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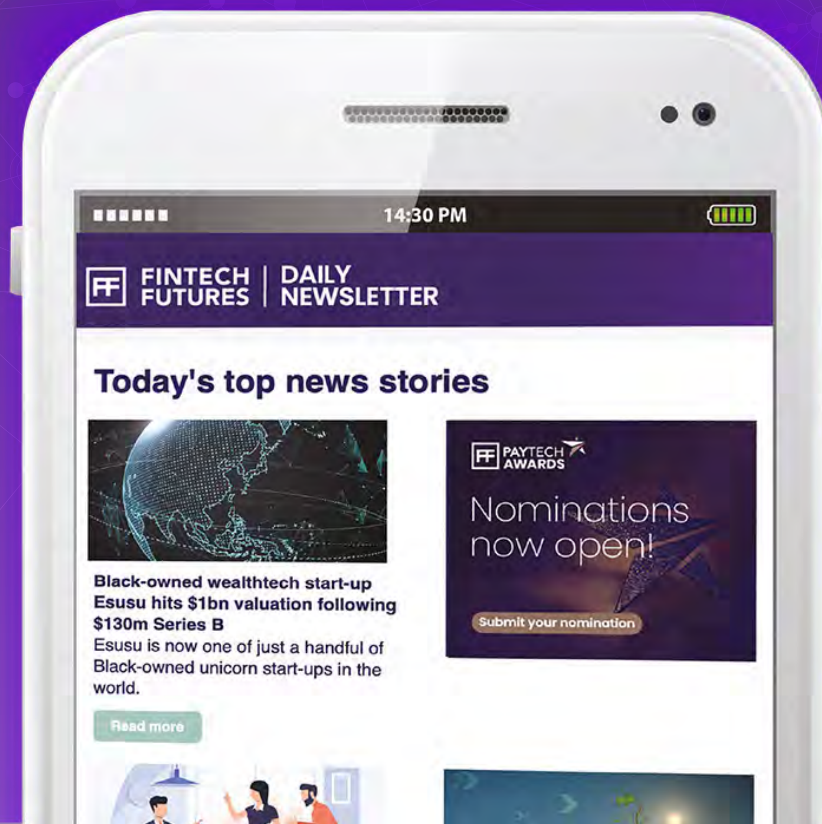

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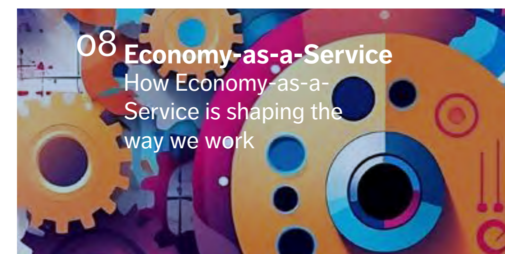
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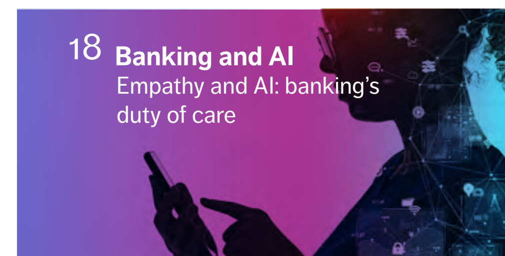
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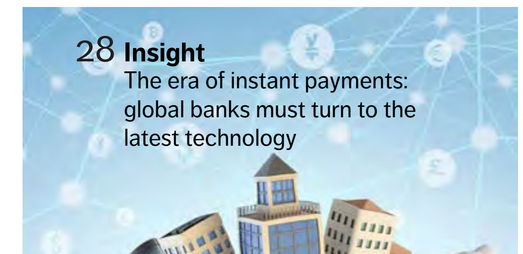
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MANAGING DIRECTOR AND EDITOR-IN-CHIEF
Tanya Andreasyan
tanya.andreasyan@fintechfutures.com
+44 (0)20 7551 9010

EDITOR
Paul Hindle
paul.hindle@fintechfutures.com

REPORTERS
Tyler Pathe
tyler.pathe@fintechfutures.com
Shruti Khairnar
shruti.khairnar@fintechfutures.com

HEAD OF SALES
Sam Hutton
sam.hutton@fintechfutures.com
+44 208 052 0434

BUSINESS DEVELOPMENT MANAGER
Kate Stevenson
kate.stevenson@fintechfutures.com
+44 782 593 0099

MARKETING MANAGER
Rebecca Nolan
rebecca.nolan@fintechfutures.com

FIND US ONLINE
www.fintechfutures.com

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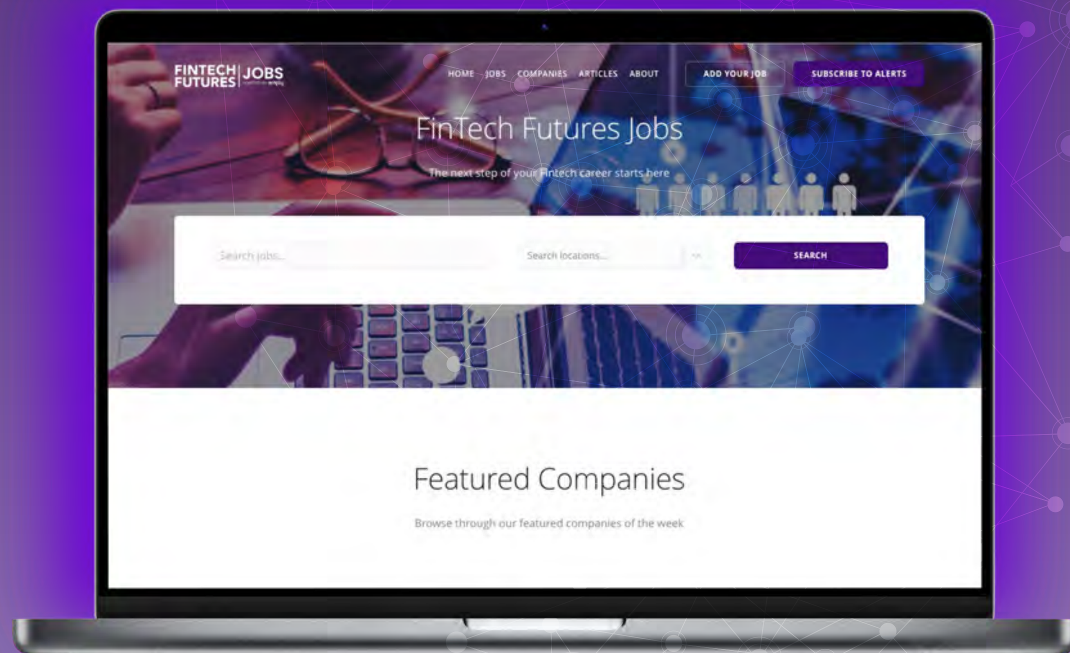

Editor's note

Everyone's favourite festival of finance, Sibos, is back in North America once again, with delegates from across the world set to converge on the MTCC in Toronto, Canada.

And as has been the case for the last 31 years, the team at FinTech Futures has been hard at work to bring you the Daily News at Sibos magazine, coming to you this year in digital format once more.

The theme of Sibos 2023 is "collaborative finance in a fragmented world", with the conference aiming to focus on working together to forge the future of finance after what has been a tough year exacerbated by high inflation, rising interest rates and banking collapses.

