure he saw it as career building. And I remember feeling slightly resentful about having to take on his work in his absence. But while he was swinging a club with one eye on his future, I was learning my trade and getting exposure to his role too. When the time came to sit our professional exams, I was fully prepared while he failed.

2. Find Your Why

That is not to say you shouldn't have ambition. Rather, you should be authentic about what you want to achieve. And be comfortable if you don't know what that is yet. Early in my career I felt inadequate because I didn't have the same vision as my other colleagues. They were all interested in hunting down promotions, but seniority has never been my driving force. Looking back now, I realise I've always been inspired by making a difference to people's lives. But surrounded by other accountants talking the language of numbers and five-year plans, I found it hard to reconcile my work with this more human aspiration.

It does take bravery to trust your instincts, especially early in your career when you can be less sure of yourself. But asking yourself 'Why' – 'Why am I doing this job?'; 'What am I getting from it?' – will get you in the right headspace. I learned that by chance. One day, a colleague took me aside and said: "You don't seem very happy. Is this what you want to be doing?" I was working in a high-pressure role, with long hours, while juggling two small children at home. The question prompted me to step back and ask myself what was really important? As a result I moved jobs so I could spend more time being a mum.

Ever since I ask myself the 'why' question all the time. It keeps me honest. I love my job now, but life changes, new interests are sparked, and sometimes you need to find yourself a new 'why'. Doing so may take your career in new directions, and not always 'up'. But if the move makes you happier, you'll have more success – in the holistic meaning of that word – than sticking rigidly to a linear path you find you're unsuited for.

3. Every Conversation Counts

Networking doesn't come naturally to me. I was a shy and anxious child, and never comfortable in large groups. I always thought that might hold me back. But I've learned that networking can take many forms. You could be that person who can work a room and command an audience. Or, like me, you prefer having lots of individual conversations, no matter how small and innocuous they may seem at the time. And genuine conversations, not simply stepping stones to getting something you want. Perhaps it's because I'm not a very good actress that I know someone will see straight through me if I tried that! I know that I quickly see through others when they are doing it to me, and it's a real turn-off.

Genuine conversations are about finding a connection with someone, which doesn't have to be work related. It means being willing to share something of yourself. That's how you build trust. And it also means being constantly curious, so that every conversation is the potential for a new opportunity.

That's how I joined Red Hat. Someone I had become friendly with called me out of the blue to say Red Hat had appointed a new CFO whose first priority was to appoint a VP of Tax, but that it wasn't his area of expertise. By then I had been a VP of Tax for three years, and could I offer him some help to define the role? That call became a lunch meeting, which became the start of a recruitment process, which ended up with me being offered the role.

OK, so not every conversation is going to end up with an exciting job offer. But there is something in the old adage that you get out of life what you put into it. I guess in accounting terms it's a numbers game. Conversations beget conversations, and your network becomes the byproduct of that. And as your network grows, the more you are in other people's thoughts.

4. Strength In Numbers

Networking should not just be about enabling your career pathway. Coming together with likeminded people on shared issues can bring about change that benefits everyone. Red Hat's 'Women In Finance' group is a perfect example of this.

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Laurie Krebs,
CFO at Red Hat

Prior to Red Hat, Krebs served as a tax and finance leader for more than 30 years at companies like KPMG, Nortel, and Cree, where she was focused on enabling her organizations to be a critical partner for the business. In addition to her role in finance, Krebs prioritizes involvement – and often leadership – in women's mentoring initiatives in the workplace. She is also a champion of other career development programs, where she offers motivation and inspiration to anyone seeking to further their goals and careers

Like many turning points in my career, it wasn't planned. The group emerged from a conversation I had with two female colleagues, who I'd overheard talking in frustrated tones. They had both experienced the same issue, but had felt powerless to do anything by themselves. We decided the business would benefit from a formal group, which would give women a channel to air grievances. For the business it would be a chance to address unmet needs and root out bad practices before they became systematic. Within two months the group had 100 members, and that number has more than doubled since, with new chapters launching in Ireland and India.

