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PRESENTS

ACHIEVING COMPETITIVE ADVANTAGE IN APAC THROUGH DIGITAL PAYMENTS MODERNIZATION

WITH

Bottomline

Bottomline

New era for Asia-Pacific

In APAC, the rapid expansion of cross-border payments, a diversity of currencies and banking systems, and the adoption of SaaS solutions are combining to create a period of change for financial institutions.

It's a shift on a scale never before seen in the region. Swift are providing essential tools to support this growth and the implementation of ISO 20022 should enhance the region's financial infrastructure, but there are significant hurdles to overcome. That's the dynamic context surrounding this special edition.

Across the following pages you will get a definitive insight into the forces and changes that banks and financial institutions in the region are navigating and we'll let you in on some of the specific opportunities and challenges facing jurisdictions such as Singapore, Hong Kong, Cambodia, The Philippines and more. We've got commentary from banking experts and professionals at the heart of the sector and we'll find out what role Bottomline are playing in delivering seamless technology and innovation.

There's exciting things happening here and whether you're directly involved or observing from afar, we'd argue it's essential you stay abreast of the latest developments. This supplement has all you need to know.

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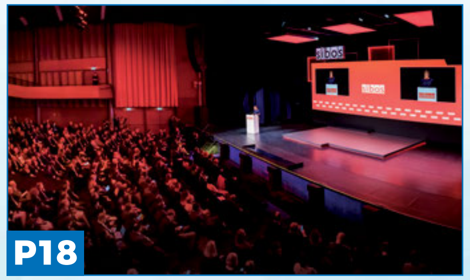


Diverse regulatory landscapes and varied currencies present cross-border payments challenges for APAC institutions. Strategic partnerships and API integration offer a way forward.

Bridging borders:
The digital transformation of cross-border payments in APAC

The Asia-Pacific region's diverse economies, currencies, and cultures create a complex regulatory landscape. This diversity drives innovation and growth but complicates cross-border payments. Financial institutions must navigate multiple regulatory frameworks and ensure meticulous compliance for smooth transactions. Varied currencies and payment systems also hinder interoperability and standardisation in cross-border transactions.

The shift towards digitalization in financial services isn't merely a passing fad – it's a conscious adaptation to meet evolving consumer preferences for convenience and instantaneity. Statistics from the Western Union Global Money Transfer Index 2023 reveal that six in ten consumers in the Asia-Pacific region prefer digital-only solutions for their remittance needs. This preference aligns with the region's substantial contribution, accounting for about 63.4% of the overall increase in global remittances in 2021 and 2022.

In November 2020, G20 leaders unveiled a roadmap to tackle challenges in cross-border payments, such as high costs, slow speeds, limited access, and transparency issues. The roadmap targets processing 75% of cross-border payments within one hour by the end of 2027, aligning with efforts to link Faster Payment Systems (FPS) across borders. Financial institutions are leading this transformation, prioritizing ISO 20022 compliance by November 2025 and integrating APIs for faster, more efficient transactions. These efforts aim to improve the speed, affordability, transparency, and accessibility of cross-border payments, fostering financial inclusion and economic growth.

Following the introduction of the roadmap, Singapore and Thailand effectively linked their FPS systems across borders in April 2021, pioneering the ASEAN payment connectivity scheme. This successful collaboration sets a blueprint for others, demonstrating how collaboration can extend the benefits of instant domestic payments to cross-border transactions.

To sustain growth in the APAC region, several ISO 20022 migration projects were completed before the CBPR+ go-live period, involving market infrastructures from the Philippines, Thailand, Malaysia, Singapore, and Australia. Globally, implementation continues, with 19% of international payments on Swift using ISO 20022 versus FIN MT as of December 2023. For banks with legacy systems, partners like Bottomline offer message transformation services to meet regulatory deadlines, benefit from enhanced ISO data, and allow internal migration at the bank's own pace.

"Six in ten consumers in the Asia-Pacific region prefer digital-only solutions for remittance."

API technology, when harnessed through global partners like Bottomline, plays a crucial role in transforming cross-border payment strategies and meeting the set G20 targets. Leveraging Bottomline's standardised API solutions, embraced by financial institutions worldwide, provides a single access point to multiple payment networks, systems, and infrastructures. This approach provides unparalleled optionality in payment rails for cross-border transactions, supports ISO 20022 migration, and facilitates regulatory compliance.

Recent research conducted by East & Partners highlights the integral role of fintech partnerships in the strategies of APAC banks. A significant 87% of banks in the region aim to engage with an average of four fintech partners over the next 12 to 18 months, a proportion higher than any other region, while only 13% intend to develop in-house solutions.

As the leading Swift service bureau in the Asia-Pacific region, Bottomline manages 15% of Swift's global cross-border traffic, highlighting its regional and global impact. Partnering with Bottomline as a SaaS provider helps financial institutions enhance scalability, agility, and regulatory compliance while accessing the latest technology. Outsourcing to Bottomline streamlines operations, allowing banks to focus on core competencies and boost efficiency using specialized expertise. Ultimately, Bottomline's API solutions enable financial institutions to navigate the complex cross-border payments landscape in APAC with confidence and innovation.

What's essential?
Navigating Swift Essentials in APAC

With cross border payments in the APAC region continuing to expand at pace, **Swift** is aiming to give financial institutions the tools they need to flourish. We find out if this is good news for everyone.

In the dynamic landscape of cross-border payments, the momentum gained in 2023 continues to propel the industry forward, especially with the recent introduction of Swift Essentials. Designed to address key challenges prevalent in cross-border transactions, Swift Essentials offers solutions to enhance efficiency, compliance, and technology adoption.

The expansion of cross-border payments is evident from projections by The Bank of England forecasting a surge from nearly $150 trillion (USD) in 2017 to over $250 trillion (USD) by 2027. In 2021, APAC accounted for over 40 percent of more than $200 billion (USD) of global cross-border payments revenues, according to McKinsey's Global Payments Map. They expect the market to grow 6 to 8 percent per year over the next five years due to the rise of affluence, the fast-expanding digital economy, increased penetration of easy-to-use secure payments, and continued growth in e-commerce.

The Role of Swift Essentials

Swift, a pivotal player in this domain, has embarked on a strategic initiative with the formal compilation of a suite of solutions called Swift Essentials. This suite represents a reorganisation and repackaging of Swift's products. These solutions are geared towards optimising various key objectives of cross-border transactions, including speed, reliability, compliance, integration, reduced friction, and corporate treasury management.

Three pivotal aspects stand out in Swift Essentials. Firstly, its focus on efficiency and integration facilitates seamless connectivity between back-office systems and Swift, enabling the speedy transmission and reception of financial messages. Secondly, for compliance and risk management, Swift Essentials offers a range of tools and solutions to combat financial crimes and enhance business intelligence. Thirdly, Swift Essentials aligns with the ISO 20022 global data standard, embracing innovative technologies and standards crucial for improved control, transparency, and interoperability. The issue of speed and transparency can be particularly debilitating in APAC, where transaction chains are often lengthy and complex.