This supplement aims to explore this theme with a feast of insights and discussion covering topics including bank/fintech partnerships, open finance, technological innovation, sustainability and ethics in financial services, and of course, the rise of AI.

The magazine features insight from a number of regular FinTech Futures columnists. Dr Leda Glyptis, NED and author, gives us some insight into Sibos' flagship 'Future of Money' panel, which this year will see panellists from previous iterations return to discuss their predictions and whether things have turned out the way they thought.

NMD+ founder Dave Wallace dives into how the Economy-as-a-Service model is progressively reshaping multiple sectors, and Unconventional Ventures founder and author Theodora Lau discusses the need for empathy when exploring the possibilities of AI to help create a more ethical and sustainable world.

Tyler Pathe speaks to SmartStream's EVP of product management Vincent Kilcoyne about the road to T+0 and how the firm is helping companies to achieve this paradigm shift both technologically and operationally, while Finastra's global chief revenue officer, payments, Sylvie Boucheron-Saunier, gives us insight into the era of instant payments and the need for banks and other financial institutions to embrace the latest technology to remain competitive.

FinTech Futures reporter Shruti Khairnar takes a look at Canada's fintech growth story, Omdia's Philip Benton comments on the state of play of open banking and open finance across the world, and fintech entrepreneur and author Christer Holloman argues that AI in banking is more evolution than revolution.

We hope you enjoy this year's magazine, and as ever, feel free to check out our website for all the latest Sibos news.

Editor, Paul Hindle

Swift can facilitate tokenised asset transfers between different blockchains, new experiments confirm

Swift has conducted a series of experiments that successfully transferred tokenised assets between different public and business blockchains through a single point of entry.

The experiments sought to overcome the challenges of interoperability faced by investors and financial institutions trading on different blockchains with varying liquidity profiles and functions.

This group have previously needed to build and instate connections between blockchains, but the experiments have now shown that this can be completed with Swift's existing infrastructure.

In collaboration with several major financial institutions, including BNY Mellon, Citi and Euroclear, Swift conducted three different types of transfers using simulated tokenised assets.

These included transferring assets from one wallet to another with both using the same distributed ledger technology (DLT) network; between a public and private blockchain; and between two wallets using different public blockchains.

Swift's network connected to the Ethereum Sepolia network with Chainlink serving as an enterprise abstraction layer, while interoperability between source and destination blockchains was achieved with Chainlink's cross-chain interoperability protocol (CCIP).

> *Institutions must be able to seamlessly connect with the whole financial ecosystem.*
>
> Tom Zschach, Swift

The experiments specifically sought to uncover the technical and design demands of inter-blockchain relations and the role of an interoperability protocol in securing the compliant transfer of data. For this reason, areas of data privacy, legal liability and operational risk were also considered.

In publishing the results, Swift recognised the "potential to remove significant friction slowing the growth of tokenised asset markets and enable them to scale globally as they mature".

For this potential to be realised, Tom Zschach, chief innovation officer at Swift, emphasises that institutions must "be able to seamlessly connect with the whole financial ecosystem".

"Our experiments have demonstrated clearly that existing secure and trusted Swift infrastructure can provide that central point of connectivity, removing a huge hurdle in the development of tokenisation and unlocking its potential."

The experiments are in line with Swift's ongoing efforts to connect digital assets to existing payment systems through its infrastructure, and follow its previously successful experiments with central bank digital currencies (CBDCs) last year.

Visa expands stablecoin settlement pilots in push to modernise cross-border payments

Visa is looking to expand its stablecoin settlement capabilities with Circle's USDC stablecoin by adding new pilot programmes with merchant acquirers Worldpay and Nuvei in a push to modernise cross-border payments.

The company will utilise the Solana blockchain to help payments firms speed up settlement times for their merchant clients.

The plans will enable its partners to send and receive USDC, the USD-pegged stablecoin developed by Circle, using a high-performance blockchain capable of completing 400 transactions per second on average.

The company has confirmed that it has already "moved millions of USDC" between its partners through the Solana and Ethereum blockchain networks to settle fiat-denominated payments authorised over VisaNet, its electronic payments network.

Cuy Sheffield, Visa's head of crypto, says in a statement that its adoption of both blockchains will help "improve the speed of cross-border settlement" and provide "a modern option for our clients to easily send or receive funds from Visa's treasury".

Visa's relationship with stablecoins and USDC more specifically began in 2021, when it ran a successful pilot to test stablecoin settlement on the issuance side with the cryptocurrency exchange Crypto.com. The test overcame the challenges of lengthy currency conversion processes and expensive international wire transfers incurred in settlements for cross-border purchases.

To retain this momentum, the company plans to run pilots with acquirers Worldpay and Nuvei to test onchain payouts and drive additional benefits for merchants.

Jim Johnson, president of Worldpay Merchant Solutions, FIS, says the partnership will enable the company to bring more of its treasury options in-house and offer its merchant partners more ways to receive funds.

Additionally, Philip Fayer, chair and CEO of Nuvei, says the use of stablecoins will encourage the growth of online businesses, and that Visa's ongoing attempt to optimise cross-border transactions is just one of many use cases where stablecoins could benefit businesses.

Adyen lands UK banking authorisation from FCA and PRA

Dutch payments processor Adyen has received authorisation from the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) to launch banking services in the UK.

> *Our focus is always on providing our customers with technology that helps them excel.*
>
> Mariëtte Swart, Adyen

The company had previously been operating in the UK under the FCA's Temporary Permissions Regime, but the new authorisation will enable the deployment of its services in full force. This includes its embedded financial product suite, which includes bank accounts, virtual and physical cards, capital services and expense management tools, and is angled at platform businesses seeking to offer financial products to their SMB users.

Adyen says the regulators' green light will position it as a "conduit for international commerce and growth facilitating payments, data insights and financial services", delivered in parallel with its European banking license, which it secured back in 2017.

The authorisation underlines "Adyen's continuous compliance with evolving regulatory frameworks, allowing it to continue offering its full scope of services in the United Kingdom post-Brexit," the company continues.

The approval will no doubt be welcomed warmly by the company as it comes just weeks after it had €17.8 billion wiped from its market capitalisation in a single day after posting underwhelming half-year results for 2023.

"Our focus is always on providing our customers with technology that helps them excel", ensures Mariëtte Swart, Adyen's chief legal and compliance officer.

"The UK is a key market for Adyen and we're excited to cement our position here with this banking authorisation. It will strengthen our ability to help domestic and international businesses achieve their ambitions faster. It's another stride towards Adyen becoming a full spectrum global financial technology platform."

How Economy-as-a-Service is shaping the way we work

By Dave Wallace, founder, NMD+

The Economy-as-a-Service (EaaS) model is progressively reshaping multiple sectors, most notably financial services.

The model is based on providing access to goods and services on a subscription basis rather than outright ownership. Customers pay a recurring fee to access a particular service or product without worrying about the upfront costs of purchasing it outright.

EaaS is turning traditional financial services into modular, scalable, easily customised and integrated offerings, perfect for a perpetually evolving sector adapting to meet the complex demands of modern economies.

Due to its extensive nature, EaaS is also changing how we work and live.

For example, companies can now offer employees access to a broader range of services and tools, such as remote work software, without bearing the costs of purchasing and maintaining them. This leads to a more flexible and agile workforce, which can better adapt to changing market conditions.

EaaS is transforming ownership and consumption. Businesses can offer their customers a broader range of services and products without investing in expensive infrastructure or equipment, ensuring more efficient use of resources. Also, enterprises can rent out their excess capacity to other businesses or individuals.

