



## Battle for cross-border payments will reshape financial services

Cross-border Payments Special Report

# Share of cashless payments in leading economies forecasted to grow 9% in 2020 due to COVID-19

With the COVID-19 pandemic in full swing, many people are staying at home and doing their shopping through mobile phones and computers. As a result, e-commerce and cashless payments have seen growth and spread further across different markets

As COVID-19 remains a global threat, its human impact becomes even more significant. The highly contagious nature of the virus has spurred public concern that the disease may be transmitted through banknotes. With this idea in mind, consumers seem increasingly ready to embrace digital wallets and contactless payments not just out of convenience, but also because of safety.

## Cashless payments are encouraged during the pandemic

The World Health Organisation (WHO) has recognised this threat. In a report by WHO and Global Health Cluster, it advised that “where this is possible, contact-less electronic or mobile payments should be the preferred option to reduce the risk of transmission.”

Some countries are taking this a step further. South Korea, for example, is quarantining all cash received by its central bank, the Bank of Korea, for two weeks before disinfecting and putting it back in circulation. China has undertaken similar efforts. The Central Bank of Kenya also issued new directives in March encouraging the use of mobile money transactions instead of cash to reduce the spread of the virus.

## Social distancing brings more consumers online

Consumer behaviour has changed on a massive scale, with those under lockdown unable to perform their usual routines and many shops ordered to close for safety reasons.

This shift in behaviour will accelerate the substitution of physical cash with digital mode of payments. In leading nations where non-cash payment modes are already widely embraced—such as Sweden and South Korea, more than 90% of transactions will be conducted digitally in 2020. The adoption of digital pay-

ments in China which has been rising rapidly in recent years has been further boosted since COVID-19. Even in Japan, a traditionally cash-based society, non-cash payment is expected to grow by 12% this year.

E-commerce activity is booming in the United States, particularly with health products and groceries. Digital shoppers are also willing to convert to products that they need even with longer delivery windows in order to avoid going to stores where inventory may be limited anyway.

During the first weeks of the outbreak in the US, both in-store and online sales steadily increased until the beginning of March. Since then, in-store sales have been steadily declining. In-store sales were down 46%, compared to January. At the same time, online sales have grown by 58%.

## E-commerce platforms offer retailers financial support, last-mile logistics

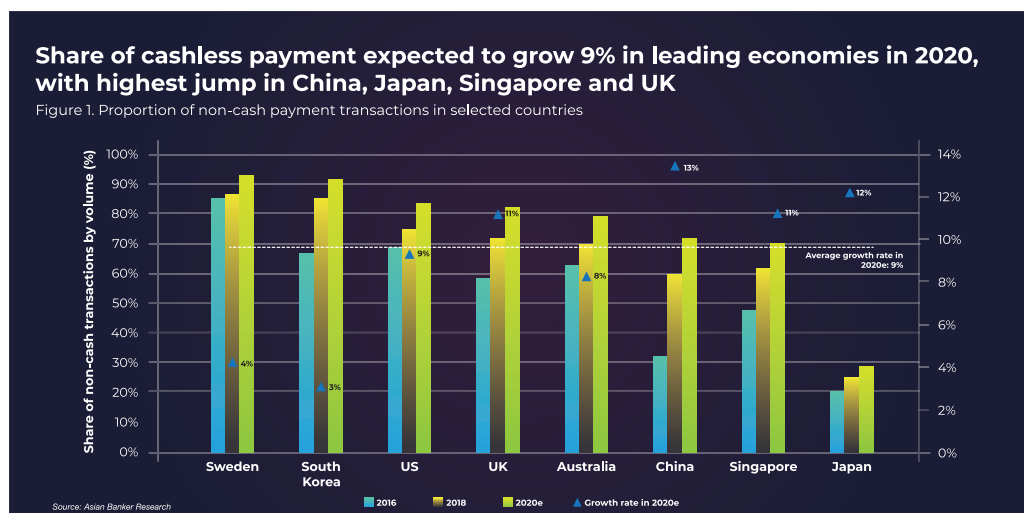
To help weather the crisis, some major e-commerce platforms in China have provided financial support to merchants, alongside different online marketing tools for merchants to reach more consumers. They have also provided special logistics solutions during the outbreak to help deliver orders more efficiently.

E-commerce operators have also ramped up efforts to offer contactless delivery and deployed autonomous vehicles or drones to deliver orders in a bid to reduce human contact and prevent the spread of COVID-19. By providing financial, technology, marketing and logistics support to merchants on their platforms, e-commerce operators may be able to keep their merchants afloat while fostering growth even amid the pandemic.

The pursuit of offline-to-online (O2O) strategies has long been a key priority for both retailers and e-commerce players. The COVID-19 outbreak has further reinforced the need for companies to undergo digital transformation, which has now become crucial for survival in the digital economy.



**Foo Boon Ping**  
Managing Editor  
The Asian Banker



## Uncertain times call for predictable cross-border payment experiences

The uncertainty stemming from the COVID-19 pandemic has necessitated more efficient and predictable experiences when moving money across borders, says Alan Koenigsberg, Head of New Payment Flows at Visa.



Amid the economic impact of COVID-19, opportunities made possible through digital transformation are enabling a way forward. The removal of the physical customer, disrupted supply chains, remote workforces and social distancing measures have compelled businesses to welcome digital transformation. Businesses embracing this change are not only weathering the storm, but also adapting for a future where business-as-usual will look different.

The pandemic has intensified a shift towards digital-first experiences, but never has making and receiving payments quickly, securely and predictably been more important than in today's global B2B payments landscape.

Looking specifically at B2B cross-border payments, uncertainty is perceived as one of the biggest challenges faced by banks and corporates alike. Uncertainty around the amount being transferred, the required time to complete a transaction or the overall cost involved – these are all unacceptable in any normal business environment, even more so in the unsettled time we live in today. Beyond that, banks must respond to businesses that are demanding secure, cost-effective and predictable cross-border payment experiences.

There is a lot of pressure for the industry to innovate and solve these challenges. Fortunately, new technology solutions offer banks and their customers new ways to process cross-border payments and completely reshape the way in which these payments are made.