"Smaller entities may face hurdles in adapting to Swift Essentials, especially concerning business continuity."

All member banks and financial institutions transitioned to Swift Essentials on January 1, 2024, ushering in a new era of enhanced capabilities. While this transition incurs additional fees, it provides access to a broader suite of solutions, with pricing structured based on transaction volume. However, seamless integration and futureproofing necessitate collaboration with providers like Bottomline to access Swift's user interface and ongoing advisory services.

The introduction of Swift Essentials presents both opportunities and challenges for the industry. By leveraging these solutions, banks and financial institutions can potentially reduce costs, increase speed, and enhance transparency in cross-border transactions. However, smaller entities may face hurdles in adapting to Swift Essentials, especially concerning business continuity and operational support.

In conclusion, Swift Essentials signifies a positive step towards addressing the G20 Roadmap for 2027 for enhancing cross-border payments, promising improvements in cost, speed, access, and transparency.

Yet, for smaller providers, navigating this transition may require additional external support and expertise from trusted third-party providers such as Bottomline to mitigate potential challenges and seize the opportunities presented by Swift Essentials to exceed growth and revenue for cross-border payments in APAC.

Navigating ISO 20022 migration: Insights and strategies for APAC financial institutions

Why implement ISO 20022? That's the question this article seeks to answer for institutions in APAC, with comment from **Julie Bolan** from **Swift** and **Rodel Garcia** from **EastWest Bank**, the Philippines.

The ISO 20022 coexistence period started in March 2023 and will now run until November 2025. As of December 2023, 19% of all global cross-border payments traffic on Swift is now in ISO 20022.

The technical migration to ensure that all participants on the network are technically enabled for FIN Plus / InterAct has gone very well, and the 20 March date passed with few issues. However, the real test will come as we start to see a ramp-up in the use of ISO 20022 messages and the introduction of enhanced data and requirements for greater use of the ISO 20022 structured fields.

The global financial landscape is undergoing a significant transformation with the adoption of ISO 20022, a universal messaging standard designed to enhance data richness and streamline communication in financial transactions. As banks and financial institutions in the Asia-Pacific (APAC) region gear up for this transition, understanding the current status, challenges, and strategies for successful migration is crucial.

Discussions among Swift, EastWest Bank, and Bottomline revealed varying levels of readiness across regions. Countries like Switzerland, which adopted ISO 20022 for domestic networks way back in 2015, are ahead of the curve due to prior experience and infrastructure upgrades. However, challenges persist, particularly for institutions relying on legacy systems that require extensive modifications for ISO 20022 compatibility.

The good news is that 31% of banks and financial institutions in APAC can send/receive and process ISO 20022 (Native), according to a 'live' poll during a recent Bottomline webinar: One Year On Transitioning to ISO 20022 Native in APAC. This is a high figure and clearly higher than the 19% referenced above. What is not clear is whether this is just for domestic ISO, rather than cross-border. The rest of the audience was split between sending and receiving ISO but using translation internally (Market Ready) at 25% and ready to receive only using 'in-flow translation' (Connectivity Only) at 44%.

> **"Improvements in customer experience, operational efficiency, and transparency signify the long-term benefits of ISO 20022 adoption."**

In our view, it is the ability of the financial institutions that are ISO Native to fully leverage the richer, structured, and enhanced data that makes it the optimum status. Additionally, the data is all in the same language, so it avoids truncation, thereby reducing ongoing maintenance and providing a strong screening engine, which makes ISO Native the best option.

Lessons learned from domestic implementation of ISO 20022

Lessons learned from domestic adoption efforts offer valuable insights for cross-border implementation. Countries like the Philippines, which mandated ISO 20022 for domestic RTGS in 2021, encountered challenges in building the business case and adapting to new standards. However, improvements in customer experience, operational efficiency, and transparency signify the long-term benefits of ISO 20022 adoption.

Rodel Garcia, Head of Fund Transfers at EastWest Bank in the Philippines adopted ISO 20022 in July 2021 for their domestic RTGS which was mandated by the central bank.

"We misjudged the project size and the full range of departments we needed to educate and integrate into the implementation plan. However, we have seen a huge improvement in our customers' experience, such as a decline in instances of delays in processing domestic payments resulting from missing or incomplete transaction details. In terms of operational efficiency, we also see some improvements, particularly in the processing of data in transactions. Lastly, improved transparency."

Building the business case for ISO 20022 native in APAC

Despite the complexities, the business case for ISO 20022 remains compelling. Enhanced data structures enable better fraud management, reduce transaction costs, decrease the need for manual intervention, and optimise cash flows. Structured data also facilitates improved customer insights and operational efficiencies, paving the way for future innovations in payment systems.

Enhanced data will add even more value in the fight against fraud and reduce false positives as it helps distinguish between fields reserved for sanctioned countries versus address or business name – e.g., Bar Cuba.

Overcoming barriers for ISO 20022

However, significant barriers remain, including end-to-end processing chain readiness and the adaptation of ecosystem-wide infrastructure. Collaboration and coordination across the industry are paramount to address these challenges and ensure a smooth migration process.

For instance, a massive 52% said in the same live webinar poll as above that end-to-end processing chain readiness was the greatest challenge of ISO 20022. This was followed by 29% stating that the biggest hurdle was being able to support the additional data and structure, 12% expressing concern about cross-party acceptance, and a surprisingly low but encouraging 7% worried about building the business case of it being more than just a regulatory mandate.

Julie Bolan, Head of Payments Go-To-Market for APAC at Swift, says that, "end-to-end processing chain readiness can be viewed from a couple of different perspectives. One is supporting your customer readiness, and the second is looking at the whole ecosystem. Most banks focus on and invest in the prioritisation of their payment flows. However, there are other key considerations as part of that end-to-end ecosystem around statements and the notification messages. Then there are also charges messages and exceptions and investigations (E&I) messages. It's important to look at those as well."

In conclusion, the success of the ISO 20022 migration hinges on collective efforts and coordinated action from all stakeholders. As the deadline for full adoption approaches, financial institutions in APAC must prioritise readiness, foster collaboration, and embrace the transformative potential of ISO 20022 to navigate the evolving landscape of global payments effectively.

APAC's financial payments dynamics: Balancing competition and collaboration

Enormous diversity in currencies and banking systems needs an agility only afforded by SaaS solutions. We look at the challenges facing APAC financial institutions and their huge strides forward.

The Asia-Pacific (APAC) region is at the forefront of the global shift towards cashless payments, with projections indicating an impressive 108% growth in cashless transaction volumes from 2020 to 2025. This exponential surge, surpassing the global average, emphasizes APAC's pivotal role in shaping the future of digital finance. As APAC emerges as a leader in cashless payments, financial institutions (FIs) face a landscape filled with opportunities and challenges.

Insights from Bottomline's latest report, *"The Future of Competitive Advantage in Banking & Payments 2023"*, compares the strategic priorities and roadmaps of financial institutions in APAC against their global counterparts in meeting customer expectations and gaining a competitive edge in the rapidly evolving APAC payments landscape.