The benefits to the industry of taking this approach are many, including:

1. Enhanced operational efficiency: Firms can delegate non-core activities, conserving resources for value-adding services such as customer engagement and innovation. They also benefit from reduced operating costs.

2. Superior customer experience: It enables more intuitive, responsive services, allowing companies to offer personalised experiences and bolster customer satisfaction and loyalty.

3. Scalability and flexibility: EaaS allows financial institutions to adapt to market fluctuations, regulatory changes and evolving consumer preferences, benefiting start-ups and established banks seeking to diversify their services.

4. Fostering innovation: It cultivates an environment where cutting-edge technologies like blockchain and artificial intelligence (AI) can be swiftly integrated without major system overhauls, keeping financial firms on the vanguard of technological advancements.

5. Market expansion: The model allows financial institutions to extend their reach into unexplored markets through streamlined, modular service offerings. This is particularly valuable for entering emerging economies with nascent infrastructure.

6. Effective risk management: Real-time analytics within the EaaS framework enable more proactive risk mitigation strategies.

So what have been some of the critical drivers for the move to the EaaS model? According to Jonathan Vaux, head of propositions and partnerships at Thredd, the emergence of app-based banking has been a significant catalyst for the move in the retail banking space.

Jonathan, who prior to joining Thredd was head of innovation for Europe at Visa, says: “Mobile apps have revolutionised how banking and financial services are consumed. From applying for a bank account to managing finances, the mobile interface has fundamentally changed user interaction, and it is this app-based model that has transformed how products and services are distributed, consumed and utilised, affecting various sectors, including Cards-as-a-Service and Credit-as-a-Service.”

The pace and nature of product development have changed. Instead of releasing a static product which gets updated episodically, there

is now a focus on continual updates, monthly release schedules and iterative improvement. This technological shift along with the cultural and process-oriented change needs the flexibility that service-based models afford.

The model is starting to take hold outside of retail finance as well. For example, Philip Freeborn of Delta Capita is seeing massive changes in approach in the capital markets and investment banking industry. According to Philip, the inadequacy of traditional IT outsourcing, which focuses on a single client or process and often doesn't yield economies of scale or longevity, is causing the move to the services model. Delta Capita provides a mutualised managed services platform across technology and operations.

Delivering services which are crucial to banking but not necessarily client-differentiating, like post-trade activities and KYC, allows banks to focus on their unique value propositions. The emphasis is on recognising which processes add value to clients and which are merely core functions that could be outsourced.

> *"The pace and nature of product development have changed. Instead of releasing a static product which gets updated episodically, there is now a focus on continual updates.*
>
> Dave Wallace, NMD+

2023 seems to be the year of services for Delta Capita. According to Philip, the company has experienced more inbound inquiries this year than in the last five years.

But the move to an EaaS model is not necessarily a one-way street. Abdeslam Alaoui Smaili, the CEO of HPS, believes that the decision to outsource or insource must be dynamic and evolving depending on the business lifecycle, growth and risk assessment. For example, a company may initially outsource its payments platform but, as it becomes critical to the business, later insources it despite higher costs to mitigate risks. According to Abdeslam: "Companies must be prepared to outsource or insource activities based on multiple factors, including cost, control, risk and competitive landscape."

There's no one-size-fits-all approach. Each business has to weigh the pros and cons of outsourcing versus insourcing at various stages of its lifecycle, constantly evaluating and re-evaluating its strategies based on growth stage, risk tolerance and control requirements.

The EaaS model is revolutionising the financial services industry by enabling modular, scalable offerings, boosting operational efficiency, improving customer engagement and facilitating quicker adoption of technological innovations. It is impossible to imagine how financial services would be able to respond to the evolving market and environment without it.

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State of play: open banking and open finance

By Philip Benton, principal fintech analyst, Omdia

Sibos is always a highlight in the calendar, but the 2023 edition in Toronto feels more important than ever as the banking industry grapples with high inflation, rising interest rates, and rebuilding trust in the wake of banking collapses and an ongoing cost-of-living crisis.

The theme at Sibos this year is 'collaborative finance in a fragmented world', with open finance being a key trend to achieve this.

Maturing open banking infrastructure presents opportunities for more complex use cases

Open banking has been a talking point at Sibos for many years since its introduction by the UK's Competition and Markets Authority (CMA) in 2018. The UK is now regularly seeing monthly API calls of over 1 billion and reaching a maturity whereby open banking rails are being increasingly used for more complex use cases - one example being payments.

36% of respondents in Omdia's survey of payments issuers/acquirers stated that they saw "new payment services" as one of their top three opportunities as a result of open banking. The EMEA region see the most potential in open banking payments with almost 40% of respondents stating that it is in their top three opportunities. The UK meanwhile witnessed a surge in open banking payments during July 2023 with 11.4 million payments made, which was a 9.3% increase on the month prior and a 102.4% year-on-year rise.

Many of these payments are for funds transfers and wallet top-ups, but increasingly merchants are accepting it as an alternative method to card payments. JP Morgan, NatWest, and Bank of America have all launched "pay by bank" products that utilise open banking rails. NatWest's Payit has already processed more than £1bn worth of transactions in the two years since its launch.

2023 has proven to be a tipping point for open banking payments in the UK, with "new payment services leveraging open banking APIs" being a top IT product investment priority for 31% of UK respondents in Omdia's 2023/24 survey of payment issuers/acquirers. Variable recurring payments (VRP) are being labelled as the breakthrough use case: VRP is a more modern, secure, and flexible way of collecting regular payments for businesses and consumers than the traditional but inefficient direct debit or ACH system. Given the popularity of subscriptions and preference for utility firms to collect regular payments, VRPs could be the hero use case, offering flexibility to customers and accelerating adoption in the UK and the rest of the world.

PSD3 initiates the start of open finance

The European Commission published its first draft of the third Payment Services Directive (PSD3) in June 2023, which calls out issues such as API quality that are crucial to overcome if the industry is to embark on a transition from open banking to open finance.

The European Commission also set out its initial position for a new financial data access (FIDA) framework which aims to provide secure access to a wide range of financial data, empowering customers and fostering innovation in the realm of open finance. The exciting part of PSD3 is its proposed changes to grant financial service providers (FISPs) the right to access a wide range of financial data, including mortgages, loans, and pension data on behalf of a customer. By regulating FISPs, it would also increase transparency and credibility in the industry and enable third parties to provide value-added services to customers (and businesses).

To see real progress in open finance, it requires the industry to collaborate, which was a call to action in a recent NatWest report reviewing the unmet potential of open banking. Beyond Europe, we are starting to see traction globally, with the US bringing in open banking regulation through the CFPB in 2024 and Australia rolling out its real-time payment network PayTo, which combined with open banking creates a multitude of new use cases (such as variable recurring payments and request to pay).

As we embrace a new world where data is more freely available, open finance is going to be fundamental to unlocking new segments of the market and ensuring consumers and businesses are able to better access, manage, and ultimately grow their finances.

"Would you like data with that?" - why 'good' corporate banking is now far more than just the money

By Sarah Saigol, managing director, cash management & payments solutions, Lloyds Bank Corporate and Institutional Banking

There's a revolution happening in corporate banking.

The days of services being solely about facilitating credit and guarantees are long gone.

Today, banks' ability to add value through their proprietary data and insight – helping management teams make smarter, more informed decisions – is what is making good financing relationships great.