We have secured new corporate benefits and rules, including the introduction of a Bereavement Policy geared to women who have suffered a miscarriage. This fundamental change came about only after one member shared her experience, knowing she had a safe space in which to do so. I was not a direct beneficiary of this particular victory, but I'm sure 'Women in Finance' will achieve things that will make a profound difference to my life. And this is the lesson for me; to never underestimate the contribution you can have, while always recognising that the amplification of others is a powerful tool.

5. Stay Calm, But Not Quiet

'Women In Finance' shows the importance of speaking up against something wrong. But knowing 'how' to speak up is equally important. I learned early on that professional life can suck, and when it does it's natural to feel angry. But, regardless of how justified your anger is, the remedy is not to show it.

When I was passed over for a promotion to VP (prior to joining Red Hat), only to discover that two newly hired men with less prominent roles had come in at that level, I was incensed. I had more experience, more reports, and a higher risk exposure. On every level this decision was wrong.

When I've got situations like this wrong, it's because I've presented an accusation rather than sought a conversation. So I waited. I collected my thoughts and built the business case for why I should be a VP. I took time to consider all the pieces at play; what was the wider business and financial environment, who did I need to convince, what were their drivers, and what did they not know? (I was recently reminded of how little leaders can know when I read through the comments of my own team's employee survey.) Only when I was confident I had the full picture did I ask for a meeting and presented my case. (Successfully!)

Even armed with a compelling business case, emotions can be hard to keep in check. That's no bad thing. Passion is an important part of persuasion. I recall when we went to Red Hat HR with our idea for the Bereavement Policy; we were all so personally bought in it would have been impossible, and wrong, to keep our feelings buried. But we had also done our homework, compared legislation in different countries and illustratrated the cost and ROI. We made inaction impossible to justify – morally and commercially.

6. Nurture The Next Generation

Empathy should equally be applied to those you manage. In practical terms, it's about asking yourself: "What would have helped me at that point in my career?" More importantly, what was missing? I believe today's leaders have a duty to make it easier for people to progress in their career than it was for them.

That's not to say we should expect them to work any less hard, but that we should remove those obstacles that stop hard work translating into success.

Four years ago I created 'CFO Connect' with this aim. It came out of a program Red Hat ran every year, where senior finance leaders were asked to identify emerging talent. CFO Connect takes that one step further, by connecting this talent with each other and getting them to work on real business challenges. The results have been outstanding, and have led to new initiatives around job retention and developing business acumen across functions.

For me, the benefits are twofold. Sightly selfishly, I get a real kick out of seeing people reach their potential. Nurturing talent has become one of the most fulfilling aspects of my job. It's become my new 'why'. Registering every moment reminds me of that.

Secondly, empowering employees breeds loyalty. That empowerment doesn't need to be a formal program like CFO Connect. But it must be more than simply an annual review or passing on information about suitable courses. It's about active involvement; because when you take the time to really help someone's career, they'll move mountains for you.

Red Hat

Adam Tarbox,
Director of Global System Integrator Business, EMEA,
Nutanix

DELIVERING COMPETITIVE AGILITY IN FINANCIAL SERVICES WITH A HYBRID CLOUD APPROACH

For financial services companies – whether a traditional or challenger brand – an integrated and intelligently managed hybrid framework is critical for giving the agility they need to compete effectively.

This is because financial operations can use the public cloud as the basis for their operational technology requirements; however, it is also essential that they run a carefully deployed private cloud footprint, in order to ensure the privacy and security required by financial organisations.

The importance of hybrid was highlighted in our Third Annual Enterprise Cloud Index (ECI) report, which talked to 3,400 IT decision-makers about how they are using cloud. And, looking at the key results for the financial services sector, we get an understanding of the implementation, workload separation and the migration challenges that these companies are experiencing.

What it highlighted was that hybrid cloud and the use of Hyperconverged Infrastructure (HCI) is a key cornerstone for financial services hybrid cloud development. This is the route to a cohesively managed hybrid cloud environment, where workloads are optimised according to the security, performance and compliance needs of the data and applications.