Real-time payments in diverse economies

The G20 Cross-Border Payments Report 2023 observed a significant gap in digital payment experiences across regions with varying income levels, notably impacting the economically diverse APAC region. Lower-income regions struggle to meet the targets for cost and speed due to regulatory barriers, legacy infrastructures, and reliance on correspondent banks for cross-border transactions.

Consequently, individuals in these regions face delays, higher fees, and limited access to cross-border transaction options. Reflecting these findings, Bottomline's 2023 survey reveals a priority among APAC respondents for offering fair and transparent pricing over the next 12 months. This strategic focus demonstrates the need to address customer price sensitivity across diverse economic landscapes, prompting financial institutions in APAC to adapt their pricing strategies accordingly.

With the surge in digital payments worldwide, especially in APAC, the necessity to upgrade payment infrastructure for real-time transactions becomes increasingly apparent. However, sustaining momentum and addressing the growing demand for real-time transactions requires legacy systems to be modernised. This urgency is underscored by 73% of APAC respondents expressing a strong or extremely strong appetite to transition to SaaS, in contrast to 60% globally.

Modernizing payment infrastructure becomes especially pressing for banks and financial institutions participating in initiatives like Regional Payment Connectivity, formed in alignment with the G20 Cross-border roadmaps. Countries like Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam spearhead this initiative, showcasing the interconnectedness of economies in the APAC region. The significance of transitioning to SaaS solutions is further emphasized by 32% of APAC financial institutions identifying legacy systems as a key pain point in their payment infrastructure. This sentiment echoes across all regions, emphasising the necessity of embracing SaaS.

Challenges of exotic currencies in cross-border transactions

Compared to the European Union (EU), the APAC region faces distinctive challenges due to its diverse currencies. On average, banks in APAC maintain 58 nostro accounts, resulting in annual maintenance costs exceeding $1.7 million (USD). The burgeoning volume of business-to-business (B2B) cross-border payments in APAC has amplified the complexity of these transactions, heavily reliant on correspondent banking relationships. This dependency limits visibility into payment status, costs, and certainty, while the traditional payment process lacks predictability regarding arrival times and the final amount received after currency exchange calculations and deductions. As cross-border transactions continue to rise, businesses grapple with fluctuating currency exchange rates, adherence to international regulations, and the necessity for swift and secure fund movements across borders.

> **"32% of APAC banks and FIs can facilitate real-time payments, compared to North America, where only 7% are prepared."**

In the prioritisation of product roadmaps for the next 12 months, the prevailing notion of 'faster payments, faster fraud' guides global priorities, with a focus on mitigating fraud risk and adopting new payment rails such as real-time payments – except in APAC, where real-time payments take the third spot in priority, deviating from other regions. Despite misconceptions, real-time payments are not inherently riskier than other methods; their 1-5 seconds latency and irrevocable nature simply means there is less time for fraud checks and once a payment is sent it is complex to recall. However, with the emergence of new fraud prevention tools like pre-validation, concerns and associations of real-time payments with fraud are expected to dissipate over time. A significant need for cross-border payments arises from the absence of a common currency or uniform regulations in APAC, unlike regions such as Europe, which have high volumes of Euro transactions.

Distinctively, APAC exhibits a high degree of familiarity with shared market infrastructures, exemplified by the interlinkage of real-time payment systems in Singapore, Indonesia, Malaysia, and Thailand. With 32% of banks and financial institutions in APAC capable of facilitating real-time payments, the region leads significantly compared to North American entities, where only 7% are prepared for such transactions. Once again, legacy infrastructure emerges as a prominent barrier to the rapid adoption of real-time payments, a challenge echoed across all regions, including APAC and the Rest of the World (Middle East, Africa, Latin America).

Leveraging ISO 20022 data and optimising efficiency

The costs associated with maintaining numerous nostro accounts in APAC are particularly higher than in other regions, primarily due to the presence of exotic currencies. Despite this, limited visibility in payment status is less prevalent in APAC, standing at 20%, compared to a higher 51% in North America. This discrepancy may stem from earlier deadlines for adopting ISO 20022 connectivity in domestic market infrastructures and a higher usage of Swift GPI, which incorporates ISO standards (the CBPR+ deadline was March 2023). Additionally, concerns regarding trapped liquidity are less significant in APAC, possibly due to the adoption of multi-lateral cross-border platforms like Visa B2B Connect.

Strategic implementation of multi-lateral payment rails, such as Visa B2B Connect, effectively addresses the challenges and costs of managing numerous nostro accounts in a region with diverse currencies. These platforms streamline cross-border transactions, reducing the reliance on multiple nostro accounts and enhancing operational efficiency through standardised protocols. Moreover, integrating real-time domestic payment connectivity not only injects agility and immediacy into fund movements but also aligns with the G20's speed target, emphasising the importance of rapidity in financial transactions.

This comprehensive approach manages cost and enhances liquidity management across a wide range of currencies in the region. Transaction costs are particularly pronounced in regions with exotic currencies and numerous nostro accounts, such as APAC and the Rest of the World. Financial institutions in these regions leverage the enhanced ISO 20022 data to significantly reduce transaction costs while catering to the needs of cost-conscious customers. The standardised data format minimises the necessity for manual entry, which reduces errors and lowers the chance of delays or additional costs.

Furthermore, all regions unanimously acknowledge that ISO 20022's enhanced data and standardisation contribute to improved fraud monitoring and management. Finally, ISO 20022 facilitates straight-through processing, automating the entire transaction process from end to end without requiring manual intervention.

Forging partnerships for seamless SaaS transition

Navigating the dynamic landscape of APAC finance requires banks and financial institutions to remain agile and adaptable. To maintain their competitive edge, they must continually assess their global and regional standings, aligning their strategies with evolving customer preferences and market shifts. At the core of this strategic imperative lies the need for a modernised infrastructure capable of supporting real-time processing within a customer-centric banking model, where 'always-on' banking is crucial.

Within the realm of hosted environments, institutions discover a secure platform for scalability, agility, innovation, and potential cost savings. The key lies in fostering strategic partnerships with experienced solution providers like Bottomline to navigate the intricate journey toward SaaS adoption.

Through collaboration, institutions can smoothly transition to a hosted model, gaining streamlined access to multiple payment networks via a single API connection and ensuring uninterrupted connectivity. Ultimately, a SaaS-native bank emerges as a resilient institution, equipped to innovate and adapt proactively to the ever-evolving APAC landscape.

Accelerating SaaS adoption:
A blueprint for APAC financial institutions

For Asia-Pacific's financial sector, **SaaS** has never been more necessary to gain unprecedented agility and resilience amidst challenges. Here we take you through the landscape.

In an era of unprecedented challenges for banks and financial institutions across the Asia-Pacific (APAC) region, embracing Software as a Service (SaaS) solutions has never been more pressing. Far from slowing down, the pace of migration towards SaaS should be accelerated by banks and financial institutions to adeptly navigate the evolving landscape where agility and resilience will reap the reward of true competitive advantage.