### An opportunity for innovation in B2B cross-border payments

Banks are in an excellent position to take advantage of emerging technologies, such as distributed ledger technology, tokenisation, artificial intelligence and cloud, which bring greater innovation to cross-border payments. Leading-edge solutions designed to reshape B2B cross-border payments will enable savvy banks to meet clients' shifting demands. Emerging networks are tapping into next-generation technologies that can facilitate financial transactions on a private, permissioned, and highly secure network. This network is made up of known participants and utilises secondary screening for enhanced payment security.

When it comes to B2B cross-border payments, banks and their customers view expanded optionality in the marketplace as a very positive development. Innovative new solutions are enabling efficient cross-border payments through a multilateral relationship structure. This type of structure overcomes the restrictions of the traditional bilateral approach that relies strictly on correspondent networks. Corporates are looking for the same high-quality experience across all the corridors in which their business operates regardless of the bank's international footprint. A single connection to

a global network with no intermediary fees can enable banks to provide this service efficiently. Cost savings is an important benefit of adopting a multilateral cross-border payment solution, as expenditures associated with managing intermediary bank relationships are eliminated. Take nostro accounts, for example. The average annual cost of maintaining these accounts among global banks can amount to \$1.5 billion, while maintaining just one of these accounts costs a US bank \$27,270<sup>1</sup> each year. That's a lot of money.

Another benefit of innovation is the ability to gain access to important data. In the current model, much of the data related to cross-border payments does not ultimately make it through to the beneficiary. Without this data, bank clients struggle to reconcile payments. Any solution that ensures a full stream of data accompanies payments throughout its lifecycle can begin to deliver on the highly-sought-after goal of straight-through reconciliation. Predictable payments enable suppliers and buyers to effectively manage their liquidity and onward commitments, which are critical to navigating the cash flow challenges driven by the COVID 19 environment.

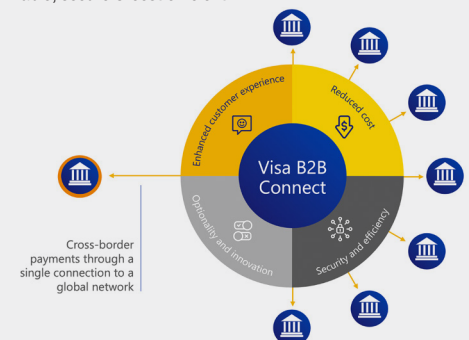
### The evolving future of B2B cross-border payments

As business continues to seek cross-border opportunities, innovative solutions are emerging that reimagine how B2B cross-border payments are made. These evolving solutions are offering important advantages to banks and their customers – providing greater optionality, increased predictability, enhanced compliance, and better access to vital data.

Modernisation is here for cross-border payments, and that's a good thing for everyone involved.

### Visa B2B Connect : An Innovative Multilateral Network

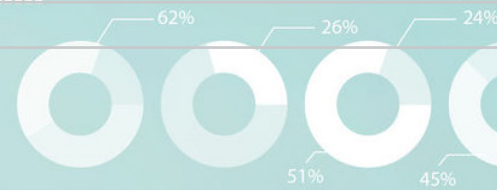
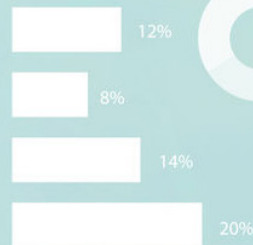
Figure 1. Delivering B2B Cross Border Payments that's predictable, secure & cost efficient.



<sup>1</sup> - Research conducted by East & Partners Europe, June 2019; Visa B2B Connect: Voice of the Customer – Banks Markets Report

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# FINTECH



## Battle for cross-border payments will reshape financial services

**Instant cross-border payments are opening up the market for new players to innovate. With diverse ideas in the payments sector, those looking to collaborate — and not necessarily within the banking sphere — will come out on top**

**By Ellen Hardy**

Seamless digital transactions are already making banking less visible and more accessible, no matter who you are or where you live. To this end, cross-border payments are becoming a touchstone for financial innovation — and those who are not

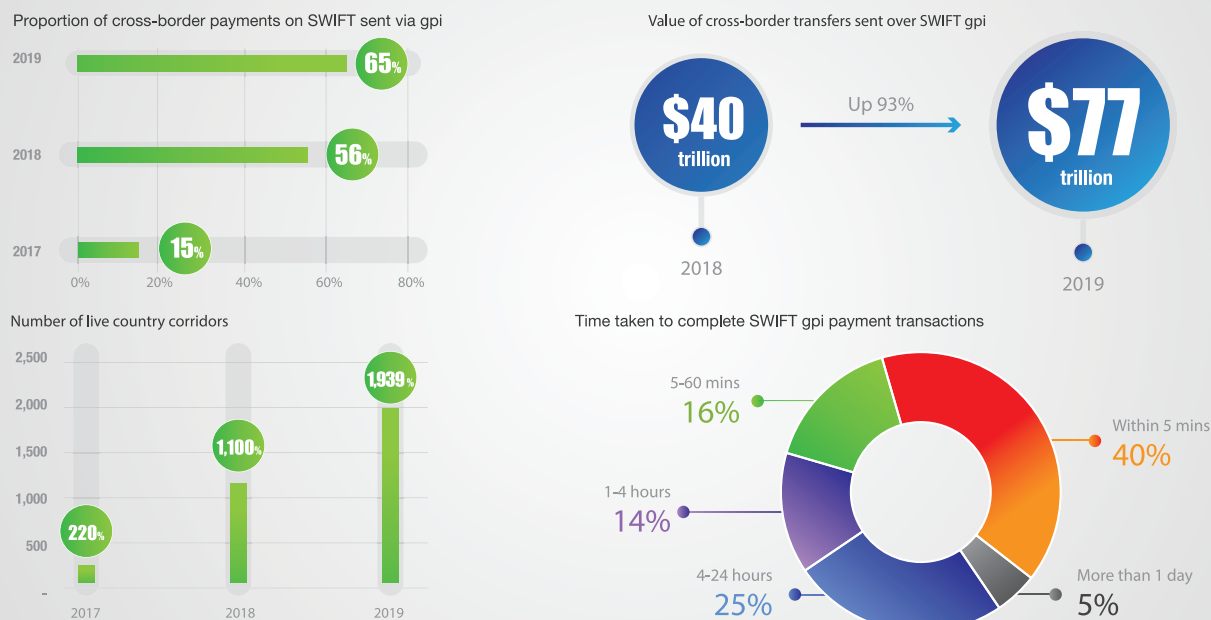
already thinking outside the box will be left behind.