Here's what is driving this trend, the benefits it's unlocking and how I see it evolving in the years ahead.

Under the skin

In the corporate world, competitive advantages can be won and lost on the strength, granularity and accessibility of the information that businesses possess – from insights on customer behaviour to data on shop or production facilities' performance.

It's fair to say that becoming more data-driven is a strategic objective for many corporates and it's absolutely right to think of data as a fuel that powers boardroom decision making and corporate performance. As a result, companies around the world are becoming more data-driven and are actively seeking partners who can help them gain richer, deeper insight, faster.

Major financial institutions, by virtue of their market positions and services, are often the custodians of significant amounts of data, possessing a real-time, front-row seat on consumer trends and economic performance. There's a significant opportunity here for banks with the right capabilities, reach and expertise to support.

Provided that banks have invested in the right technology and the processes to analyse this information in a safe, secure, compliant and ethical way, they have incredibly powerful insight that can be offered as a service to their clients.

Ultimately, this helps corporates do business better, benefitting not only them, but also their customers and their wider economies.

Insight in practice

What does this 'insight-adding' look like in practice? The possibilities are only really constrained by a business' specific needs and the strength of the data available.

To start with, it can deliver macro insights. The real-time nature of the data can help paint a picture of consumer demand across customer segments and enable businesses to respond to a changing environment faster and adapt their products and services.

In terms of scale, it covers the same territory as macroeconomic datasets published by third-party analysts or government statisticians. And, due to it being a by-product of live consumer activity in the market, data from a banking partner can actually deliver a more representative and up-to-the-minute picture of what's going on in the market.

It can also deliver granular, bespoke business-specific insights, such as helping businesses unlock powerful market benchmarking. Organisations can benefit from an analysis of key business metrics such as average card transaction value to see how people are spending on competing or similar products across their market and across the country, in turn enabling them to respond with competitive actions.

It could also help optimise business' omnichannel strategies. Investment into both physical and digital shopfronts can be costly but highly rewarding if executed well. Data from a banking partner can help provide even more analytical firepower on which channels are performing the best, and help management teams make better, more informed decisions.

Looking to the future

We're starting to see financial institutions provide data services as part of their corporate banking offering. And it's going to shape the market. The ability for a banking partner to bring the data element to the table is going to be more and more important in corporate banking relationships and become a competitive differentiator.

This year's Sibos is all about collaborative finance in a fragmented world. As I see it, data's growing role in what makes 'good' corporate banking won't only mean ever-closer relationships between banks and businesses. It will also help corporates assemble more detailed, more actionable pictures from what have hitherto been scattered, disparate points of information – to everyone's benefit.

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Empathy and AI: banking's duty of care

By Theodora Lau, founder, Unconventional Ventures

What happens when all aspects of our lives are optimised and automated? When our next moves are predicted by faceless algorithms?

And when that privilege is accessible only to a select few, what then will become of our society — and humanity?

Take a moment and think about our day-to-day lives. What we read from social media sites and news apps is often dictated by what the algorithms think will resonate with us. Have you ever clicked on a cat video, and suddenly you see cat videos everywhere? And what happens when you click like and comment on someone's posts multiple times? With each accolade, you become more embedded with each other's digital persona, and you start spiraling down the rabbit hole and end up on a strange path without even realising it. Do I dare ask, will our relationships one day become so optimised and transactional that we seek each other out only when we see it as something we can benefit from and monetise?

I'd rather not imagine. But I do fear that's what we are slowly sleepwalking towards. In the heart of it all, are trust and empathy — the very qualities that make us humans.

Friend or foe?

It is hard to imagine that ChatGPT has only been introduced recently. The tool has quite literally taken the world by storm, accumulating over 100 million users in just two months. It has also slowly seeped into corporate lives as well — notwithstanding limitations imposed by some major corporations including Apple, Samsung, Bank of America, Deutsche Bank and JP Morgan Chase. Some of the most common use cases so far for generative AI include coding and debugging, content creation, and chatbots for customer support. While these areas are still mostly low-hanging fruit, it has caused quite a stir already in most business sectors.

Among the common concerns around generative AI systems in general are a lack of transparency in the Large Language Models (LLM) used for training and the potential for these tools to be used for malicious purposes. And there is no lack of news stories around AI hallucination. In an era where we already have an overabundance of disinformation and scams, the potential impact for generative AI to be used to craft misinformation or to create convincing phishing messages is grave. Even more concerning, according to researchers, voice-cloning AI can learn and simulate someone's voice from a three-second sample — creating a whole new level of ability for scammers to exploit.

Trust and security must be the DNA of an organisation and the solution that is built — especially for something as powerful as generative AI, which could have repercussions across all demographics and segments of society. It simply cannot be an afterthought.

> *"It's one thing when AI recommends a wrong book for purchase. It's a different thing with grave consequences when AI perpetuates the systemic biases that we are still confronting today.*
>
> Theodora Lau, Unconventional Ventures

The danger from adversarial AI is real and present. But it has nothing to do with the sensational stories that some have led you to believe, such as sentient robots. Rather, it is something even more fundamental. When we can no longer believe what we see nor what we hear, what does that do to a society where trust is what binds us?

Duty of care

It's one thing when AI recommends a wrong book for purchase. It's a different thing with grave consequences when AI perpetuates the systemic biases that we are still confronting today, such as limiting access to loans for certain demographics of the population.

And the topic of inclusion is particularly important in addressing the economic divide. While it is exciting to see newer payment methods such as voice-enabled payments being introduced, we must ensure that we are not introducing new challenges around user protection and privacy. Not to mention, we must be thoughtful in creating inclusive solutions that can support a society filled with a diverse set of languages and dialects.

Borrowing the words of James Barker and Leda Glyptis, "If you are not reliable, you are liable." This is especially true for a highly regulated industry such as banking. This is not to say we cannot experiment with generative AI. Rather, we must ensure that proper guardrails are in place before jumping into something because it looks shiny and exciting.

Ultimately, the responsibilities lie with humans — not faceless robots — to select the data sets and train the algorithms, and to decide where, when, and how the tools will be deployed, and for whom they will serve. Who is at the decision-making table matters.

Choose wisely — with empathy.

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How data enables the paradigm shift to accelerated settlements

By Tyler Pathe, reporter, FinTech Futures

The financial industry is constantly in pursuit of something faster, more instantaneous and capable of delivering a swift and streamlined route from A to B. This is certainly true within the realms of payment technology, as seen through innovation in the likes of contactless transactions and open banking. And now the need for speed is gaining pace among players in trade settlement.

Although on the surface there would be nothing to suggest that trade settlement, the transactional process of moving securities, namely stocks, bonds, ETFs and other financial assets between a buyer and seller in exchange for cash, should differ in speed to any other type of transaction, the reality is, for now, begrudgingly slow.

This is because settlements require the completion of a series of steps in order to be properly completed. This includes verifying the funds from the buyer and the securities from the seller, while clearing is typically facilitated by a third-party intermediary.

This necessity is what divides settlements between a transaction date (T) and a settlement date (+N), in that a typical two-day settlement would be labelled as T+2.

While this process has ensured the integrity and security of settlements, its slowness has failed to go unnoticed by the industry's agenda for acceleration.

Chief among the regulators vying for faster settlement times is the US Securities and Exchange Commission (SEC), which announced new rules in February of this year, effective of 28 May 2024, that would shorten the current T+2 settlement cycle for broker-dealer transactions to T+1.