Since 2019, SaaS solutions have emerged as indispensable assets for the fintech ecosystem, offering plug-and-play capabilities and unparalleled flexibility. However, it was during the tumultuous year of 2020 that the true transformative power of SaaS became evident. As the COVID-19 pandemic wreaked havoc on global economies, financial players turned to SaaS for salvation.

Collaboration among financial institutions is also crucial in addressing the fragmented market, geopolitical uncertainties, and varying regulatory requirements. SaaS models encourage collaboration by providing shared platforms and services across institutions.

Winning competitive advantage

Deploying new front-end experiences and efficient back-end services will enable banks to differentiate their brands, meet customer expectations, and swiftly adapt to rapidly changing circumstances. According to Mambu's 2023 Benchmarking Survey, companies embracing hybrid integration models or SaaS platforms witnessed a remarkable uptick in performance, with significantly improved annual revenue growth and higher resilience in the face of adversity.

Bottomline, a global SaaS provider specialising in secure payment digitisation, recognises the imperative of preparing for an uncertain future. It is vital to underscore the importance of addressing known challenges, such as the end of the ISO 20022 coexistence period in 2025, the march towards reaching the G20 Roadmap targets for cross-border

payments in 2027, and evolving fraud prevention practices through SaaS-driven solutions. For instance, SaaS solutions aid financial institutions in managing sanction screening by providing access to updated sanction lists, reducing false positives, offering flexible implementation options (e.g., APIs), and adapting to evolving regulatory requirements.

Additionally, SaaS models offer solutions to key pain points faced by financial institutions, including meeting customer expectations for digitalization, reducing fragmentation, leveraging expertise, and managing costs effectively. These models enable faster time-to-market, provide a wide range of services, offer expertise in new technological environments, reduce costs, position banks as modern players, and facilitate quicker expansion into new markets or customer segments.

> **"Companies embracing SaaS witnessed an uptick in performance and revenue growth."**

Maintaining the impetus

Despite the progress made, there is no room for complacency. Recent findings from Bottomline's research suggest a concerning trend: a cooling interest in migrating towards a unified SaaS platform among APAC financial institutions. Despite facing internal hurdles such as legacy systems, interoperability issues, and resource constraints, there appears to be a reluctance to fully embrace SaaS solutions.

This disconnect from banks and financial institutions can potentially be attributed to overconfidence among respondents, who believe they are on par with industry standards. Nevertheless, we would caution banks and financial institutions against underestimating the complexity of the future payment landscape and advocate for a proactive approach to transformation. With a myriad of challenges looming on the horizon, including regulatory changes and technological advancements, the focus still needs to be on building new use cases and revenue streams for SaaS to stay ahead of the competition regionally and on the global stage.

Selecting a SaaS service partner

Financial institutions should evaluate SaaS service partners based on factors such as their track record, expertise, breadth of offerings, investment in technology, API capabilities, global presence, vendor stability, and ability to adapt to market needs. Outsourcing to a SaaS provider offers a cost-effective solution to overcome internal challenges, meet regulatory deadlines, and enhance scalability.

In conclusion, the path to success for APAC financial institutions lies in embracing SaaS as a cornerstone of their digital transformation journey. By accelerating SaaS adoption, banks can streamline operations, reduce costs, and unlock new revenue streams, thereby ensuring sustained competitiveness in the digital era. It is the financial institutions that navigate uncertainties with confidence, drive operational efficiency, and deliver exceptional customer experiences in an increasingly competitive landscape that will win that elusive edge.

Transforming Thailand: Digital banking fuels financial inclusion

Find out what's happening in **Thailand**, a nation with huge financial potential. We explore the landscape and what needs to happen to take it into the future.

In today's digital era, access to financial services is no longer considered just a luxury, but a necessity. Despite this, over 30 million Thai citizens still lack adequate access to banking services. This has promoted the Thai government to push towards a more inclusive financial landscape by 2025 through the issuance of digital banking licenses. This strategic shift aims to bridge the gap between the banked and the underbanked and presents a significant opportunity for the burgeoning fintech sector to thrive.

Projections suggest that digital financial services in the APAC region will generate $38 billion by 2025, with the underbanked expected to be its primary growth engine, as reported in The Future of Southeast Asia's Digital Finance Services by Bain. However, with 40% of Thailand's consumers classified as underbanked, far exceeding the Southeast Asia's average of 24%, it's evident that there's untapped potential in the market where established financial institutions have struggled to cater to this segment effectively.

The challenges faced by traditional financial institutions in serving the unbanked include the high cost of service provision, limited credit history, low saving rates, and difficulties in planning financial risks. Legacy distribution methods have failed to keep pace with evolving customer needs, while the absence of credit history has made lenders cautious about extending credit to this demographic. Moreover, their tendency to save less has a knock-on effect, leading the underbanked to prioritise immediate financial needs over long-term investments and insurance. Digital-native financial players hold a competitive edge over their legacy counterparts in reaching the underbanked market due to lower operating costs, modern technology systems, access to valuable data sets, and the ability to engage with digital-native customers effectively.

Consumer preferences in the region emphasize the growing demand for convenience, value, and accessibility, with a substantial proportion of Southeast Asian consumers expressing interest in digital banking, particularly in Thailand, where 90% of consumers show interest, according to the Visa Consumer Payment Attitudes study. The preference for digital banks is attributed to the convenience of ATM accessibility and eliminating the need to visit physical bank branches. Thai consumers particularly value services such as ease of deposit and withdrawal and convenient money transfers to family and friends.

> **"Thai consumers particularly value services such as ease of deposit and withdrawal and convenient money transfers."**

To regulate this evolving landscape, the Bank of Thailand has implemented stringent capitalisation requirements for digital banking licenses to mitigate potential financial instability risks that could be posed by startups. The introduction of healthy competition aims to promote financial inclusion and enhance customer experiences across the wider population. However, the scales currently favour incumbent banks, including Thailand's financial giants such as Siam Commercial Bank and Kasikornbank (KBank), which look to expand their digital offerings to capture a larger market share.

Recognising the potential of underbanked and unbanked consumers in neighbouring markets like Indonesia, the Philippines, and Vietnam, KBank has announced its ambitions to become the 'regional digital bank of the new era.' As competition intensifies in Southeast Asia's emerging markets, there remain numerous untapped opportunities for Thailand's established players to capitalise on in the foreseeable future.

To stay ahead in this competitive landscape, financial institutions must expedite their digitalization efforts and leverage technologies to enhance their market position. Modernizing core banking systems and partnering with fintech providers like Bottomline is key to a digital transformation journey. Bottomline offers fully hosted API gateways to multiple payment networks, including Swift Connectivity and Visa B2B Connect. They also provide technical expertise and implementation support to streamline the process, enhance operational efficiency, and reduce manpower and technical burdens. Transitioning to hosted solutions can provide financial institutions with scalability, flexibility, and faster access to the latest technologies and innovations. In this era of digitalization, institutions must adopt a forward-thinking approach; as the saying goes, 'If you're not moving forward, you're going backwards.'