We are seeing a rapidly evolving payment space. Features such as payments-as-a-service, one-click payments, invisible payments, spread payments and even payments subscription ser-

vices all vie for market share in a landscape that has in recent years evolved away from traditional financial institutions (FIs) as the sole providers of these services. The adoption of ISO 20022, which facilitates transactions across borders between FIs

## SWIFT gpi continues to see adoption rapidly growing

Figure 1. Adoption status of SWIFT gpi



Source: Asian Banker Research, SWIFT

and non-Fis, is increasing rapidly, with over 200 global initiatives already using the standard.

The coronavirus pandemic has also accelerated the move to cashless transactions globally, following a directive from the World Health Organisation to use contactless payment wherever possible. At the height of the pandemic, some countries reported reductions in ATM withdrawals of 50% over just a few days. At the same time, the global payments economy has been significantly affected, with an estimated 25% to 30% decrease in cross-border consumer to business payments. However, the industry remains confident that the post-pandemic world will still see the cross-border payments sphere continuing its rapid evolution.

### SWIFT says that old dogs can learn new tricks

In addition to moving into mid-market gaps left by traditional banks, agile payments aggregators such as Earthport and INTL FCStone have ushered in a new era of efficiency, speed and costs. In their attempts to “minimise SWIFT burdens,” they have exposed the transactions giant like never before.

Wim Raymaekers, global head of banking markets at SWIFT, said that the global payments initiative (SWIFT gpi) shows that the Society hasn’t been left behind — pointedly noting that it believes in “responsible innovation.”

“Just three years since its launch, SWIFT gpi has been widely embraced by the community. In 2019, 65% of cross-

border and intergroup payments were sent using gpi. That represented nearly \$77 trillion in value, almost double the \$40 trillion that moved through the service in 2018,” he added.

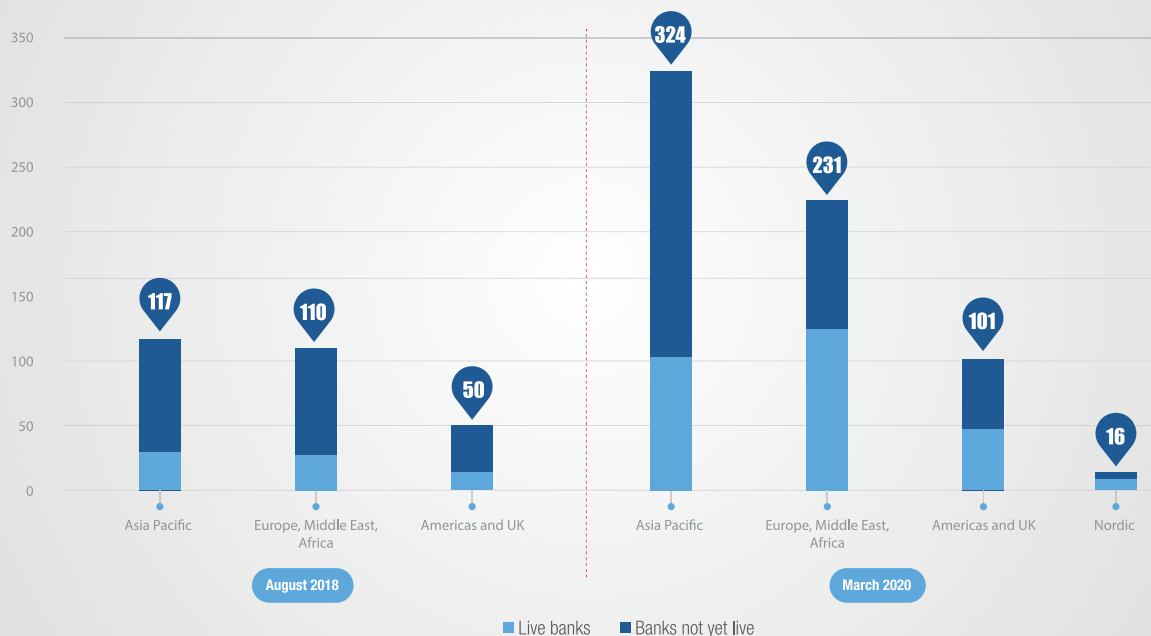


Wim Raymaekers  
Global head of banking markets  
SWIFT

Raymaekers also said that SWIFT gpi has increased speed, with more than 50% of payments credited to end beneficiaries within 30 minutes. Speed is one important benefit of the new system, but so are the increased transparency and

## More banks are joining SWIFT gpi to enhance cross-border business

Figure 2. Number of SWIFT gpi banks by regions



Source: Asian Banker Research, SWIFT

predictability of cross-border payment flows that gpi enables as well.

The September 2019 launch of gpi Instant can be seen as a sign of SWIFT feeling the heat from many of the new regional platforms that have emerged, particularly in Asia, for the \$689-billion global remittances market.

“It integrates gpi into domestic instant payments systems around the world,” said Raymaekers. “This will facilitate instant international payments with up-front fee and foreign exchange transparency for senders, while also ensuring ubiquitous availability of instant cross-border payments globally.”

The initiative, which links domestic real-time networks such as PromptPay in Thailand, JomPay in Malaysia and FAST in Singapore to effect instant cross-border payment, is an attempt to entrench

SWIFT as the dominant player in cross-border payments. In recent years, agile challengers to banks have emerged in the regional remittance space, with competitors coming from numerous angles including payment aggregation, blockchain, money transfer, and new FX players, such as mobile wallet and currency converter YouTrip.

In spite of Instant’s rapid transfers, banks will need to stay on their toes as new competitors are offering consumer-friendly product suites on top of near-instant global transfers. But for now, SWIFT and its client banks are touting the speed with the reliability of traditional banks.

Raymaekers noted that the launch followed a number of trials, including one which integrated SWIFT gpi Instant into

Singapore’s domestic instant payment service FAST.