Following the same trend, Canada confirmed its plan to migrate to T+1 settlements in the same timeframe to better align itself with its neighbour, while the UK deployed its Accelerated Settlement Taskforce in December 2022 to explore how it too could tap faster settlements.

> *"We take data and we turn it into quality information that drives confident decision making and confident actions.*
>
> Vincent Kilcoyne, SmartStream

Some markets however, like that of South Africa, already have T+0 settlement capabilities in place, which creates further disparities in instances of cross-border settlements.

With a litany of regulatory evolutions and a US compliance deadline on the horizon, it's essential that global markets instate and standardise their settlement capabilities.

One such firm that is paving the way for accelerated settlements is SmartStream. Backed by four decades of experience in innovation, the company envisions a future beyond the realms of T+1, where settlements are completed the same day as the transaction is ordered, in the ultimate outcome of T+0.

"We take data and we turn it into quality information that drives confident decision making and confident actions," explains Vincent Kilcoyne, SmartStream's EVP of product management.

While the implementation of T+0 settlements would adhere to the demand for speed in post-trade settlements, it remains on the edges of markets' peripheral vision for now. And this in itself raises the question: why doesn't the global industry pursue T+0 now?

For Kilcoyne, who has three decades of industry experience in leading and advising financial and technology organisations, this is because "T+1 is a waypoint to T+0".

He describes the transition from T+1 to T+0 as a "two-phase shift", in that it requires the same kind of technology but a different operational ecosystem.

"If you've already made the leap to T+0 and you move your operations to T+1, you can then move your operations to T+0 because your technology is already there waiting for you. So it kind of becomes a roadmap," he explains, emphasising that it "has to be done operationally".

"It could be done in one step technologically to move to T+0 with an intervening step of T+1. But operationally it needs to be done in two steps, because you've got to change the operational ecosystem and the habitat."

Data remains integral to how this habitat can be changed, and it's the quality of the data that'll determine how quickly that change can happen. Settlement speed remains dependent on the efficient transmission and communication of good quality data.

"If you do not have the good data, you will never have the quality information. You will never have the confident decisions and you will most definitely never have the confident actions," Kilcoyne says. "And this is where the ecosystem falls down."

Yet even with access to the best data, efforts to abide by accelerated settlement requirements would be in vain if not reinforced by the power of technology.

Fintech is playing an increasingly central role in broker-dealers' automation of their decision-making processes. For example, the SEC's amendments to rule 15c6-1 under the Securities Exchange Act (1934) require broker-dealers, including small entities, to "make changes to their business practices, as well as to their computer

systems, and/or to deploy new technology solutions".

These requirements won't be met easily by all, especially for larger institutions sporting hard-coded systems a decade or two old. However, as Kilcoyne discusses, it will encourage the eventual arrival of the even faster T+0 settlement capability.

"When you come to making a fundamental change, you can do one of two things: replace the existing systems or put in place technologies that are actually able to liberate the data from those systems," recommends Kilcoyne.

"Take the data out, and now all of a sudden, you'll have a high-quality data that you can turn into information, decisions and actions."

"It's not something that an organisation can solve as on its own," he adds. "It needs to be solved by all market participants because you can only run

"We've implemented and helped organisations achieve T+0, technologically and operationally, so we're familiar with a paradigm shift.

Vincent Kilcoyne, SmartStream

at the speed of the slowest participant. The beautiful thing is that SmartStream is actually working with all the participants in the information supply chain."

SmartStream provides transaction management solutions with a focus on leveraging advanced technologies including AI and machine learning. The company's solutions have been adopted by the world's leading banks, capital markets, buy-side firms and corporations, which are among its established customer base.

"We've implemented and helped organisations achieve T+0, technologically and operationally, so we're familiar with a paradigm shift," Kilcoyne adds. "We know how to coexist with the existing technologies to liberate the T+0 potential from the organisation and from the technologies. That's what we do."

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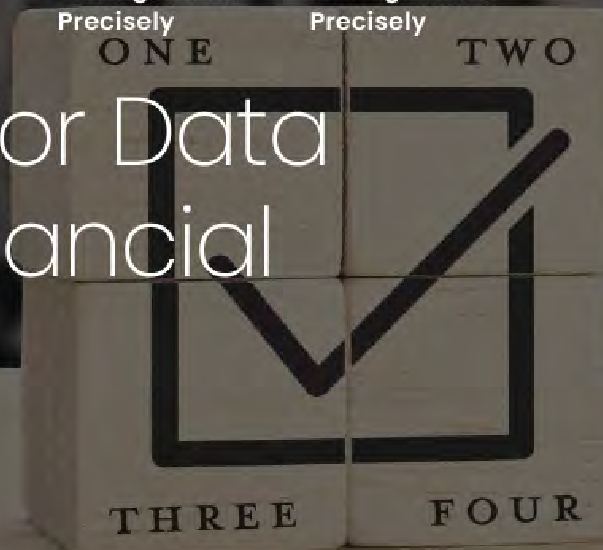

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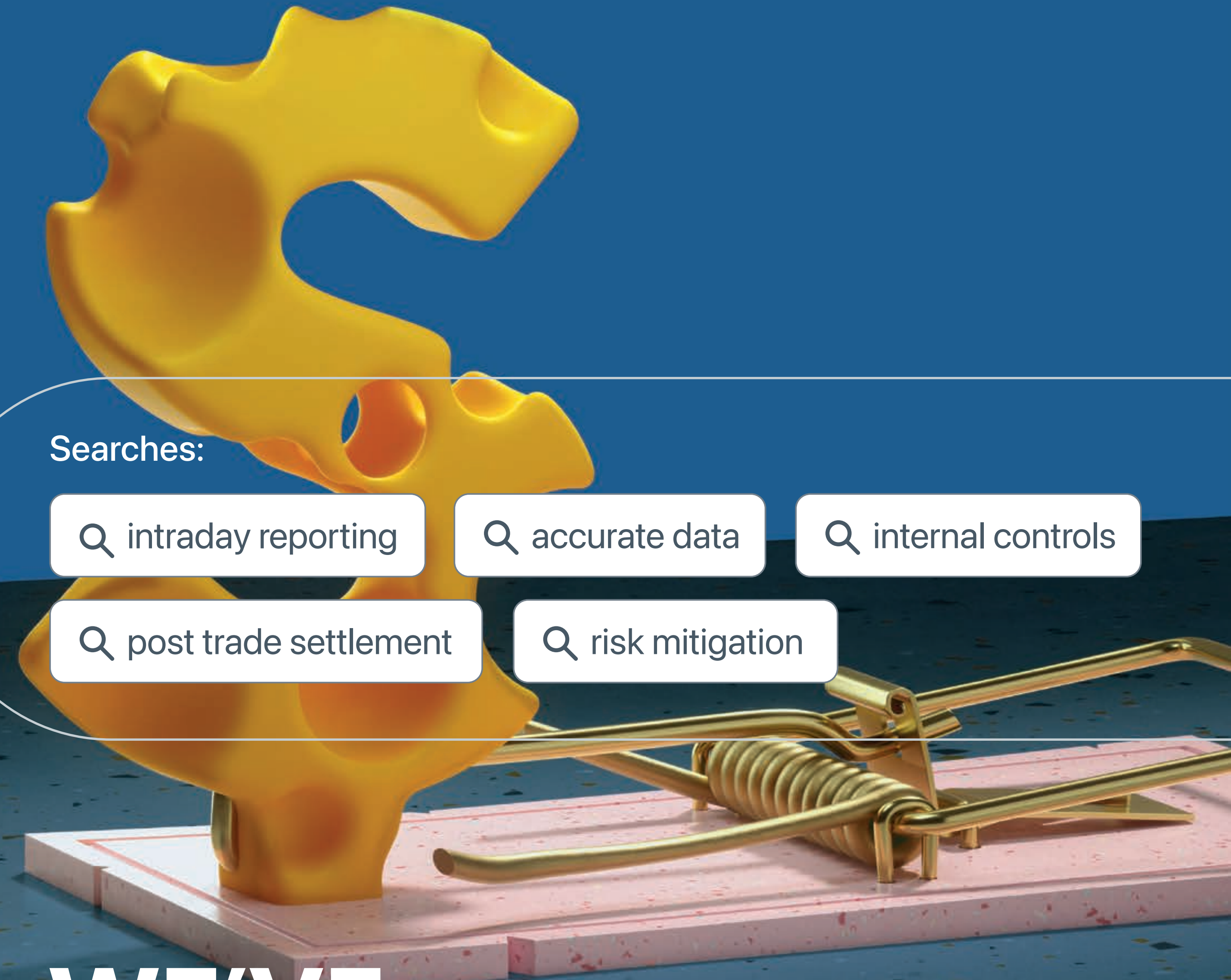