Setting the tone: Hong Kong aims for operational efficiency

What's happening in **Hong Kong**? This contested region has plenty to offer in multiple fintech verticals, including Web3 innovation. We explore considerations for businesses and what sets it apart.

Hong Kong faces unique challenges and opportunities in the business payments landscape, shaped by its dynamic economic environment, regulatory framework, and technological advancements. As we navigate through 2024, the city's financial services firms are setting benchmarks in cross-border payments, digital currency initiatives, regulatory technology (regtech) adoption, and the integration of Web3 technologies. These innovations position Hong Kong as a competitive powerhouse in today's market.

Hong Kong's role as a gateway between mainland China and the rest of the world introduces complexities in cross-border payments. Businesses often deal with different regulatory regimes, currencies, and payment systems when engaging in cross-border transactions with mainland China. This situation necessitates payment solutions that can navigate these nuanced complexities efficiently.

Among those solutions is digital currency. With the ongoing development and testing of digital currencies like the e-HKD and collaboration on the digital yuan (e-CNY), Hong Kong is at the forefront of Central Bank Digital Currency (CBDC) exploration. The integration of these digital currencies into the existing payments landscape will pose challenges for businesses in terms of adapting their payment systems, ensuring compliance, and training staff on new protocols. Hong Kong's financial sector is pioneering in its digital currency initiatives, notably the e-HKD Pilot Programme and the collaboration on the digital yuan (e-CNY). Hong Kong's efforts in Phase 2 of the e-HKD plan to explore and expand the practical applications and benefits of digital currencies within its financial system.

Hong Kong's stringent regulatory environment, designed to combat money laundering and terrorism financing, imposes significant compliance burdens on businesses. The rapid evolution of payment technologies further complicates this landscape, requiring businesses to continuously update their compliance practices and systems to align with new regulations. Hong Kong's commitment to regtech is evident in its comprehensive Fintech Promotion Roadmap. The creation of the Regtech Knowledge Hub and the regular Regtech Showcase events exemplify the city's dedication to fostering a collaborative ecosystem for regtech development. These initiatives are crucial in enhancing the competitiveness and resilience of Hong Kong's banking sector by providing banks with the tools and knowledge to effectively implement regtech solutions.

> **"Hong Kong's stringent regulatory environment... imposes significant compliance burdens on businesses."**

Stepping into the future

Hong Kong's investment in its Web3 ecosystem signifies a leap into the future of finance. Web3 payments technology has been top of the agenda for the world's top payment companies including Visa and Mastercard. The technology is complicated, but suffice it to say that Web3 will have the capacity to transact without centralised intermediary companies. For example, Venmo allows the transfer of funds via a mobile app via a free account. Because all data is encrypted, online shopping customers can be confident that their personal information is secure, and their transaction details are inaccessible to fraudsters.

The establishment of a task force and the allocation of funds for Web3 technology education and collaboration highlights the city's commitment to ethical growth and innovation in this new frontier. The issuance of the world's first tokenised government green bond via Distributed Ledger Technology (DLT) showcases Hong Kong's leadership in sustainable finance. This initiative not only enhances transparency and efficiency in bond issuance but also aligns with the global trend toward greener and more sustainable financial practices.

The application of artificial intelligence (AI) and big data in Hong Kong's financial services sector is transforming customer service and financial management. From HSBC's hyper-personalised tools to the advanced AI-powered chatbots of regional banks, these technologies are enabling a more personalised and efficient customer experience. However, the challenge of customer acquisition and retention, particularly for virtual banks, underscores the importance of innovative and customer-centric strategies. The slow uptake and low deposit levels among Hong Kong's virtual banks highlight the need for these entities to refine their strategies to achieve profitability and growth.

Hong Kong's strategic initiatives in digital currencies, regtech, Web3 technologies, and AI integration are pivotal in its quest to remain a competitive force in the global financial services market. By fostering innovation, Hong Kong is not just adapting to the changing landscape but is also setting new standards for the future of finance in the Asia-Pacific region and beyond.

Crisis as catalyst: Mongolia's path to financial innovation

Amidst geopolitical turmoil, **Mongolia**'s banks face a dual challenge and opportunity. We find out what's happening on the ground and how fintech collaboration is essential.

Nestled between two economic powerhouses, Russia and China, Mongolia's landlocked geographical location can be both an asset and a burden to its economy. John F. Kennedy's analogy of crisis management seems apparent in this case study: 'When written in Chinese, the word crisis is composed of two characters - one represents danger, and the other represents opportunity'. As we examine the dynamics of cross-border payments in APAC, the lessons drawn from the Russia-Ukraine conflict illustrate the volatile nature of geopolitical events and emphasize the importance of agility and flexibility when navigating the shifting regulatory environments. In essence, it is about seizing the opportunity within the crisis to emerge stronger.

The Russian economic sanctions severely impacted many Mongolian banks, which heavily relied on their Russian correspondent banks for cross-border transactions. This reliance resulted in being cut off from vital payment networks, particularly the Swift network and cloud services, disrupting business operations by hindering payment facilitation. Additionally, several economic implications arose from the geopolitical uncertainty. The sanctions triggered fluctuations in currency exchange rates, while restricted access to payment infrastructure led to delays in the supply chain process. Lastly, and perhaps most importantly, Mongolian financial institutions now needed to stay on top of the new sanction regimes imposed on Russia, which meant their regulatory compliance efforts had to be vigorously 'stepped up' and the changes managed in 'quick time'. The risks of non-compliance would have exposed these financial institutions to legal and financial risks, including fines and penalties.

Amid the repercussions of Russian sanctions, Mongolia's Central Bank faced the pressing need to devise resilient measures to navigate disrupted cross-border transactions. In a region characterised by diverse currencies and trapped liquidity, the strategic utilisation of multi-lateral platforms and intelligent routing becomes imperative. Banks can choose the platforms based on specific requirements, e.g., speed, cost, location, transparency, FX rates, etc. These platforms provide essential support in helping businesses adapt swiftly to changing regulations and needs. For instance, the Visa B2B Connect network, available via Bottomline's API implementation, eliminates the necessity for intermediary correspondent banks, streamlining transactions and reducing reliance on sanctioned entities.

Bottomline's API gateway to various cross-border payment networks in APAC also offers a practical alternative, aligning seamlessly with Mongolia's aspirations for financial stability. By enhancing visibility, streamlining liquidity management, accelerating transaction processing, and reducing costs associated with correspondent banking fees, these platforms empower Mongolian banks to withstand the challenges of sanctions and emerge stronger. Bottomline's strategic data centre locations in Singapore and globally also served as a safe harbour for Mongolian banks to rely on in their time of need.