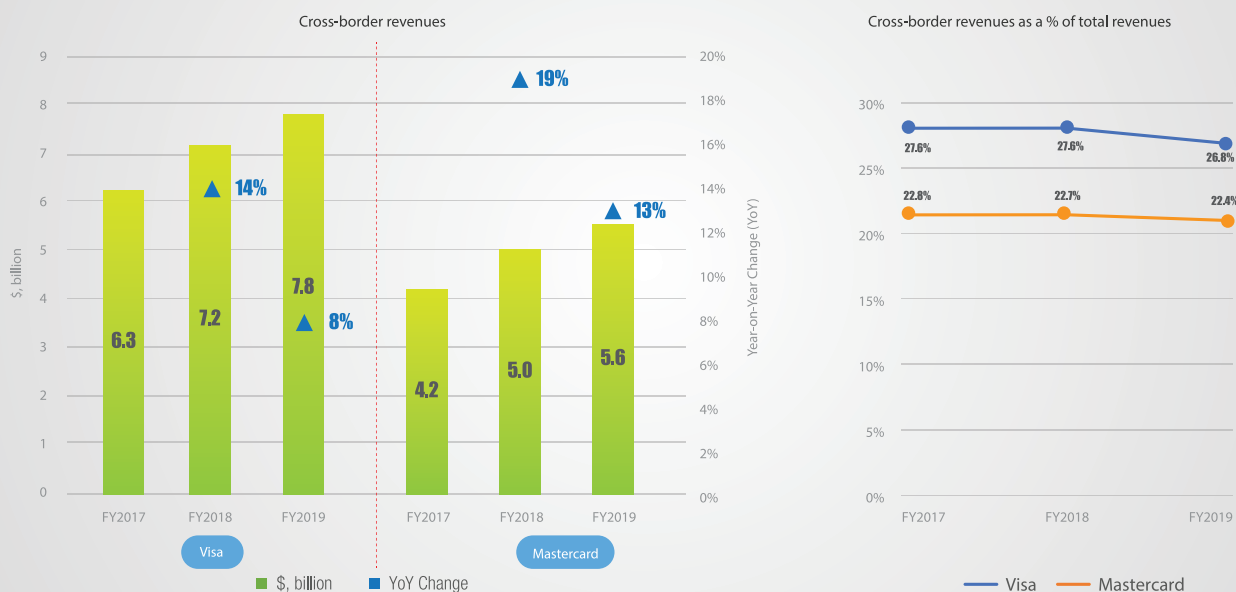
“It involved 17 banks across seven countries and saw payments between all continents settle within 25 seconds; the fastest in just 13 seconds. Successful trials have also taken place in Australia with the New Payments Platform and Europe with the European Central Bank.”

In April, Singapore’s NCS signed a memorandum of understanding with the Network for Electronic Transfers (NETS) Group to develop a new real-time electronic payment and securities settlement platform for central banks in the Asia Pacific region.

Whether through SWIFT’s enhanced capabilities or the new NCS-NETS platform, the linking up of individual real-time payment systems in Asia is a step towards

## Visa earned higher cross-border revenues, while Mastercard recorded stronger growth

Figure 3. Cross-border revenues of Visa and Mastercard



Source: Asian Banker Research

catching up to SEPA — Single Euro Payments Area — and its enabling regulation PSD2. The PSD2 scheme, which came into effect in the European Union in September 2019, aims to reduce fraud by mandating multi-factor authentication for non-recurring online payment transactions over \$32.59 (EUR 30). By potentially moving fraud away from Europe, it is predicted to have a ripple effect on the payments processing industry in Asia, the United States, and beyond.

### Acceleration of digital favours bigger regional players

Chintan Shah, head of cash management in Asia Pacific for Deutsche Bank (DB), said that “clients are very keen to digitise their transaction flows” because of the COVID-19 crisis. He believes

that FX conversion is the critical space, with DB rolling out an FX execution platform through SWIFT gpi, which allows clients to hedge FX exposure within an end-to-end, real-time and instant settlement experience.

“Cross-border payments are a traditional business, so the measure is more on winning new clients. SWIFT gpi has made cross-border payments more efficient. In most markets, instant payments are a new payment scheme and we see most clients, especially in the B2C segment, adopt this aggressively,” Shah said.

He added that over 60% of Deutsche Bank’s cross-border payments are now settled in under 5 minutes.

“Most regional banks have the capability, but the chal-

lenge for connectivity with instant payment schemes remains the wider adoption of gpi. For some of the local banks in Asia that are not connected to gpi, settlement is not happening within 5 minutes.”



Chintan Shah  
Head of cash management in Asia Pacific  
Deutsche Bank

When it comes to those domestic instant payment schemes, DB is positioning itself as a key regional figure with the launch of PromptPay instant payments in Thailand.

“PromptPay will facilitate instant payments in the domestic landscape on a real-time basis using proxy IDs instead of traditional bank numbers,” Shah said. “It is designed for retail-intensive industries such as telecoms, insurance and e-commerce that wanted to facilitate a 24/7 payment service for clients. Independent of SWIFT, it works on the domestic clearing system between banks.”

As part of the phase one rollout, the bank will be offering its clients instant collections throughout Thailand. Later in the year, phase two will enable instant payments to be made throughout the country.

### **Visa’s B2B Connect challenges SWIFT by addressing underserved segment**

The system set to challenge SWIFT’s supremacy is Visa B2B Connect, the new global platform that the card giant built from the ground up using core assets and the latest technology to enable cross-border transactions directly between banks through a multilateral network.

It is seeking to fill the gap left by SWIFT, as it circumvents the correspondent banking network which is often the source of transfer delays, as most banks do not have direct relationships with each other.

Charlotte Le Gargasson, head of Visa B2B Connect in Asia Pacific, said that the product gives financial institutions a simple, fast and secure way to process non-card, high-value B2B payments globally.



Charlotte Le Gargasson  
Head of B2B Connect in Asia Pacific  
Visa

“Today, high-value cross-border payments happen on a bilateral basis. Financial institutions need to establish relationships with corresponding banking partners and maintain a large global infrastructure. In this instance, payments are routed through bilateral correspondent bank relationships, passing through a varying number of intermediaries before reaching the beneficiary bank,” she said.