WE'VE GOT YOUR BACK.

The Future of Money: the ghost of panels past

By Dr Leda Glyptis, NED and author

The first time I participated in the 'Future of Money' session at Sibos, I was a banker.

Don't look at me like that.

When I say I am a recovering banker, this is what I mean. That I was one for a long time, not so long ago.

Since then, I have participated in the session again and again over a number of years both as a panellist and a host.

It's a flagship event, as you all probably already know. It's a huge honour to be there and a privilege to be there year after year.

It's no secret that I love Sibos. And that I love the Future of Money. I love how it brings together 'main event' concerns and Innotribe considerations. How it marries the 'meat and potatoes' side of the conference with the creative, out there, futuristic part.

But what I love the most about it is that it is an ongoing conversation. We come together every year and check in on the same topic. We are, after all, the payments industry. We know money is changing. We know the things we worry about are changing. We know it's not a one-and-done topic, so we keep coming back to it. Asking the questions. And asking again.

We keep asking the same questions, but the answers evolve and that's the point.

Over the years, we have spent time talking about things that, a few years previously, we wouldn't even have known what they are.

Central Bank Digital Currencies (CBDCs), for instance.

We held a whole Future of Money on the ethics of CBDCs a couple ofyears ago. We spoke about digital currencies and programmable money before, of course we did. Did we think the central banks would lead the charge? I don't think we did. But were we looking in the right direction? You bet we were.

We have also talked often about the tension between what a bank considers 'value-added services' and where the need is in the industry for innovation, creativity and investment... and how the two don't always coincide.

> *We keep asking the same questions, but the answers evolve and that's the point.*
>
> Dr Leda Glyptis

Why am I reminiscing?

Because this year at Sibos we have a Future of Money reunion. Some of the usual suspects who have been on over the years are coming back. Not just to opine. But to be held accountable. What did we say 5, 10, 15 years back?

Were we right?

And, equally significantly, do we still stand by our view of the world then?

I like it. I like it a lot.

And as I think back to all the things I may have said on this panel over the years... I can't decide whether I want to be presented with statements that make me go "A-HA, I called it! You heard it here first!" or whether I would rather cringe at the opinions of old me. Because if I haven't learned and refined my views in all these years... what the hell am I doing? Consistency is good. Stagnation? Not so much.

So, I hope I sort of directionally agree with myself but have added insight now.

I mostly don't remember what I said on these panels, truth be told. I remember the topics, but I don't remember if I made impassioned proclamations (I mean... it's me... so probably) or opinionated stances (also probable). So it will be interesting to be presented with a video of old me making an impassioned plea in favour of crypto and digital money when present me caveats every sentence pertaining to crypto about 78 times and talks about citizenship in the context of programmable money. I lose sleep over boundaries of civil liberty rather than proof-of-stake vs proof-of-work. We have moved on. The conversation has moved on. We have learned. We know more now, so we worry about different things.

We worry less about whether the banks will agree to let us play with cool stuff and more about whether they will keep with the times

We worry less about whether our bank will be a pioneer, letting us create something cool and fintech-y in the lab, and much more about whether the FS world will start participating fully in the digital economy.

So that has changed.

And the only way to get to today's problem is to go through yesterday's problems.

So although I may envy old me in terms of the simplicity of the dilemmas she faced, I remember vividly one Future of Money when I said - to some gasps in the audience - that the biggest fallacy banks have fallen prey to is believing they are in control.

> *We worry less about whether the banks will agree to let us play with cool stuff and more about whether they will keep with the times.*
>
> Dr Leda Glyptis

In control of timings.

In control of which technologies will become key to our shared future.

In control of what will happen, to whom, when... so far as it pertains to money.

And we were wrong.

Digital was not our gift. We were in its thrall, as a society. And unless we put our skates on, we would be at its mercy.

I got gasps back then. I don't think I would today.

I stand by that statement and sadly it largely still holds true.

Ultimately, the sum total of unsolicited innovation we have seen in the industry has been a measure of insecurity over usefulness. The rest has been forced, cajoled or legislated.

The true visionary pioneer in this story has been the regulator. And I would bet money that the panel didn't call that 15 years ago... but they maybe called it 10 years ago... when the winds of change started to blow in this new direction and the regulators made it clear that things were shifting.

And boy have they shifted.

So much.

Not enough.

But so much.

So this retrospective is a great idea. It will be amusing. It will be informative. It will tell us how far our instincts were right when it came to what we lost sleep over, even if our vocabulary to describe it was nascent. It will help us work out whether our self-reflection is landing on the right things.

Because God knows we need to sharpen our pencils for what lays ahead.

Wish old me luck.

I will be back on the other side with the verdict on our collective wisdom. And where we go from here.

#LedaWrites

Why AI in banking is more evolution than revolution

By Christer Holloman, author and entrepreneur

I've been writing about technology trends and how businesses have leveraged them for the past 15 years, from e-commerce and social media to the metaverse and Web3.

What I've learned is that everything takes longer and costs more than you think, and the end result is never as drastic as we thought it would be. It's always more evolution than revolution. AI is no different, and here's why.

The generative AI bubble

New generative AI start-ups have seen a huge amount of investment interest this year, even though some don't even have a product to speak of yet. One of the most obvious signs of a bubble is a rapid increase in asset prices. If prices are rising much faster than can be justified by economic fundamentals, it is a sign that a bubble is forming. Another indicator is how much it is talked about in the media or how executives try to use it as a reason to get bigger budgets next year.

According to a recent survey by Accenture, nearly three-quarters of companies currently prioritise AI over all other digital investments. When the market for generative AI technology stocks and start-ups (plus boardroom discussions) becomes frothy, it's a sign that a bubble is nearing its peak. This hype is therefore unsustainable, by definition.

Banks have used AI for 50 years

AI is nothing new for banks. As far back as the 1970s, bankers began adopting algorithmic trading strategies powered by high-speed computers and complex mathematical formulas to lower transaction costs and execute trades in a matter of milliseconds. Big banks and other financial institutions now use machine learning software to help assess credit risks, onboard clients, and detect fraud. Robo-advisory online platforms offer investors low-cost, automated investment services with little human interaction. But all that glitters is not gold. AI is fraught with debilitating challenges, such as data privacy concerns, unconscious bias (e.g., not treating customers fairly), and regulatory uncertainty.