> **"For Mongolia, embracing the cloud can help navigate complex regulatory requirements, including compliance."**

Central to every bank's strategy today is the adoption of a digital transformation plan, particularly emphasising cloud migration. Without the cloud, cross-border payments are plagued by high fees, slow speeds, and a lack of transparency. Cloud-based infrastructure provides scalability, agility, and enhanced security, enabling banks to manage increased transaction volumes, adapt to market changes, and meet customer demands. For Mongolia, embracing the cloud can help navigate complex regulatory requirements, including sanctions compliance. It's crucial for banks to partner with reliable fintech firms to ensure security and infrastructure maintenance, as any shortcomings may lead a bank's end customers to explore other banking alternatives.

In conclusion, Mongolia's financial institutions must prioritise risk management, regulatory compliance, and technological innovation to navigate geopolitical uncertainty effectively. Collaboration with Fintech partners and adopting industry best practices are vital for resilience in cross-border payment operations. Sanctions-related disruptions present opportunities for innovation, driving the evolution of payment technologies and risk management practices. Businesses should diversify networks and embrace new technologies to adapt to changing geopolitical landscapes and ensure continuity in payments operations.

Unveiling payment trends:
The Philippines VS. the rest of Asia Pacific

Want to know how **the Philippines** stacks up against the rest of APAC? We've compared the country with its neighbours based on consumer payment habits, regulations and more.

In the dynamic financial services landscape, payment trends are the barometers of economic vitality and technological advancement. For high-level decision-makers in banks and non-banking financial institutions across the Asia Pacific, understanding the nuances of payment trends is vital. In this article, we delve into the latest payment trends in the Philippines, juxtaposed with broader trends across the Asia Pacific region. The key highlights include the surge in mobile payments, regulatory frameworks, and the emergence of contactless payments and QR code technology.

Mobile payments surge: The rise of digital wallets

In the Philippines: Mobile payment solutions have witnessed an exponential surge in recent years, driven primarily by the advent of digital wallets such as GCash and PayMaya. These platforms have revolutionised the payment ecosystem by offering convenience and accessibility, particularly to a population with increasing smartphone penetration. Notably, they have catalysed financial inclusion by providing banking services to the unbanked and underbanked segments. **Comparison Across APAC:** The trajectory of mobile payments in the Philippines aligns closely with broader trends across the Asia Pacific region. Countries like China, with dominant players like Alipay and WeChat Pay, have seen a significant shift towards cashless transactions. Similarly, platforms like Paytm in India have transformed the payment landscape, emphasising the global trend towards digitalization and mobile-centric banking solutions.

Regulatory framework and open banking initiatives

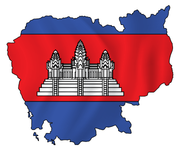
In the Philippines: The Philippines has proactively fostered a conducive regulatory environment to promote innovation in payment systems. Initiatives such as the National Retail Payment System (NRPS) and the Digital Banking Framework aim to enhance the payment ecosystem's interoperability, security, and efficiency. The Bangko Sentral ng Pilipinas (BSP) has played a crucial role in nurturing collaboration between traditional financial institutions and fintech players through open banking initiatives. **Across APAC:** Several countries in the Asia Pacific region have embarked on similar regulatory endeavours to modernise their payment infrastructure. For instance, Singapore's Payment Services Act promotes innovation while ensuring robust consumer protection measures. Australia's Open Banking regime aims to enhance competition and consumer choice by enabling secure data sharing among financial institutions.

Emergence of contactless payments and QR code technology

In the Philippines: Contactless payments and QR code technology have gained significant traction, particularly amidst the COVID-19 pandemic, driven by the need for safer and more hygienic transactions. Merchants and consumers have embraced these solutions, leading to rapid adoption across various sectors, including retail, transportation, and dining. **Across APAC:** Contactless payments and QR code technology have become ubiquitous across the Asia Pacific region, transcending geographical boundaries. Countries like South Korea and Japan have been pioneers in contactless payments, with widespread acceptance in public transportation systems and retail establishments. Similarly, countries like Thailand and Malaysia have witnessed a surge in QR code payments, fuelled by smartphone proliferation and e-commerce platforms.

> **"Contactless payments and QR code technology have become ubiquitous across the Asia Pacific region."**

As the Philippines navigates the evolving landscape of payment trends, it stands poised to capitalise on the opportunities presented by digitalization and technological innovation. By drawing parallels with broader trends across the Asia Pacific region, high-level decision-makers in banks and non-banking financial institutions can glean valuable insights to inform their strategic initiatives and remain competitive in an increasingly interconnected world. Embracing collaboration, innovation, and regulatory foresight will be instrumental in shaping the future of payments in the Philippines and beyond.



Richer data:
What ISO 20022 can bring to Cambodian banks

With standardisation looming, **Bekzod Ruzmetov**, **Saren Khchav**, **Victor Kong** and more local experts, took us through the opportunity presented by ISO 20022.

The ISO 20022 deadline is approaching, and the current period of coexistence is shaking up the world of banking. Following the start of migration in March 2023, banks in Cambodia are considering what this means for them. Technology expert Bottomline partners with close to 50% of commercial banks here, helping them navigate these monumental changes.

FF News spoke to ABA Bank Cambodia, J Trust Royal and RHB Bank (Cambodia) Plc. to find out how they're embracing Swift's new messaging format and Cross Border Payments Reporting system and accessing the many benefits that ISO 20022 will bring.

The Cambodian landscape

The banking landscape in Cambodia has seen rapid change in a short period of time. ABA Bank's Head of R&D Bekzod Ruzmetov says "if you compare 2019 to 2022, you will see 12 new commercial banks and four new microfinance institutions." In a country of only 18 million this is a significant change.

Cambodia also "leads Southeast Asia in terms of commercial bank branch growth since 2016." Bottomline's Business Development Director Victor Kong was also able to add some context saying "Cambodia's economy is constantly growing. There have been several free trade agreements signed in recent years, as well as an increasing number of banks focusing on digitalization. These factors have resulted in foreign banks injecting funds into the Cambodian financial system."

It's certainly a good time to do banking here which increases the need to engage with ISO 20022 and the Swift network in order to get cross border payments right.

"By providing richer data, and creating more efficient and accurate communication between banks, ISO 20022 stands to revolutionise cross border payments."

The ISO opportunity

The benefits on offer from ISO 20022 are also huge. We believe it's more than just a compliance update and actually presents an opportunity for growth. By improving the quality and structure of financial messaging, providing richer data, and creating more efficient and accurate communication between banks, ISO 20022 stands to revolutionise cross border payments.

> **"By providing richer data, and creating more efficient and accurate communication between banks, ISO 20022 stands to revolutionise cross border payments."**

Saren Khchav, the Head of Institutional Operations at J Trust Royal Bank pointed out how important it will be for accounting reconciliation, highlighting "an increase in structured data for better analysis and improvements in end to end monitoring."

It also addresses specific pain points that banks in this region currently have. Bottomline's research found that 64% of all banking pain points could be partially solved by having ISO 20022 at front a nd centre of business processes. 35% of banks surveyed pointed out the lack of visibility of payment status as being a major challenge.

ISO 20022 stands to solve this but that doesn't mean it's a quick fix for banks. RHB Cambodia Bank pointed out that for smaller institutions with lower transaction volumes, the cost of the required change in infrastructure is just too high. As such a third-party technology provider is needed to help them meet regulations.