Visa B2B Connect was launched in more than 30 markets in June 2019, growing to 73 markets today. Le Gargasson said that Connect aims to be in over 100 markets by the end of 2020, and expects to reach 1 million transactions by 2021 as well as network scale by 2022.

“With Visa B2B Connect, we provide a single, multilateral connection to all network members where payments and data can move directly from one financial organisation to another. This approach allows for greater transparency, visibility, rich data and increased speed, all at a lower cost. In doing so, we are able to simplify the cross-border payments process significantly,” she added.

### **Mastercard looks to RTP strategy for its tech stack**

Mastercard’s 2017 acquisition of bank account-based technology service Vocalink has signalled the card giant’s intention to move into the transfers market. Rama Sridhar, executive vice president of digital and emerging partnerships and new payment flows for Mastercard Asia Pacific, said that this fits into their broader real-time payments strategy.



Rama Sridhar  
Executive vice president of digital and emerging partnerships and new payment flows  
Mastercard

“Vocalink is now integrated into the broader Mastercard technology stack. We acquired it to give us the capability to seamlessly move from card rails to account rails, back and forth in all the services that we offer to the end consumer or to our client partners,” she said.

Sridhar added that across all emerging markets, the singular narrative is digitisation, and real-time payments is the key driver in markets where smartphone penetration outstrips the banked population. She also noted that a key differentiator is that Vocalink is already ISO 20022 enabled.

Mastercard is using Vocalink as the technology powering domestic market schemes such as InstaPay in the Philippines and PromptPay in Thailand.



“The Philippines is an interesting example. The government is trying to move from around 30 to 35% banked population to a target of 70% by 2023. For that to happen, there needed to be complete interoperability in the marketplace because you cannot have singular wallets operating within their own ecosystems. Real-time payments enable ecosystems to start being open, because you can fund from anywhere, and you can send to anywhere.”

The Philippines has one of the largest remittance markets in the world. Sridhar said that there are over 20 million GCash wallet accounts, and some 8 million PayMaya users that can be brought into the financially included segment from a transaction perspective.

In order to complement these existing domestic services, Mastercard in 2019 acquired cross-border payments company Transfast which it calls a “parallel service” to SWIFT’s offerings.

“In doing this, and establishing partnerships with cross-border payment providers such as Western Union and HomeSend, we are effectively opening up distribution points across as many markets as possible.”

Interestingly, while Sridhar noted that most markets in the region look fairly similar to the Philippines, the exception is Laos, where they have a higher wallet population than banked population. Still, most of these markets are expected to see a similar adoption curve, though the Philippines and Indonesia are expected to see a significantly higher volume of corporate

disbursements, dividend payments and high-value payments.

Mastercard is keen to emphasize that in both domestic and cross-border payments, it is offering the same governance security and data management principles from its card rails now to its account rails.

“We are not a software vendor — we not handing out an RTP platform and walking away,” Sridhar said. “We are bringing together an ecosystem for RTP to work, which includes governance structures, helping the market understand commercial value exchange, and introducing a whole set of security services to be implemented simultaneously to secure the transactions. We offer the infrastructure with a much less upfront capital load on many of these countries, because that in itself could cripple adoption across the banking sector.”

### **Banking on APIs to bring large regional players back into the fold**

Dhiraj Bajaj, head of financial institution sales, global transaction services for Asia Pacific at Bank of America (BOA), said that Asian banks who have been “active adopters” of SWIFT gpi are already seeing the benefits.



Dhiraj Bajaj  
Head of financial institution sales, global transaction services for Asia Pacific, Bank of America

“These banks are now able to demonstrate that 45% of their cross-border payments on gpi are settled within a few minutes, and around 95% are settled within a day. This is aiding SWIFT in building a case that SWIFT gpi is the long-term solution for demonstrating efficiency when it comes to cross border wire payments,” he said.

Bajaj pointed out a key trend over the last 12 months with how banks leverage the tracking capabilities of gpi and pass that on in real time to clients through their proprietary online banking apps — like one would an Amazon package. The next challenge to push back against fintechs in the cross-border payments space is using transparency to provide a better customer experience.

“The issue we are talking about with most of our clients — the reason why many customers migrated their cross-border payments to non-bank channels for smaller value transfers — was lack of transparency on fees and FX, speed of execution, and taking days to resolve queries on wire transfers where the beneficiary claimed non-receipt of funds,” he explained.

### **Borderless accounts seek to cash in**

With the advent of transparency and tracking ability backed by SWIFT gpi, the trend in Asia over the last two years is banks offering an end-to-end FX payment solution. Bajaj said that as banks try to recapture the FX value proposition from fintechs, they are increasingly turning to BOA’s end-to-end API payment solution, which is going

to substantially reduce reliance on nostro accounts — not to mention the compliance requirements involved in maintaining them.

“An end-to-end FX payments solution enables banks to close nostro accounts in currencies with minimal payment volumes and make their US dollar account with Bank of America their primary account and service their clients for payments in 140 plus currencies, backed by an online or digital experience.”

He believes that the changes will ultimately reshape the Asian banking landscape in favour of the larger regional players.

“Banks with a technology focus and budget, aimed at enhancing their client experience on payments, are able to gain volumes from the smaller banks — as well as get back the volumes on low value cross-border payments that had cannibalised to non-bank payment service providers,” Bajaj said.

This solution enables banks to retain their customers, their cross-border wire transfer payments, as well as retaining the fees and FX within banking channels.

“Over the last 15 to 20 years, banks would open 30 or 40 foreign currency nostro accounts,” Bajaj added. “With due diligence standards going up globally, it is a significant challenge for banks to complete annual KYC refresh on these accounts, involving a significantly large-sized administrative and compliance team to fulfil these requirements.”

Into this space, we are seeing the entry of exciting new players. Traditional banks such as Citibank

have begun offering products such as Citi Global Currency Account, while foreign remittance fintech TransferWise has also begun offering a ‘borderless account.’

In Asia, home-grown cross-border business payments platform TranSwap launched its Global Borderless Virtual Account (GBVA), allowing business customers to open bank accounts in these locations virtually.