The vast majority of those taking part in the ECI from the financial services sector (86%), identified hybrid private/public cloud as the ideal IT operating model for their organisation. This is supported by research from Accenture – one of our GSI partners – which found that 60% of its top 20 banking clients already had a hybrid cloud strategy.

And what was quite telling in the ECI is that financial services companies are running more applications in private clouds than most other industries – outpacing all other industries except for IT, tech and telecoms.

This approach appears to come in response to changes in the financial services market over the last few years, where we've seen the emergence of challenger brands, which have helped drive innovation in the sector – delivering new business and customer engagement models that traditional institutions have struggled to compete with.

These challenger brands are all cloud-based, which has given them great agility. However, adopting a hybrid cloud approach, enables even the most traditional of firms to build scalable and easily managed private clouds as part of a hybrid cloud model. This scalability can be engineered for rapid growth when and where it happens, but it is also scalability that enables financial organisations to rein in compute resources serving banking products that have proved to be end-of-life and ultimately laid dormant or retired.

A hybrid cloud approach can also be used for bridging born-in-the-cloud applications, such as a new 'greenfield' business banking brand and app, with centralised systems that may be on-premise, for example, overnight risk analysis or centralised corporate accounting.

It's important to remember that, as powerful as it is, cloud can still be a complex consideration, especially when deployed in an essentially hybrid mix of public and private cloud instances – especially for the more traditional financial services companies that have developed over centuries and implemented IT updates and transformation programmes in a more evolutionary way.

Moving application stacks to the public cloud, where desired, can bring different levels of challenge for different tiers of the application suite, for example, the web layer is easy to refactor, but the database layer is much harder. Using hybrid cloud technology to lift and shift applications "as-is" allows refactoring to take place within the final destination of the public cloud platform, which lowers risk, reduces time to transform and accelerates the overall journey to public cloud.

It is in areas like this where Global Systems Integrators (GSIs) come in. Acting as a strategic partner for large financial services companies, they bring a depth of knowledge and experience that would be impossible to bring together in an internal project or IT team – and can develop, manage and deliver hybrid cloud approaches to meet the specific needs of customers and their objectives.

This brings huge benefits to customers as, not only does this help to mitigate risk from day one – due to GSIs having the processes and methodologies that allow them to oversee major projects with proper governance and controls – it helps to build the right set of cloud environments that can power next-generation applications and better satisfy consumer expectations – while sustaining the traditional applications that the business has relied on for years.

NUTANIX

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OPERATIONS IS FROM MARS, IT IS FROM VENUS: BUT WE LIVE ON EARTH

People like to segment-out technologies. They like to create the idea of a 'data fabric,' composed of various types of data workflows, application workloads and different logic-driven working practices. It's almost as if we're seeking to define distinct islands, or perhaps planets, in our drive to compartmentalise technologies for the modern world of composable cloud.

That process is fine. It's okay to explain one chunk of data, logic or application throughput as coming from Mars… and another from Venus. After all, it helps to map out the digital workload spheres that orbit around us at any given moment in time.

Separate worlds: OT & IT

Perhaps nowhere has seen the development of technology so clearly separated-out as the worlds of OT (Operational Technology) and IT (Information Technology). As we know, the two worlds of OT and IT have traditionally been viewed as two distinct spheres of work.

In working practice, IT and OT have always been two separate entities and this is especially so in the manufacturing industry. Each sphere of work is dedicated to solve or manage a specific problem. But when both spheres started to converge, new possibilities and solutions started to develop.

Like our own Earth, being in the middle of two other worlds, life was able to flourish due to the optimal conditions: not too far from the sun and not too close to the sun. If you imagine a Venn diagram with OT on one side and IT on the other, the two separate circles of course form a traditional Venn overlap. It is that overlap that has the biggest impact and potential, because is where Industry 4.0 and the Industrial Internet of Things (IIoT) can now flourish.