> *What I've learned is that everything takes longer and costs more than you think, and the end result is never as drastic as we thought it would be.*
>
> Christer Holloman

Best use of AI within banking

In my book, Transactional to Transformational: How Banks Innovate, I share the untold stories of how 16 different banks delivered new solutions to consumers and businesses - products as well as services - across the spectrum of buy, build, and partner. One of the case studies is about Erica, the virtual financial assistant developed in-house by Bank of America.

This is one of the best examples of how banks use AI and perfectly illustrates that adopting AI is an evolution, not a revolution. Erica was first launched in 2018 and has since helped over 37 million clients (through 1.5 billion interactions and more than 10 million hours of conversations) with their everyday financial needs. David Tyrie, Chief Digital Officer and Chief Marketing Officer at Bank of America, says: "It took four years to reach the first billion interactions, but client engagement is accelerating, and it will easily exceed two billion within a few months."

Erica was launched as a text-based chatbot that could help customers with basic banking tasks. Over the years, the service has evolved significantly. She can now answer questions in natural language, provide personalised financial advice, and even make transactions on behalf of customers. In addition to writing, the platform now also supports voice and video.

Customers can ask Erica questions in a conversational way, without having to use specific keywords or phrases. For example, "How much money do I have in my checking account?" or "Can you help me set up a bill pay reminder?". Personalisation allows her to provide more relevant and helpful advice. For example, if a customer has recently opened a new credit card, Erica can remind them about their upcoming payment due date.

Christian Kitchell, Chief Experience Officer of Wealth at the bank, explains: "Whilst Erica is a public example of the work we have done, most of the work has happened behind the scenes. That work is part of a long-term effort to change the way we service clients. This is not a one to three-year exercise, we are in the second mile of a marathon."

It's not just end customers benefiting. This new way of offering guided self-service is freeing up employees to focus on clients with more complex needs. The bank has also been able to leverage some of the development work done in-house, reducing cost and improving speed to market in new geographies. The data customers opted in to share about their behavior, plus feedback, is being passed on to the relevant business lines to inform their roadmap and priorities for enhancements, and new products and services.

And, last but not least, the bank has accumulated 44 granted and pending patents related to the solution.

Evolution, not revolution.

The era of instant payments: global banks must turn to the latest technology

By Sylvie Boucheron-Saunier, global chief revenue officer, payments, Finastra

When it comes to payments, the need for speed underpinned by new industry, regulatory and customer demands has put enormous pressures on banks to adapt. Consumers and businesses want instant, seamless payments to be sent and received whenever and however they choose. They want to be able to manage their cash flow in real time and receive funds even on a weekend or public holiday.

Experts predict that 80% of the payment volume worldwide will use ISO 20022 standards by 2025. This new messaging standard is accelerating the adoption of instant payments, as it is used for services such as the UK's New Payments Architecture (NPA) and the US' FedNow to support seamless transactions in real time. In Europe, the EU Commission has proposed a legislation that mandates all payment service providers to offer instant payments in euros at any time of day, every day, using networks such as TARGET Instant Payment Settlement (TIPS).

Instant payment services in the APAC region are also accelerating. Japan launched the world's first real-time payment network almost 50 years ago. Fast forward to today, countries like the Philippines – which have significant unbanked and underbanked populations – are leapfrogging the card age and moving straight to digital wallets. Even more recently, the launch of the UPI-PayNow linkage enables users from India and Singapore to make and take payments instantly between both countries.

> *Experts predict that 80% of the payment volume worldwide will use ISO 20022 standards by 2025. This new messaging standard is accelerating the adoption of instant payments.*
>
> Sylvie Boucheron-Saunier, Finastra

Instant payents bring new challenges

The benefits of instant payments are clear – transactions are faster, more convenient and seamless for customers and businesses alike. However, they come with a new set of challenges for banks, such as upfront costs to adapt, implementation issues and combating financial crime.

According to Finastra's survey in partnership with Aite-Novarica (now Datos Insights), many financial institutions are currently in the process of deploying new payment rails. 72% have completed this project, have one in progress or plan to implement. However, 57% of respondents are facing challenges, with legacy infrastructure making modernisation efforts extremely or very challenging, especially for smaller banks.

Banks must also upgrade the way they manage fraud and financial crime. The speed of instant payments minimises the timeframe to stop such activity, meaning banks need to utilise the right technologies to do this in real time. If they fail to do this effectively, they may be liable to severe reputational and financial damage due to noncompliance.

Embracing the new era of tech-driven payments

Innovative technologies are bringing the future of payments forward for banks, with cloud and Payments as a Service (PaaS) solutions significantly reducing barriers to entry. Instant payment processing in the cloud enables banks to quickly transform and scale their operations to cope with increasing volumes and adapt to new customer, regulatory and industry demands.

PaaS helps banks modernise their payment capabilities at a reduced time to market and value, and at a lower Total Cost of Ownership (TCO). This also alleviates concerns about upfront investments in costly and complex infrastructure.

For example, Finastra Payments To Go is an end-to-end SaaS payment processing solution that enables banks to deliver instant and flexible digital payments faster and more efficiently. Integrated with Finastra's Financial Messaging Gateway, the solution provides institutions with frictionless, more affordable and direct access to a range of instant payment networks. Through open APIs, banks can quickly and seamlessly integrate specialist fintech services with the solution, such as for compliance with anti-money laundering (AML) or know your customer (KYC) requirements.

Other technologies such as AI can be used to analyse a customer's payment history to stop fraudulent activity and financial crime in real time. We recently launched Finastra Compliance as a Service to help banks combat financial crime for a range of instant payment infrastructures, such as the FedNow Service and TIPS. The service includes Fincom's real-time AML transaction screening and ThetaRay's AI-powered transaction monitoring as a

pre-integrated packaged solution with Finastra Payments To Go, via FusionFabric.cloud.

More recently, GenAI is being explored to create additional transactions that look like fraud transactions, to build more robust models that enable banks to identify new sets of fraud they've never seen before. It is also being explored to enhance customer support capabilities, streamline upgrades and migrations and to deliver ever more contextual user journeys. With machine learning (ML), automation and advanced analytics, banks can also optimise payment routing and processing decisions, reduce transaction times and ensure smoother payment flows to boost efficiencies.

Banks have an enormous opportunity to move beyond compliance and take advantage of innovative technologies to remain competitive and deliver the seamless payment services that customers expect. Finding the right partner to support this journey is key – a partner with the right combination of industry expertise, implementation support and the ability to offer the latest technology to solve real-world challenges.

> *"Banks have an enormous opportunity to move beyond compliance and take advantage of innovative technologies to remain competitive and deliver the seamless payment services that customers expect.*
>
> Sylvie Boucheron-Saunier, Finastra

Sylvie Boucheron-Saunier is the global chief revenue officer, payments at Finastra. She has a strong technology background and deep knowledge of the financial services and payments industry, from various perspectives. Before Finastra, Sylvie had a decade-long tenure at ACI Worldwide, a real-time payments solutions company, where she held various leadership roles.