Benjamin Wong, co-founder and CEO of TranSwap, said they are currently licensed and operating in Singapore, Hong Kong and Indonesia. They are also launching the GBVA in the United Kingdom, Europe and US in May and June.

“Our goal for the GBVA is to allow businesses to effectively create and manage their own global treasury where they can hold money in 34 currencies and pay to over 180 countries,” he said. “We can help them create these accounts remotely, without physically travelling to the country to open the account. Of these, 89 countries can be executed through local ACH payment rails, making it cheaper and faster, while the GBVA is integrated via APIs to TranSwap’s global cross-border payment cloud platform, providing a single interface for multiple currencies.”



Benjamin Wong  
Co-founder and CEO,  
TranSwap

Wong added that once all required documents have been successfully submitted, an account can be opened within one hour on average.

“Users are able to register online for an account through our website and provide their basic information. Next, they will need to provide us with further details as well as a valid ID. During the sign-up process, a dedicated account manager is assigned to customers when they first register to provide any additional assistance. Once the account is successfully verified, we will notify the customer and they will be able to start using their Global Borderless Virtual Account.”

TranSwap adopts a stringent compliance culture and does not operate to sanctioned countries or high-risk industries, such as arms and ammunition, shell financial institutions, gambling and the adult industry.

“We are able to open accounts for individuals too, however our business model is more focused on corporate customers. Our plan is to have licences in 20 countries within the next three years.”

### **Blockchain shows that data may be the real battlefield**

SWIFT has had rapid innovation to catch up on FX transactions, and the Society seems to have learned that it needs to be at the forefront of the next big revolution in payments: blockchain. The development of blockchain capabilities have changed the game when it comes to speed, cost and data potential.

Blockchain provider R3 is one of those leading the charge for the next generation of payments systems moving towards a trusted decentralised system. These systems use distributed ledger technology as opposed to a central clearing and settlement platform such as ACH or RTGS. Everyone – from national governments to big banks and SWIFT – is getting in line to reap the early benefits of blockchain’s potential.

Amit Ghosh, head of Asia Pacific at R3, is ready to declare its collaboration with SWIFT on the platform Corda Settler a huge success. “We see payments as an area where blockchain has the potential to make the biggest impact as an efficient technology, saving costs and time,” he said. “Payment processes are still hindered by legacy technology that is cost, time and labour intensive. Blockchain can address these challenges.”



Amit Ghosh  
Head of Asia Pacific,  
R3

While much of the advances to date have been in giving companies a new, fast, secure and reliable way to move crypto and traditional assets on a distributed ledger, another exciting application for blockchain is in the management of digital identities in the payments sphere.

“R3 has developed the underlying technology for self-sovereign identity that is transferable to many different use cases, including payments,” Ghosh added. “For example, when different payments companies need to verify identity, the siloed nature of their systems means this is complex, labour-intensive and cost-heavy. Using a blockchain-based digital identity system enables identity to be verified without requiring the mass duplication of identifying data, streamlining processes and adhering to privacy regulations.”

But as with any new technology, one of the key challenges is getting participants to embrace blockchain and to move away from well-established legacy systems. Cross-border payments is one area in particular that faces numerous compliance hurdles for new entrants.

“It is imperative that new technologies are developed in close dialogue with regulatory bodies. To that end, R3 has always actively engaged with regulators and government entities, inviting them into relevant trials and enabling them to observe and participate in the development of Corda. This has allowed us to understand what they are concerned about, and for regulators to understand what we are trying to do,” he said.

As for new products and services, Ghosh said that R3 is putting considerable resources into the Asian market, citing its particular involvement in the Monetary Authority of Singapore’s Project Jasper-Ubin and the Bank of Thailand’s Project Inthanon.

“Asia is a hub for the trade of valuable digital assets and as such, the region has become a focal point for R3 to work with national regulators on how digital tokens might integrate into their regulated financial markets. We expect to see a lot more development in the area of digital assets, not just in Asia, but globally.

### **Doubling down on the domestic front**

If banks reclaim the FX space, smaller domestic players and fintechs are going to double down on domestic payments markets. Instant ACH infrastructure and the emergence of digital wallets have already seen a range of new services and products, such as microcredit to the unbanked. Bringing these consumers online will have numerous benefits in everything, from retail spending to remittances.

We have seen LINE Pay and GrabPay looking to replicate some of the success of Chinese giants Alipay and WeChat Pay, while a slew of new companies caters to domestic markets, such as TrueMoney in Thailand, GCash in the Philippines, Ovo and GoJek Pay in Indonesia, and MoMo in Vietnam.

Alan Ko, head of fintech innovation at Tencent, says that they are not worried about the competition. WePay is comfortable that it is well ahead of the pack, noting that their payments platform already has stability and scalability of the system, continuous innovation, and solutions for costs — not to mention that within this architecture,

they must address the challenges of KYC, AML, FX, digital identities and e-wallets.

“We developed our own distributed architecture and robust micro-core based banking systems based on commodity hardware and open source technologies, which not only can support the rapid growth of our business, but also keep our cost low enough to serve our long-tail customer base and maintain a sustainable business,” he said.



Alan Ko  
Head of fintech innovation,  
Tencent

WePay clearly still has its sights set on traditional banking models, such as BOA's vaunted new FX API, maintaining that open banking is the key to fostering innovation. Indeed, WePay has adopted the mantra of “the three opens” – open platform, open innovation and open collaboration.

“When it comes to open platforms, we need to go beyond API banking by sharing data models, algorithms, customer onboarding procedures, risk management and other capabilities with participants in the collaborative business ecosystem,” Ko added. “Financial services can be provided by retailers, non-financial service companies, fintech companies

and software companies using API, SDK, and H5 provided by open banks like WeBank.”

### **Huge potential in tying in services with the payments market**

Any emerging cross-border platform needs to be able to speak to the likes of WePay and AliPay as it does to any traditional bank. The money is talking loudly, with the global mobile payment market currently estimated at \$816.5 billion, and projected to reach over \$5.5 trillion by 2025.

Already, we've seen the next evolution cycle on from digital identities and e-wallets with the introduction of multi-currency wallets, such as Revolut and Youtrip, allowing consumers to use them across different countries at the lowest FX rate possible. One fintech firm, Geoswift, is going a step further. GeoswiftX, its cross-border payment platform, is providing a bridge across global payments ecosystems.