Due to the convergence of OT and IT, we have witnessed the growth and development of Industry 4.0 methodologies and its associated practices. The convergence between these two areas is important because it now allows us to explore deeper and employ Artificial Intelligence (AI) and Machine Learning (ML) to existing business models and create new possibilities and innovations.

OT 1 + IT 1 = the power of 2

While OT gives us operational control, observability, management, maintenance and more, IT gives us technology systems to develop, direct, deliver and deploy. One cannot exist without the other and the whole proposition here is greater than the sum of the two parts. On their own, OT is valued at 1 and IT is valued at 1; but together, in this case 1+1=3.

If we're being clinical here, we could say that 1+1=3 and 1*1=3 i.e. it is not just the addition of the two spheres, it is the multiplication factor achieved through intelligent integration of the two worlds that allows us to fire the rocket boosters and reach new and wider orbits.

The convergence of OT and IT is slowly blurring our previous separation of these two realms. Helped and made possible by the development of IP-based protocols that enable us to monitor and control devices remotely, the previously more transparent world of OT is being brought into clearer focus and fused more tangibly with IT. This enables us to create newer smarter device controls in the Industrial

Alessandro Chimera,
Director Digitalisation Strategy, TIBCO

Alessandro Chimera is committed to bring value to enterprise customers using best in class solutions provided by TIBCO and enabling them in their journey to be fully digital and get real-time insights with streaming analytics.

IoT (IIoT) with its rapid spread of devices including smart meters, sensors equipping machines employed in production.

Industry 4.0 methodologies on the shop floor

We highlight IIoT use cases because the convergence of OT and IT is perhaps most initially prevalent in the global manufacturing industry. As we now connect systems, applications and people in new ways, the shop floor starts to become the 'smart shop floor.' This is a place where we see the advantages of predictive maintenance, process optimisation, product quality management and equipment availability all digitally managed.

Life with OT and IT converged is a more pleasant existence; the combined forces of technology come together to give us traceability, collaboration opportunities and wider abilities to create business sustainability. A new OT and IT ecosystem starts to develop where we can control climate conditions at a precision level.

There is a scheduling challenge here, but it is one we can manage if we know the cadence of workflows that exist. Where some manufacturing cycles will run to serve annual cycles of demand, some product and service markets will demand monthly, weekly, daily and perhaps even hourly intelligence controls. Data integration gives us that advantage down to the millisecond where needed.

Integration has always been the glue of convergence and now with more standardised protocols, it has been a commodity that we can apply to the cutting edge of business. With data analytics on the rise, the visual aspect of integration also becomes more appealing to provide workflow insights – and it is also key in decision making.

The cloud is once again changing the way we think about operations in every industry vertical at every level. Multiple offices, remote workers, factories, departments and entire organisations can now be brought together, integrated and networked in ways where we could not have imagined business interactions existing perhaps a quarter of a century ago.

The next era of Industry 4.0 could see us exploring new business worlds, seeking out new markets missions and perhaps even entering a few areas of unknown to explore and work with new prototypes.

There's still work left to do

So the planets are in orbit and we know our place in the solar system. Like any good ecosystem, when the appropriate forces are all allowed to act in motion with each other as mother nature intended, then we can stand back and productively exist in peace. When the appropriate levels of data integration intelligence exist between operations and IT – and they are applied at a platform level – then we can rely on technology to keep us sustained for today, tomorrow and onwards.

