PAYMENTS AS A GLOBAL VILLAGE
FOSTERING REGIONAL SOLUTIONS
PATTERNS AS A GLOBAL VILLAGE – FOSTERING REGIONAL SOLUTIONS

On 19th and 20th September 2018, 268 delegates from 88 organisations, representing 27 countries, gathered in Kuala Lumpur for the 6th Global Payment Summit (GPS), hosted by Currency Research. Under the theme “Payments as a Global Village,” speakers and panelists from around the world explored key developments in payments and transactions. This year’s GPS was co-hosted with PayNet Group, Malaysia’s national payment system network and central infrastructure for financial markets.
Paul Schulte set the tone for the event with his Opening Keynote, ‘A New FinTech Creature from the Black Lagoon.’ In a rather eye-opening way, Paul demonstrated how non-banks such as Tencent and Alibaba have morphed from ride share and retail businesses into banking providers, driven through payments. Even more compelling was the case of Amazon India – by comparing its offerings to those of one of India’s leading retail banks, one was able to see the extent to which the retailer has now grown into a widely diversified financial services business. Paul finished his outlook with a geopolitical view on how the most dominating global cloud services originate either from the US or China and are set, as he put it, to enter into the Cloud Wars.

The morning of Day 1 continued with a clear focus on Asia – a panel of payments experts from Australia, Canada, Malaysia, and the Netherlands discussed how advanced digital payments markets compared to Malaysia’s current and future payments landscape. While non-Asian markets share many commonalities, such as open banking, development of API-based services, and a continued trend towards contactless and instant payments, Malaysia’s focus is on the need for a highly reliable infrastructure, supporting digitisation, and a lack of interoperable systems. While players such as Grab, Boost, and Alipay are penetrating Malaysia’s digital payment space, each operates a bespoke system, effectively creating island solutions in a highly competitive environment.

ACI followed the panel with a presentation on recent developments in real-time payments between ASEAN states. With 23.1% of the total trade of $2.2 trillion in the region happening cross-border, e-commerce growing at a CAGR of 35%, and 45% of Chinese tourists visiting the region, it is more important than ever to provide fast, reliable, and cost-effective payments. The presentation not only highlighted how solutions such as SWIFT gpi, Alipay, Ripple, and Remitly are providing innovative solutions, but also considered the inconsistent regulatory landscape across the ASEAN countries and the banks’ lack of focus on open banking and standardised APIs.
DIGITAL IDENTITY AND NEXT-GEN COMPUTING

The afternoon of Day 1 started with an in-depth look into Digital Identity and Access Management (DIAM), examining recent developments in Australia and the Netherlands. The latter has launched a solution (iDIN) that leverages an existing online payment solution unique to the Netherlands (iDEAL) and makes use of the KYC checks that are undertaken by banks to operate the service. However, Australia – while investigating a number of technology solutions – is finding it more difficult to establish the legal framework for such solutions, despite a pressing need to do so in light of the high proportion of card-not-present fraud.
THE FLORIN AWARDS

GPS hosted the Florin Awards 2018 to recognize new and innovative payment solutions that secure immediate hassle-free transacting at low costs.

Supported by media partners The Paypers and Fintech News Singapore, the awards received a record number of entries in 2018. Our winners AID:Tech and everiToken are both outstanding showcase of innovative use of blockchain in payments.

The 2018 Jury Vote Winners are

1st place – AID: Tech (Traceable blockchain technology for remittance)
2nd place – ACI Worldwide (API manager for enterprise-wide open banking strategy)
3rd place - PPRO – Single, transparent contract via “Girogate”

The 2018 Public Vote Winners are

1st place - everiToken (Face-to-face micropayments via public blockchain)
2nd Place - Merchantrade Money Visa Prepaid Card (The Digital Currency Wallet)
3rd place - SCRY.INFO – Blockchain-based Scry Cashbox

Congratulations to all our winners!
Following the 2018 Asia Florin Awards Presentation (see sidebar), the first day continued with a fascinating insight into Quantum Computing. The presentation not only explained the underlying principles of the technology, but also provided an outlook on the opportunities and threats that this new cutting-edge technology will bring. For instance, Quantum Computing will allow incredibly complex forecasting models, effectively revolutionising the way predictions can be made about developments in financial markets. Such computing power, however, will render existing encryption technologies obsolete, or at least extremely vulnerable to those who have access to quantum computers. It is expected that a RSA encryption code, as is widely used today, can be hacked within milliseconds using the new technology.
Finally, VISA wrapped up the first day with a close look at developments in Asia. The presentation offered up a range of interesting, and at times surprising, facts. For example:

1. More people live in Asia than in the rest of the world
2. Cash and checks comprise 55% of the $11 trillion payment volume in Asia
3. The next three years will see 690 million first-time internet users; 260-480 million of these are expected to come from Southeast Asia
4. Approximately 68% of the region’s residents only travel within the APAC countries

A look into the future showed how a business that has issued over 3 billion cards and is supported by more than 46 million merchant locations is expected to provide more than 21 billion ways to pay and to support more than 400 million ways to be paid – all powered by new technologies. The customer experience, security, and open scalable platforms will be key to realising this vision – themes that were prevalent throughout the conference.
Day 2 started with a detailed look into cross-border payments, with SWIFT providing a keynote update on the progress of their new SWIFT gpi solution. Over 200 countries are now connected, with more than 80% of SWIFT cross-border payments being routed through gpi. Over $100 billion is transferred daily using the new technology, crediting end beneficiaries within 30 minutes or less for 50% of transaction volumes. With this wide coverage, the rails are in place to build Overlay Services through the use of APIs, effectively providing an entirely new range of innovative payment services without the need to build the underlying infrastructure. In closing, SWIFT laid out their interoperability strategy for the ASEAN region, mainly driven through the adoption of ISO 20022 for high-value payments (HVP) until 2025.
The Big Shift in FinTech: Quotes from the Stage

“Will Blockchain be the key to disarm the ‘Cloud War’ between the US and China?”