“The platform is a service,” said founder and CEO Raymond Qu. “It includes five functions: collection, geo-settlements, geo-remittances, geo-FX, and geo-card. Put the five together and then give our clients the flexibility to choose which they need.”

Geoswift is generating around \$10 billion in annual transactions across B2B, B2C and B2B2C in e-commerce, education and travel. One of its core businesses is accepting foreign

tuition payments from students — largely from China, Korea, Japan and Hong Kong — and providing a one-stop solution to bridge the gap with what international schools are accepting, which is often only Visa and Mastercard. It is able to use the particular data it generates in these transactions to build out services for a mobile customer base.

“Big data plays a very important role in our business. We use it to tell where the market is, and what is the trend,” Qu added.

“In terms of cross-border payments, we have retail FX licence in China, and every day there are thousands of travellers in and out of China who need to get foreign currencies. With that data, we can do analysis and see where they are going to, when, the average amount they're spending. It helps to not only understand the market, but to build new cross-border services to service the travel sector, such as partnering with Booking.com.”



Raymond Qu  
Founder and CEO,  
Geoswift

He believes that the future is not just in the services you provide, but how you provide

them. “People need to think beyond mobile wallets,” he said. “Using facial recognition or voice is very hot in China right now; people want anything that doesn’t involve touching screens.”

### **Governments remind finance that the world still has borders**

As banks move swiftly to keep up with payments innovators, so too are regulators. Central banks around the world are considering how they will need to adapt their supervision regimes that will only continue to grow in size.

States are beginning to think about flows of money and systems moving beyond their control, threatening their ability to regulate and control, and in the longer term, potentially even having an effect on national economic policy.

While SWIFT may be applauding its multinational banking collaboration efforts, the same cannot necessarily be said for governments. At a time when the world’s payments infrastructure is increasingly moving across borders, politically we are in an era of mounting protectionism and nationalism. There is no guarantee that cooperation will be forthcoming.

That said, regulators are certainly aware of the need for collaboration. Fernando Restoy, chair of the Financial Stability Institute of the Bank for International Settlements, said that



Fernando Restoy  
*Chairman, Financial Stability Institute, Bank for International Settlements*

the case for international standards is already strong in some areas such as data management.

“While central banks can contribute to promote an adequate regulatory response at the domestic and the global level, it is clear that this should be the result of a multi-disciplinary effort in which other policymakers — including competition and data protection authorities — also have a prominent role,” he said.

It remains to be seen, however, how much this thinking is tied to 20th century ideas of political and financial blocs, with news that China, Russia and India are exploring a “gateway” model for messaging systems in developing countries in an attempt to work around American sanctions.

### **Collaboration is key in the payments ecosystem**

While COVID-19 has accelerated an already strong trend away from paper-based payment products, such as cash, cheques, and vouchers, it has

brought into sharp focus the products that will replace them. For consumers and businesses alike, we expect to see a continuing upward trend in the adoption of all things digital.

Existing payment providers are expected to merge payment forms within product offerings, such as a debit or credit card with contactless payment and a digital wallet option. QR codes are likely to continue to outstrip NFC technology due to the established popularity of QR codes in Asia, though digital giants such as ApplePay and SamsungPay will be trying to change that.

The changing global payments system is one with many faces. Financially, borders are becoming less of a barrier to the movement of money, yet rising political nationalism within those borders will continue to pose a challenge for businesses, regulators and governments alike. At the same time, transformative innovation is seeing exciting opportunities open up for partnerships between those doing the disruption and the market’s traditional powerhouses. Yet, seemingly distinct challenges point to the same principle: collaboration, not collision, is key to success in these global payments ecosystems, whether between new entrants and incumbents, or regulators working across borders. **TAB**



## Are you ready for instant cross-border payments?

**New opportunities for moving money seamlessly across borders can only be realised if transactions are also secure and compliant, says Michael Moon, Managing Director and Head of Payments & Trade at SWIFT, Asia Pacific.**



**Michael Moon,**  
Managing Director,  
Head of Payments & Trade,  
SWIFT

### Why can't moving money between parties in different countries be as fast, transparent, and simple?

In fact, it can be. We've demonstrated through SWIFT gpi that payments can travel across the world to reach beneficiaries in a matter of minutes, if not seconds, with full transparency. It has never been a technology issue, but rather one of process frictions.

Process frictions arise in many ways. Payments can get entwined in necessary compliance processes: checking for possible money laundering, for instance, screening against sanctions lists and meeting reporting requirements. SWIFT calculates that up to 10% of banks' cross-border payments globally end up delayed by such reviews.

Also, international payments are subjected to FX conversions, checks and balances regardless the value of the transaction.

The good news is that progress is being made to address both of those pain points, enabling both frictionless and secure payments.

The good news is that progress is being made to address both of those pain points, enabling both frictionless and secure payments.

For instance, a growing number of countries are renewing new domestic payment schemes to enable cross-border instant payments. These initiatives include Singapore's Fast and Secure Transfers (FAST), Hong Kong's Faster Payments Systems, Australia's New Payments Platform, and Thailand's PromptPay, along with similar programs in the Eurozone and the Middle East.

SWIFT has run tests enabling its gpi service to focus on the cross-border payments being cleared through the real-time domestic systems. This is not straightforward without SWIFT gpi, as bridging two domestic "rails" requires addressing multiple currency systems and regulatory jurisdictions. Now a live service, gpi Instant used by banks around Asia Pacific have found that payments between these jurisdictions can be effected almost immediately. This is "frictionless" in action.

The difference between a trial and making instant cross-border payments an everyday reality is ensuring that banks' internal systems manage the risks involved. To do that, they need to consider:

1. Data quality to ensure know-your-customer compliance and transaction monitoring
2. Payment controls to protect against fraud
3. Shared intelligence to carry out sanctions screening and testing, increasing on a real-time basis

Banks are already embracing tools to address these challenges. Many consumer banks in Asia have digitised account opening, using APIs connected to government databases to authenticate customers and conduct remote KYC checks. The outbreak of COVID-19 and social distancing have accelerated these developments. There is also a growing number of fintechs promoting a diverse collection of digital payment solutions complementing the wider ecosystem.