Transformation and compliance with Bottomline

To ensure they're ready to support their customers, J Trust Royal Bank has adopted Bottomline's Transformation and Enrichment Service (TES) which Khchav says, "automatically converts messages to the MT format for our core banking system. Now we have the capacity to receive both formats."

We also heard from Lim Chin Wan, CTO at RHB who said, "the Transformation service from Bottomline has been instrumental in helping RHB Bank Cambodia comply with Swift's CBPR+ ISO 20022 standards while minimising investment and ensuring zero disruption to our current Swift operation."

ABA bank's Polinda Hean also noted the professional consultation they gain from Bottomline along the way. "We are now confident and sure that our payments will reach the counterparty faster, more securely and will be transparent."

Kong reminds us that Bottomline's network agnostic approach takes away "the complexities so that banks can focus on the core business. We are not just a vendor, but a partner to the banks."

Charting the course: Singapore's role as the anchor of financial innovation

Singapore has had a dramatic rise to the top of global finance. Here we look at the advanced payment infrastructure, payments trends and regulatory frameworks that have helped this happen with additional feedback from **Esther Lee** at **RHB Singapore**.

As the currents of economic instability rage, many businesses anchor onto the safe shores of Singapore to ride the tides with ease. According to the 2023 Global Financial Centres Index (GFCI), Singapore takes the top spot in APAC and the third globally, following closely behind New York and London.

Singapore's standing as a global financial hub is underscored by various factors. 'Payment Transaction Systems' and 'Cyber Security' have emerged as the top two critical areas of fintech activity. Additionally, 'Access to Finance,' 'Regulatory Environment,' and 'ICT Infrastructures' were identified as the top three factors for fostering competition. These priorities have all contributed to Singapore's top ranking among its regional counterparts.

Fintech development plays a crucial role in driving a country's economic progress. With Singapore's robust payment infrastructure and a banking rate of 60% among its population, the highest in Southeast Asia (SEA), beating the average by some margin, the city-state stands out favourably. This success is attributed to the factors above, overseen by entities like the Monetary Authority of Singapore (MAS). The importance of supportive regulations and government policies in fostering digital financial services is emphasized in a study conducted by Google, Temasek, and Bain, underlining their pivotal role in shaping the future of Southeast Asia's financial landscape.

Four main factors are considered when determining the trajectory of growth of a country's digital financial services sector – consumer and merchant adoption, digitalised personal identification system, regulatory constraints, and financial system infrastructure. Singapore ticks all the boxes to secure its steady growth path in the APAC region. According to a 2023 survey published by Statista, Singapore has the highest adoption rate of cashless payments in SEA at 97%, which could be explained by the population's high percentage of access to finance. A digital identification system named Singpass was also launched in 2018 to enable simpler everyday transactions and improve accessibility and security measures using verification like facial recognition.

"Other countries should view Singapore as a 'poster child' for how to drive growth and innovation in their regions."

Massive assistance

Singapore's financial infrastructure easily adapts to tech progress and global goals like the G20 roadmap. In 2021, it linked with Thailand, pioneering real-time payments, setting a model for other regions and it then formed bilateral ties with ASEAN nations like Indonesia, Malaysia, Philippines, India, and soon Vietnam. The BIS Innovation Hub Singapore Centre developed a test-phase multilateral network linking domestic instant payment systems. These initiatives highlight Singapore's leadership in enhancing cross-border payments, aligning with G20 objectives for affordability, speed, and transparency.

As the steward of Singapore's financial landscape, MAS embarked on a visionary ISO 20022 nationwide adoption and harmonisation journey. They opted for a two-phased approach to ensure a smooth transition for all parties involved, minimising disruption while building operationally efficient payment infrastructure. With support from ABS (The Association of Banks in Singapore) and Swift, MAS engaged the stakeholders in a comprehensive awareness campaign on ISO 20022 adoption. By harmonising with international standards and enhancing operational efficiency, MAS positioned Singapore as a leader in global financial innovation and interoperability. MAS's Chief Financial Regulator states, 'MAS has adopted a comprehensive, multi-pronged approach to compliance, ensuring that Singapore remains at the forefront of regulatory excellence.'

Other countries should view Singapore as a 'poster child' for how to drive growth and innovation in their regions. They've collaborated with neighbouring countries and global players to promote regional economic integration and cultivate a vibrant fintech ecosystem. By cooperating with fintech providers based in Singapore, businesses can ensure they are in good hands and take advantage of a robust technology ecosystem. For example, RHB Singapore, a long-term customer of Bottomline, benefited greatly from this approach. Esther Lee, the Head of Payment Operations at RHB Singapore, said, "We can always count on Bottomline's subject matter experts to promptly address any issues encountered during our CBPR+ (ISO 20022) implementation. Their commitment to going the extra mile by providing valuable insights and inputs has been invaluable to us. The knowledge and technical support provided by Bottomline have equipped RHB Singapore to stay ahead of emerging technology trends and effectively meet the requirements of the Global Payments landscape."

The key to mastering cross border payments

In a prime example of a Cambodian bank leveraging new technology to bolster their payments muscle, **Sathapana Bank**'s Deputy CEO **Jean-Pierre Gagnon** explores their journey so far.

Cross border payments in Cambodia have never been straightforward. With the ISO 20022 deadline looming, there is light at the end of the tunnel as many local banks look to benefit from more efficient and cost-effective transactions, richer data and more. But huge hurdles remain as the scale of change is just too big to tackle alone.

Sathapana Bank is one such organisation turning to partners like Bottomline, and technology like Visa B2B Connect, to ensure they're equipped to best serve their corporate clients and benefit from ISO 20022 standardisation.

Getting ahead of the curve

Speaking to *FF News*, Sathapana Bank's Deputy CEO Jean-Pierre Gagnon filled us in on how far Cambodia has come with cross border payments. In the past, navigating cross-border payments in Cambodia presented considerable challenges due to regulatory hurdles. However, recent advancements have revolutionised the landscape. Today, businesses experience seamless cross-border remittance, thanks to the advent of instant payment solutions and a global standard for financial messaging.

This is all driven by the introduction of ISO 20022, designed to improve and streamline the communication and transfer of financial data. Because of the richer data and greater transparency it provides, countries like Cambodia can now operate in the global economy to an extent not possible before. Through Bottomline's gateway to Visa B2B Connect, banks here have access to this instant, secure and reliable service.

As far as Gagnon is concerned banks should get compliant now, "because it allows you to de-risk cross border trade transactions. If you can de-risk who's sending and who's receiving, and if you have instant payment capability, then you're golden."

Sathapana Bank greatly benefits from its ability to leverage diverse payment rails and trade in US dollars, particularly in a dollarised economy like Cambodia. This flexibility ensures effective servicing of customers' needs within the local financial ecosystem, especially for banks like Sathapana operating in an increasingly 'borderless' digital world where efficient, cost-effective, and reliable payment rails are essential.