“Banks and FinTechs are ‘Frenemies’ – Banks like to outsource development to agile cutting-edge tech organisations, but risk losing control.”

“Marketing is key to the success of new payment solutions – the tech alone will not be enough.”

“Just as there were around 400 automobile manufacturers in the US in the 1910s and 20s, consolidated to four in 1950, will the hundreds of Blockchain technologies consolidate over time.”

“Alibaba and Amazon do not pay dividends to their shareholders. Banks should consider doing the same to be able to invest in new technologies to have a chance to keep up with market developments.”

FINTECH’S “BIG SHIFT”

The morning continued with a lively and thought-provoking panel discussion on “The Big Shift in FinTech,” with representatives from the banking and fintech worlds debating what the future might bring (read some highlights in Insert 2).

Following the same theme, Paul Brisk took a deep-dive into developments specifically in Indonesia, but also in Malaysia and other parts of Asia. In a classic juxtaposition, he demonstrated the difference between developed and emerging markets by looking at both New Zealand and Indonesia; one having a 10% share of cash payments, and the other a 10% of non-cash payments. Paul drew the picture of a perfect storm in Asia, where high smartphone penetration, a banking landscape with cherry-picking banks and many unbanked people, and regulators that are mostly open to new technologies and services, provide an environment that lowers the barriers for new market entrants. The key of course is to not just replicate the service that banks currently provide, but to enable businesses and consumers to add new dimensions to their otherwise purely transactional relationship, effectively developing new habits with seamlessly embedded payment services.

While in Indonesia, 26 licensed “e-money issuers” are already operating, with only 11 being banks, Malaysia under the regulation of Bank Negara has taken a different approach that will lead to a high degree of interoperability. The three major players (WeChat and two competing consortia between Alipay, Touch’n’Go, and CIMB, and GrabPay and Maybank respectively) require full compatibility for in-app purchases, P2P, and Retail at POS via QR Code. Paul closed with his view on a viable strategy for banks in this highly competitive and rapidly changing landscape: a mix of collaboration with fintechs (as demonstrated by Maybank and CIMB in Malaysia) and safeguarding the top of the value chain. Rich value-added services through Open Banking will be central to maintaining a key role for banks, so onboarding sooner rather than later will be critical.
To close out the event, back-to-back panels discussed recent developments in the regulatory space. Consisting of high-ranking officials from Bank Indonesia and Bank Malaysia and payment experts from Asia and Europe respectively, the panelists touched on new payments developments such as PSD2 and Open Banking. While these concepts appear to bring the promise of valuable insights and improved visibility for consumers, the reality is much different. In many jurisdictions, banks limit third-party access to an extent that prevents detailed holistic insights, and regulators have taken varying approaches to Open Banking, even within the common remit of the ECB. The security risks of Open Banking can be a barrier to uptake, and some jurisdictions use this as an excuse to limit access. The concurrent introduction of PSD2 and GDPR in the same year have also created a grey area that many find difficult to navigate.

Bank Indonesia provided a detailed insight into how its New Payment Gateway initiative will build the basis for digitisation of the payment space and, ultimately, a platform to build an inclusive payment landscape. Bank Negara Malaysia (BNM), with a more established infrastructure, is looking to achieve ubiquity in the usage of digital payments. Currently about 50% of Malaysian adults do not use online payment solutions. Leveraging high smartphone penetration, BNM aims to encourage uptake through mobile technology. The ICTF (Interoperable Credit Transfer Framework), along with the Real-time Retail Payment Platform (RPP) are anticipated to enable and promote significant advancement in this space.
Before a regulation-focused afternoon, the World Bank looked at the current state of financial inclusion across the globe. Some key facts from the 2017 Global Findex:

- As of 2017, 69% of adults have an account (any transactional account, including eMoney, etc.)
- 66% of the 1.7 billion unbanked adults have a mobile phone
- About 235 million unbanked adults receive agricultural payments in cash, including 140 million who have a mobile phone
- More than 200 million unbanked adults in the private sector get paid in cash
- 100 million unbanked adults receive government wages, pensions, and social benefits in cash

Surprisingly, one billion banked adults still pay their utility bills in cash. The message was clear: payment services becoming more accessible through mobile phones, coupled with a push from governments and private businesses to convert cash payments of salaries and benefits to electronic payments, will - in a two-pronged approach – help reduce the overall number of unbanked adults. A further look into microfinancing also demonstrated an important target sector for digital wallets and payments. With highly manual cash-based processes, up to 30% of credit volume is currently spent on administrative processes. An automated digital process would reduce that number dramatically. However, while the technology is mostly available, regulatory barriers and an underdeveloped ecosystem are slowing down progress.