The robustness of regulatory supervision and internal bank capabilities vary widely, however, particularly in a diverse region such as ASEAN. Increasing digitisation also invites cyber risks.

SWIFT works with domestic communities, including regulators, banking associations, and financial institutions, to lay out best practices. One such example is when we set up a payments control mechanism that is available on the SWIFT platform to signal when a payment ought to be investigated or halted. This fraud control utility is designed to be flexible as well, with the rules around detecting fraud configured to meet local conditions.

SWIFT is also partnering with local government and financial institutions to help them advance open banking and open APIs, which are becoming vital building blocks in making cross-border payments seamless.

The burgeoning number of payment options, from QR codes to alternative forex transfers, is a great opportunity for consumers, SMEs and corporations. But it is also creating fragmentation and inconsistency of designs and bilateral, country-to-country capabilities that do not easily scale across multiple markets.

SWIFT, as a member-owned utility, is a widely recognised proponent of standards, starting with our messaging services for correspondent banking payments. We are now extending this expertise to the new world of open banking. This is the key to ensuring these new solutions are interoperable and avoid recreating the frictions that technology was meant to abolish.

In reflection, SWIFT is a neutral industry platform that already spans the world after all. Over 11,000 financial institutions rely on us to send and receive information about financial transactions in over 200 markets, and reach over 4 billion bank accounts. Nearly two thirds of all payments sent on SWIFT are via gpi, in over 150 currencies across more than 200 corridors. These gpi payments typically settle in a matter of minutes, and often seconds.

Trust in the underlying infrastructure is key to ensuring payments are frictionless, and SWIFT's infrastructure is robust, resilient—and proven.

This is the bedrock of SWIFT's vision to make international payments as instant and frictionless as domestic payments. And as we move toward that future, we will continue to innovate responsibly – focusing efforts not just on speed, but on the safety and security of transactions, too.

We look forward to collaborating with financial institutions across the region and together we can make instant cross-border payments a reality for all facets of the real economy.

## Time for real-time payments worldwide

**BPC Banking Technologies leverages a unique proposition with ecosystem linkages to implement modern payment infrastructures from real-time national payment systems to transit fare collection services for smart cities**



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The movement towards national real-time payments is not new or over. In fact, it is gathering momentum in Asia, the Middle East, Africa and Latin America, where the market for legacy system replacement presents a significant opportunity. The movement has amplified the calls for transformation, greater financial inclusion and meeting the agenda for a cashless society. Real-time, mobile and contactless capabilities are driving industry players in the global payments landscape to create unified processing hubs that centralise and consolidate transactions from origination to settlement.

Oleg Patsiansky, digital banking expert at BPC Banking Technologies (BPC) is teaming up with his colleague Irfan Ahmed, instant payment expert, to drive the company's roadmap towards real-time national payments initiatives. Their vision is to bridge the experience we get from modern digital and open banks to deliver a unique proposition at a national level for central banks with a wider impact. They believe that offering real-time payment is no longer restricted to speed; it needs to create value beyond, with an ecosystem for all participants to thrive, from end users to banks adding new players such as telecoms, SMEs, billers and governments. The rapid digitalisation is finally making it possible to create digital ecosystems that interconnect businesses and consumers as well as facilitate transactions with unparalleled ease.

BPC, which operates in over 80 markets, has been collaborating with 22 national payment systems worldwide. Their latest collaboration in Yemen has taken them on a whole new journey when it comes to a nationwide real-time payment system. Over 20 million Yemenis lack access to formal financial services, and 90% of the population remains unbanked. Local banks have found themselves increasingly disconnected locally (due to divided territories) and globally.

BPC has engaged with all the major banks in Yemen in addition to digital wallet providers to create a relevant ecosystem at national level. As well as impacting the economy, an ambitious project such as this also reconnects banks to the public and expands access to financial services. The SmartVista platform proved instrumental in developing the Instant Transfer Scheme (ITS) for real-time retail payments. It ensures compliance with industry standards for bank and e-wallet

interfaces such as ISO20022 or ISO8583. It also fosters a secure, well-functioning and interoperable infrastructure for ecosystem partners, reducing the reliance on cash.

Advances in technology are now both accessible and affordable compared to the cost of maintaining legacy systems, driving a rapid shift towards payment product transformation. In emerging markets such as Southeast and Central Asia, there is little legacy infrastructure to hinder the transition, opening an opportunity to leapfrog towards the latest technologies in a simpler manner than in developed markets. This means providing payment capabilities beyond the card, such as enabling QR Code payments for contactless payment, a trend that is accelerating due to the coronavirus pandemic. New payment infrastructures and rails support these and make digital payment services accessible to the previously unbanked or underbanked.

Responding to these rapid market changes, BPC's customer base has expanded beyond traditional banks and payments processors into new areas such as smart cities, where the payment experience remains core. Working with city authorities to promote digitisation, BPC, with its new O-City company, is paving the way for infrastructure modernisation, including transit systems, and the introduction of international smart city services. As an example, in the city of Aktobe, Kazakhstan's fourth largest city, BPC automates the fare collection service in public transports. It responds to the need for digital payments to ensure efficient operations of the transit system; it also helps commuters maintain social distancing during the COVID-19 pandemic. Commuters can manage their payment methods through an app and track their journey history. The open API architecture of O-City simplifies integration with third parties while keeping a single view of activities. New services have been introduced, allowing for the automatic application of social benefits such as discounts and subsidies upon payment.

In both cases, consumers have been able to transact in real-time straight from their mobile devices. BPC is helping incumbent institutions to modernise, dramatically reduce time-to-market, and to gain more control, so they can respond quickly to market changes with minimal disruption to business as usual. **TAB**



#### About Us

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**The Asian Banker** is a leading provider of strategic intelligence on the financial services industry, established since 1996. We are in the business of helping decision makers develop creative solutions around research and intelligence to achieve tangible business goals. We help organisations understand the markets they serve through B2B surveys, field research, data and forward-looking research and intelligence, benchmark their operations and competitiveness against industry best practices and create communities for the industry to respond to global trends in the most creative ways possible.

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