Sylvie is a strong advocate for the leadership and growth of women in the payments industry and continually looks for ways to provide mentorship, empowerment, and foster inclusivity and diversity in all roles. She is also passionate about giving back and helping to reduce poverty and inequalities, particularly in Africa where she gives her time to NanoBNK, a fintech offering digital banking solutions for unbanked African populations. Additionally, Sylvie is a board member of the Anglo-African Group, present in multiple African countries.

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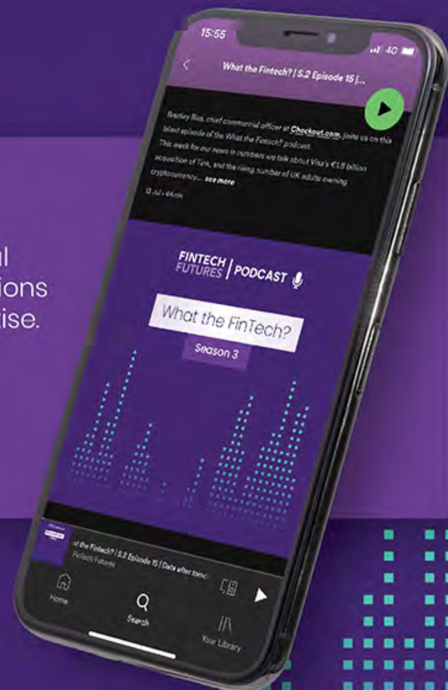

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To learn more about the awards and see the full list of categories, visit

bankingtechawardsusa.com

Mapping the Canadian fintech story

By Shruti Khairnar, reporter, FinTech Futures

North America boasts the world's largest financial services industry, with the US in particular leading the way.

A recent report by Boston Consulting Group (BCG) and QED Investors claims there will be a 6x increase in fintech revenues from $245 billion to $1.5 trillion by 2030, with the US alone accounting for 32% of global fintech revenue growth.

However, despite the US often

dominating the headlines, Canada has been setting itself up as a formidable force in the fintech sector. With this year's Sibos taking place in Toronto, let's take a look at Canada's recent fintech journey, including the highs and lows and what lies ahead for the country.

The highs and the lows

Following the disruptions of the Covid-19 pandemic, the year 2021 marked a record year for investment in Canada's fintech scene. According to data compiled by PitchBook for KPMG in Canada, funding rose to almost $7 billion that year, with a record 217 deals, which surpassed the previous annual record set in 2017.

With more than 1,200 active fintech companies in 2021, the outlook looked bright. But with the global economic downturn in 2022, Canada, much like the rest of the world, could not remain immune.

Surely enough, fintech valuations in 2022 declined more than five-fold according to KPMG, with the number of deals slowing "significantly" towards the end of the year.

However, to put this into context, KPMG notes that despite the downturn, it was still the "second-best year" for Canada in terms of deal volume.

Analysts predicted the trends from last year to continue into 2023, and as per KPMG's latest H1 2023 report, funding in Canadian fintechs dropped three-fold to pandemic levels.

Despite this, seed rounds and early-stage fintech investments, which contributed to more than half of last year's funding activity, have remained consistent this year as well, with early-stage and seed funding accounting for 34 of the 57 deals seen across H1 2023, which is encouraging for the future of the industry.

Going ahead, fintech companies have a lot to be mindful about – from fears of a recession to rising inflation and interest rates – all of which are making investors tighten their purse strings.

But it doesn't have to be all bad news.

"It's not surprising to see a decline given the market rout, and the fact that fintech investments hit such feverish heights in 2021," comments Geoff Rush, financial services industry leader at KPMG in Canada.

"But to put things into perspective: last year's activity was still stronger than 2020, and we also saw the second highest number of deals ever, so clearly investors were still finding many attractively priced opportunities."

Glass half full

The consistency seen in seed and early-stage funding activity in the past two years brings about some positivity for young fintech companies in Canada.

Georges Pigeon, a partner in deal advisory and transaction services for KPMG in Canada, highlights investors' interest in funding new start-ups, suggesting the time could be now for new firms to look for funding, although at the possibility of flat or slashed valuations.

The recent report by BCG and QED Investors confirms this sentiment.

"Overvaluations have become more difficult to justify without strong fundamentals—such as good unit economics, recurring revenues, patents, strong brands, and loyal customer bases," the report states.

"Some of this filtering is good for the industry, as weaker business models are becoming stressed and effectively being weeded out."

Amid the doom and gloom, KPMG expects certain areas in fintech to be well received by investors, including artificial intelligence (AI), blockchain and machine learning.

"There are a lot of financial services companies that rely significantly on technology and are looking to adopt more emerging technologies such as generative AI, so that should bode well for the fintech space in the near to long term," Rush says.

Nicky Senyard, CEO and co-founder of Canada's Fintel Connect, believes recent market developments have proven to be beneficial for the fintech industry.

"These developments have prompted a shift towards business models that have a genuine emphasis on sustainability, as opposed to mere speculative ideas, making these fintech products robust and likely to enhance their long-term viability," Senyard says.

Room for growth

Canada's fintech sector has been growing steadily, both in terms of the number of start-ups as well as the number of hubs.

Senyard says the current funding landscape "has fostered a sense of realism, offering a clearer perspective on the dynamics of the market".

"Canada enjoys a distinctive position, benefiting from its ability to look over the fence, and observe and learn from the US while navigating its own unique financial ecosystem."

She gives the Canadian mortgage sector as an example, saying it operates differently than its US counterpart.

"As the property market evolves and interest rates stabilise or decrease, we can anticipate the emergence of innovative mortgage products and solutions."

According to Traxcn, as of July 2023, there were almost 3,000 fintech firms operating in Canada. Some of the top funded companies include WealthSimple, an online robo-advisory and stock trading platform, and KYC and AML solutions provider Trulioo.

In terms of talent, according to CBRE's 2023 Scoring Tech Talent report, Canada's technology workforce grew more than 15% from 2020 through 2022, onboarding 150,000 employees. In terms of tech hubs, Toronto was also recently named Canada's largest tech market and fifth largest in North America.

Vancouver is the country's second largest fintech hub, with Calgary (home to fintech firms Katipult and Finofo) also experiencing a 61% growth in tech talent. This activity signals that Canada is quickly becoming a burgeoning hub for tech companies.

Predictions for the future

Looking forward, in tandem with the gloomy global forecasts for the remainder of the year, KPMG expects Canadian investment activities to remain on the lower side.

Pigeon also suggests the fintech space is undergoing "a bit of a mentality shift". He notes that companies saw huge amounts of capital flowing from VC investors in 2021, allowing them to pull through 2023, and maybe even 2024, due to streamlining and restructuring measures to make the cash last longer.

"So instead of a 'growth at any cost' mentality, many fintechs are now focusing on sensible growth while preserving the cash they have on hand for as long as they can with an eye to achieving sustainable profitability in a not-too-distant future," Pigeon says.

On the flip side, he adds that the current funding environment spells trouble for the more mature fintechs that haven't yet found a path towards profitability, predicting that such firms may have to make difficult decisions, including shutting down or selling at reduced valuations.

For Senyard, the key focus for fintech companies in the near future lies in "delivering the right solutions to Canadian customers", which include alleviating financial stress and empowering them with financial literacy tools and strategies for their financial well-being.

"This is where fintechs have their sweet spot," she concludes.

The global fintech market has experienced a tough year, and only time will tell how it emerges on the other side. But as BCG says in its report, fintech is indeed a "long-term growth story", and while the "fintech winter is just one season, a sunnier spring and summer should follow".

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