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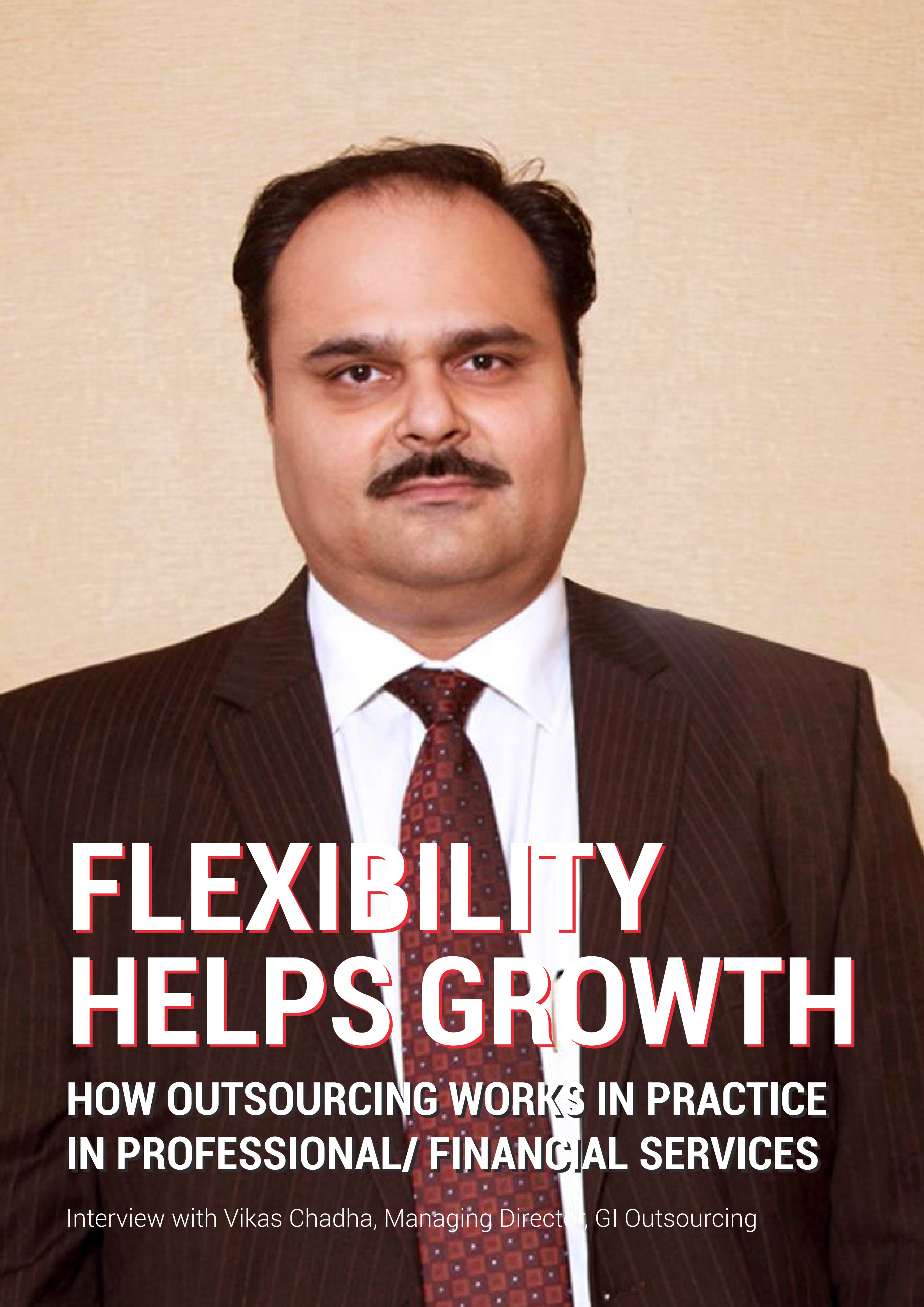

FLEXIBILITY HELPS GROWTH

HOW OUTSOURCING WORKS IN PRACTICE IN PROFESSIONAL/ FINANCIAL SERVICES

Interview with Vikas Chadha, Managing Director, GI Outsourcing

Financial IT: Please tell us a little of the history of GI Outsourcing?

Vikas Chadha: GI Outsourcing (GI) was established by a UK Chartered Accountancy firm more than 20 years ago. We provide all aspects of professional/financial services. These aspects include include management accounting, bookkeeping and taxation, along with cloud computing, virtual CFO and controllerships.

We are supporting over 200 clients in the UK and Ireland. GI has a presence in Mumbai and London and a pool of nearly 200 finance and accounting professionals.

