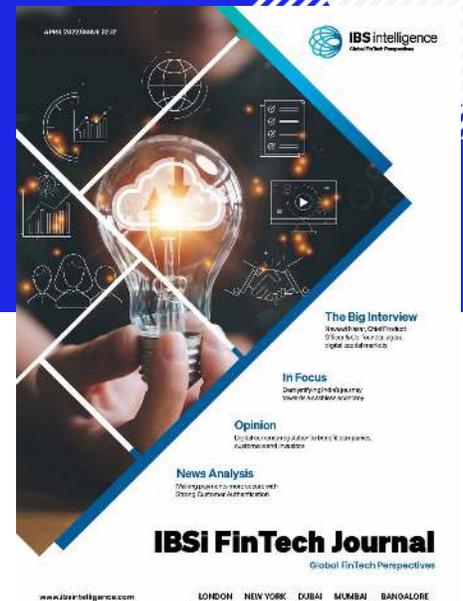




Digital Banking & Payment Trends

Marcus Daniels, CEO

Featured in IBS Intelligence Fintech Journal



Digital banking and payments trends

Digitisation is happening and happening fast as competition in the payments space gets tougher and more crowded

Robin Amlôt

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Payments were once dominated by large retail banks. That is no longer the case. Note that almost a quarter of all FinTechs established in the 5 years to 2020 were payments related. According to [Autorek](#), EU banks could lose up to a third of their payments' revenue to disruptors by 2025. The roadmap has been torn up! The Covid-19 pandemic may have moved on to being endemic but the acceleration towards the digital embrace that it forced on the financial services sector is still being played out.

Nick Botha, Banking Lead at AutoRek, said: "...the last few years have seen control of the payments space shift from banks into the hands of Payment Service Providers (PSPs), whose ability to deliver totally user-native customer service is forcing the whole industry to step up.

"Beyond competing for market share, it's a question of compliance. The costs associated with non-compliance are substantial both from a financial and reputational perspective, and regulators are increasingly less forgiving, as we have witnessed in the last few months with significant fines incurred by some of the world's largest banks."

"New technologies like AI, ML and APIs can be used to create greater interoperability and remove or significantly reduce manual interventions and use of spreadsheets. Investing in these capabilities today will enable firms to address evolving customer preferences, mitigate risk and achieve regulatory compliance down the road – essential elements for remaining competitive in the payments landscape of today."

A fundamental change to business processes

According to Shweta Jain, Senior Director – Digital, Analytics & Platform at [Finastra](#), originally expected to take 3-5 years, the move away from legacy systems among banks is now happening in a timeframe of just 12-15 months. However, Jain said: "Digitisation is not just about implementing a new layer of technology but involves a fundamental change in business processes and ways of working for everyone in the organisation.

"The focus is on using technology intelligently to automate routine



Shweta Jain, Senior Director – Digital, Analytics & Platform, Finastra

processes and drive down costs, while empowering customers to self-serve and bank in the way that suits them. It's about optimising the financial institutions' channels from online through to branches and call centres in order to provide a seamless and frictionless experience where staff are empowered to deliver for their customers no matter what the touchpoint.

"Banking today is less about selling financial products and more about delivering the experience customers expect. Challengers have been quick to recognise this. Going forward we'll increasingly see third-party brands partnering with banks to embed financial services in their own offerings. Rather than being something banks fear – embedded finance can give them an opportunity to reach new customers and generate new revenue streams."

Delivering the right customer experience will require banks to understand more about their customers' circumstances and more about their needs. Jain added: "A data operating model and advanced

analytics that brings data together from all relevant apps and systems, supplying meaningful information and dashboard views, is crucial in delivering the best customer experience. The ability to act quickly on data analytics is becoming a key differentiator.

“Those banks with modern, open platforms will be in the best position to innovate and deploy apps from FinTech partners and integrate data, building a seamless end-to-end customer experience. As regulation increases, the ability to work with specialist third parties to manage compliance in areas like AML and for credit checking will also be key.”

The pace of innovation

Marcus Daniels, Founding Partner and CEO of Toronto-based [Highline Beta](#), a hybrid corporate venture studio and VC firm, noted that: “Consumers already receive a great deal of support in digital payment, from wallet apps provided by Apple and Google to any number of brand loyalty apps. Everyone wants to make it easy for customers to buy things, after all. Even then, there’s room to streamline the user experience, look at the rise in digital payment products and consider how new options create a need to manage those options.



Marcus Daniels, Founding Partner & CEO, Highline Beta

“For example, [Drop](#) consolidates a user’s wallets with participating loyalty apps to provide both convenience and improved rewards. Xero and payment startup Wise also help consumers manage their accounts and complete purchases.

However, digital payments options are also being made available to corporates as well. Daniels said: “The need for digital payment methods extends beyond the consumer relationship, especially for SMEs... Multiple startups have seen the need to help businesses pay their own vendors. Retailers can now pay their suppliers more securely with [SparcPay](#), which records, secures, and encrypts transactions while strengthening passwords. Outside the retail space,

[Harbr](#) has expanded its reach as a construction software manufacturer to automate contractor billing.

“All these startups represent different approaches to innovation within the payment space. Some create entirely new products and others piggyback off existing ideas to add convenience and usability to emergent solutions.”



Pat Bermingham, CEO, Adflex

Corporates need KYC too!

It is worth reiterating that the changes that are coming with the digitalisation of payments do not only affect financial institutions and individual consumers, but it also means profound change for businesses too. It is not just banks who are looking for faster onboarding, for example. Pat Bermingham, CEO of [Adflex](#), commented: “Digital B2B payment technologies are enabling buyers to onboard more merchants more efficiently, provide access to greater payment choices and increase working capital. Costs are also minimised by process saving technologies, like card payment APIs and Straight Through Processing (STP).

“STP essentially reverses the way traditional payment processes work, fully automating B2B payments and granting greater control over cashflow. Rather than buyers waiting for suppliers to ‘pull’ payments from their commercial cards using software provided by a payment processor, STP allows buyers to automatically ‘push’ payments to their suppliers.

“This significantly speeds up payments (supporting compliance with the Prompt Payment Code) and reduces the compliance burden for merchants, such as with Strong Customer Authentication and PCI-DSS. Digital payments also give buyers and suppliers access to better financial data, enabling a real-time view on finance to help better inform where to allocate resource.”