"In a bank, you have the financials, but you don't always have the speed and Bottomline provides that."

Making instant happen

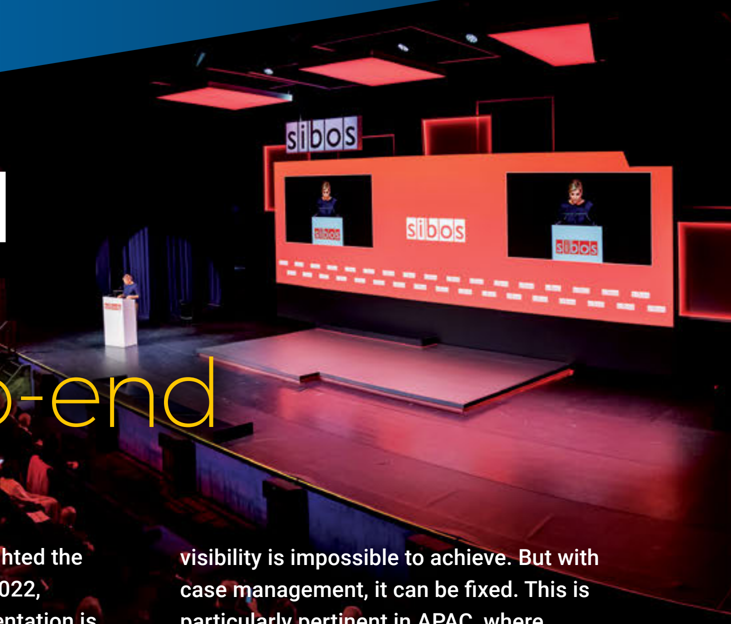
Through Bottomline's cloud-native, API-based implementation of Visa B2B Connect, Sathapana bank access a "multilateral network delivering B2B cross border payments that are predictable, secure and cost effective for financial institutions and their corporate customers." That's from Bottomline Business Development Manager Pecharatham Chaitantipong who was also able to share Bottomline's extensive knowledge of the product "being one of the top Swift service bureaus globally, and the largest in Singapore."

Visa B2B Connect has the power to enhance customer experience and with end-to-end real time tracking, both "banks and their clients know where the payment is and when it's delivered." Bottomline's solution integrates with existing payments infrastructure and is completely interoperable with Swift flows.

Gagnon says they chose Bottomline for the fast time to market and to improve their cash flow. "In most cases now, as we grow our issuing and acquiring business, we no longer need to prefund those transactions. So, we become very efficient. And we have the instant crediting of those trade transactions." Now Sathapana Bank, who were Bottomline's first Visa B2B Connect client in Cambodia, can benefit from increased business efficiency and differentiate themselves from the rest of the market.

It's a classic case of a fruitful bank and fintech partnership which Gagnon illustrates so well. Often, "in fintech, you have the speed, but you don't have the financials whereas in a bank, you have the financials, but you don't always have the speed and Bottomline provides that."

"Often, it's difficult for fintech to work with a bank. But in the case of Bottomline, they were really on it. And they work with Visa to help us to progress through that journey, without a hitch."



What happened at Sibos 2023?

Embracing end-to-end payment visibility

Our key takeaways from **Sibos 2023** including the emphasis on pre-validation and ensuring end-to-end visibility of payments.

Sibos, in 2023, covered a wide range of topics from the potential of ISO 20022 to transform payments to the integration of Artificial Intelligence encompassing broader topics like CBDCs. However, let us do a deep dive into the key central themes that all lead to one end objective: the pursuit of end-to-end visibility in global payments.

The goal: End-to-end visibility

End-to-end visibility, a recurring and resounding ideal that has particularly positive ramifications within the context of cross-border transactions, was the topic du jour at Sibos. This concept entails enabling all transaction stakeholders to comprehensively monitor the entire payment journey, from initiation to completion. By ensuring transparency regarding transaction status, particulars, fees, intermediaries, and potential obstacles, end-to-end visibility emerges as a cornerstone for navigating the complexities of modern global payments.

A heavy emphasis was also placed on the ever-increasing importance of pre-validation in payments. The first stage of ensuring end-to-end visibility within any cross-border payment transaction is pre-validation – accurate data at the payment's inception. This process checks the validity of the cross-border payment transaction details and the recipient's address. However, this preliminary step often receives inadequate attention, leading to payment failures attributed to flawed initial data. Swift's vast repository of transaction data, encompassing billions of payments between numerous accounts annually, underscores the critical role of pre-validation in enhancing payment efficiency.

Moreover, the event spotlighted the evolving landscape of ISO 20022, emphasising that its implementation is still in its early phase of implementation. With only a fraction of traffic migrated to ISO 20022 thus far, the focus remains on leveraging the structured and enhanced data capabilities inherent in the standard. Structured data ensures uniformity across messages, while enhanced data furnishes additional transaction contexts, such as tax codes and VAT numbers, which increase overall end-to-end visibility.

Another key solution highlighted at Sibos was the significance of case management in sustaining end-to-end visibility. Case management is about being prepared for breaks in the cross-border payment path. As Swift describes it, "Case management comprises two services. For example, if a payment needs to be stopped due to bad data or changes in payment terms, the Swift service called Stop and Recall will automate that process. Or if a payment needs to be amended due to incorrect or missing information, Case Resolution can resolve the situation."

These breaks in the chain are so challenging within cross-border payments because payments often cross institutions that might have bilateral agreements with each other but are unlikely to have agreements with all parties in the chain. So, when you need to initiate investigations on a payment, it is difficult to engage with the relevant party in the chain because you might not know who they are or have a relationship with them to find out where it is stuck. Swift plays a vital role in case management because they are the common denominator for all parties in the chain. If that chain breaks, end-to-end visibility is impossible to achieve. But with case management, it can be fixed. This is particularly pertinent in APAC, where transaction chains are at their most complex.

> **"Banks and financial institutions can confidently navigate the evolving payments landscape."**

Collaboration is key

Due to the already busy road maps for financial institutions, the ambition of end-to-end visibility can only be achieved by the industry working together and using the expertise of trusted third-party providers. All too often, financial institutions try to juggle multiple projects and mandatory implementations themselves without having the in-house resources, and expertise. The end goal is to support efficiency through digital payments transformation, no more so with the market drive towards real-time payments. However, it will be those players that solve for the foundational elements of success – precise data, robust infrastructure, and collaborative partnerships – that will realise the fastest route to achieving the holy grail of end-to-end payment visibility.

Sibos 2023 outlined the key steps towards achieving end-to-end payment visibility; prioritizing pre-validation, harnessing the potential of ISO 20022, leveraging Swift's case management services, and fostering strategic collaborations. By following these steps, banks and financial institutions can confidently navigate the evolving payments landscape. As the industry propels towards real-time payments, prioritizing end-to-end visibility ensures a robust foundation for future innovations.

For further insights and solutions addressing pressing industry challenges, refer to our comprehensive "*The Future of Competitive Advantage in Banking and Payments Report.*"

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