We are an ISO 9001 quality management system accredited firm, and have received several prestigious accolades, including British Accountancy Awards and 2020 Innovation Awards.

Financial IT: What have been the main drivers of your growth?

Vikas Chadha: I would answer that question in just two words: client experience.

I think that our competitive advantage comes from our ability to anticipate the clients' future needs and to innovate in response. Our solutions are always relevant to our clients. That is partly how we have won and kept as many clients as we have.

Our solutions have three characteristics. First, they are cutting-edge in terms of technology. Second, thanks to that technology, the solutions offer great value-for-money. Third, our solutions enable our clients to focus on revenue-generating activities.

Where clients have urgent requirements, the team at GI can step in and help as and when required. None of our competitors have dedicated account managers based in both India and the UK that can provide 24/7 service to the clients.

Further, GI requires no minimum commitment from clients. Our clients can use the firm's services as and when required.

Our clients are happy to talk about their experiences with us. Some 65% of our turnover is based on referrals - a reflection of the high esteem within which we are held.

It goes without saying that, to achieve this, we need to attract and motivate the right people. We provide training – on analytics, software and soft skills – at our own academy in India. We offer attractive remuneration. In February 2021, we were recognized by Times Ascent as a "Dream Company to work for".

Financial IT: Please give us one or two concrete examples of where you really made a big and positive difference for a client.

Vikas Chadha: Flinder Accountants is a good example of a client for whom we made a difference. Flinder could best be described as a diversified professional services consultancy that was set up by two entrepreneurs who happened to be accountants.

You name it, Flinder can do it. Its services include bookkeeping, planning and advisory services, company incorporation and secretarial services, preparation of financial statements, financial management, HR management, payroll management, R&D tax credit management, management financial systems provision, VAT advice, organization of strategic workshops and more.

Flinder wanted to expand, but without making substantial new investment in IT or headcount. It needed a solution that was flexible enough to accommodate Flinder's rapid growth and sophisticated enough to handle a wide range of services provided by Flinder.

After a rigorous RFP process, Flinder outsourced the preparation of statutory accounts and corporate tax compliance to GI.

Six months later, they began delegating work to three full-time equivalent (FTE) employees of GI in India. These people collaborate closely with Flinder's people in the UK. The time difference between London and Mumbai helps, because it means that more can be done in a single working day.

Through working with GI, Flinder was able to expand in an efficient manner.

Financial IT: Explain how GI uses technology to maintain and strengthen its competitive edge.

Vikas Chadha: Our solutions are built on leading cloud account software. The solutions are scalable, flexible, cost-effective and designed to boost business productivity and profitability.

By way of example, we have SMART, which is a unique service developed by GI. It allows a business or accountancy practice to completely outsource its finance function. This typically results in a significant improvement to a practice's or business's insights. SMART does this by providing enhanced management reporting and up-to-date financial information from which to assess key performance indicators. We offer SMART service on a white-label basis.

We partner with the major cloud accounting software players, including Xero, Sage, QuickBooks, CCH, Caseware and Iris. We also work with many of the large ERP systems, such as Dynamics, SAP and Oracle.

Financial IT: What are the main challenges that you face? Where do you think that the company will be in three years time?

Vikas Chadha: We are in expansion mode. We are looking to increase our service offerings and to broaden our geographic footprint.

New offerings include cloud-based advisory services to companies that are based in, or looking to do business in India. We also want to provide virtual CFO, corporate secretarial and directorship services. We will also provide FATCA, KYC and Common Reporting Standards compliance services.

We will be seeking new clients in the USA, Canada, Australia, Singapore, Dubai and Hong Kong.

GI Outsourcing provides outstanding solutions for accountants. We are an award-winning accounts outsourcing company with over 20 years' experience. We have helped many hundreds of clients in the UK and Ireland and internationally. We improve their profitability and solve their resourcing headaches by outsourcing their finance and accounting work to us. In fact we are proud to work with 18 in the top 100, and 3 in the top 20, UK accountancy practices.

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