



10-11 October 2019
Bali, Indonesia

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The 2019 edition of the Asia Global Payment Summit visited Indonesia for the first time in its 8-year history and brought together over 150 payment professionals at the Sofitel, Nusa Dua, Bali on October 10-11th. The theme for this year's event was **Aligning Real-Time Payments In Asia: Towards Seamless Interoperability**. The goal was to put the spotlight on this vast and complex market, often seen as hard to access by many. Issues such as **Financial Inclusion** for the millions of people in the remote parts of the archipelago were to be examined in the context of some of the initiatives taken by both the Central Bank and retail banks, and also to compare the developments in local FinTech and the wider APAC region.

DAY 1:

Opening Address – Harry Smorenberg, Chair & Gonzalo Santamaria, Vice President, Payments Division, Currency Research

Harry gave an introduction in which he demonstrated the quantum leap that payments have made in the past 20 years and Gonzalo delved deeper into the regional developments including Digital Identity and the rise of so-called Super-Apps.

Digital economy session led by Bank Indonesia

In a presentation entitled “Embracing the digital economy in Indonesia” **Dr. Bastian Muzbar Zams**, Deputy Director at the Payment System Policy Department, outlined Bank Indonesia's digital strategy, highlighting three main elements: Consumer centric/new business models; Data and coding; and finally, Policy collaboration. He went on to explain how growth of digital economy and fin Tech is much higher than in the FI space, and also mentioned about the recent introduction of the standardized national QR code scheme being a huge step forward for the country's digital economy.

Regulatory challenges session

This session featured a panel comprised of 2 central banks (Bangladesh and Indonesia) a retail bank (Bank Negara Malaysia) and the blockchain based payment platform (Ripple). The moderator, **John Basquill** of PaymentsCompliance, explored the regulatory landscape in the region with the panelists and drew comparisons from the banks on the initiatives they have around regulatory alignment in the light of the massive FinTech developments taking place in the region. These include digital ID, interoperability, and pan-regional QR codes. The panel also discussed Facebook's Libra initiative which has initiated discussions with many Central banks already to dissipate doubts and also create awareness of the platform. All panelists agreed that the jury is still very much out on this project and that they were keeping a watching brief on it.



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Open Banking session

The session focused on the dilemma jurisdictions across the region face in terms of who or what takes the initiative on Open Banking. **Rahul Bhargava**, Director – Payments Markets Initiatives, Asia Pacific, SWIFT suggested that in many countries the regulator was taking the lead on this and instigating measures to pave the way for Open Banking. In other jurisdictions developments in FinTech and market demands are forcing the central banks to open channels to facilitate this, as both **Mehdi Bennani**, Director of Sales Asia, HPS and **Tony Fienly**, Presales Manager for APAC, Bottomline Technologies explained.

Alternate payments in e-commerce markets

Frost & Sullivan's **Mei Lee Quah** opened this session giving an overview of the differing payment platforms in the region including the rise of wallets and super-apps. **Ray Liao**, VP of Strategy at YeePay explained how they were working with AliPay and Tencent to connect them to merchants in the region to provide a more seamless transactional experience and **An Lu**, Senior Manager, Payment Networks at PPRO gave some insight into how they are providing the 'glue' that sticks over 150 different payments together in the region. The panel then switched to look at the Chinese market specifically and the dilemma regarding the strong growth of their wallets in the light of the PBOC's recent investment into CBDCs. **Ray Liao** voiced concerns that it may be due to issues around data privacy, whilst the rest of the panel suggested that it was to counter Facebook's Libra which they may consider a threat.

Swift panel session

This session, moderated by SWIFT's **Rahul Bhargava** looked at the direction in which payment platforms are heading and featured representatives from Grab Financial, Accenture, and Standard Chartered Bank. Following an introduction by SWIFT's Managing Director, Asia Pacific, **Eddie Haddad** who gave insight into how their GPI platform is removing friction across the region, Grab Financial's **Ser Jin Lee** gave some detailed insight into their current market penetration in the region, explaining that they now serve 8 different jurisdictions with 170 million downloads p.a. in 336 different cities.

An interesting statistic which was shared by SWIFT was that in terms of global cross-border payments, the amount made between North America and Europe make up only 7% globally, whereas in APAC they represent 83% of the total and Eddie went on to add that the number of retail banks active in correspondent banking is decreasing despite growing payment volumes.

The panel then moved onto look at different platform strategies with **Judy Bei**, Global Head of Payments and Receivables at Standard Chartered Bank explaining that they have spent the last two years, and \$1 billion in last year, with 50% of that renewing or changing the bank, and 50% on current operational issues.



War of the Wallets/eMoney session

Pioneer Consulting Asia's **Virat Patel** opened this session giving an overview of the wallet landscape in Asia and explaining that there are nuances in defining e-money in different Asian countries citing Singapore, Malaysia, China, Indonesia, India and The Philippines in detail as examples. Some countries consider e-money to be distinct from eWallets, while others conflate the two into a single entity; the common ground is that both are electronic and are used to facilitate monetary transactions.

Fave's Lee Khuan Yew drew distinctions between so-called card emulators such as themselves and ApplePay and virtual wallets such as GrabPay and Xfers. The conflict between international tech giants and nascent but powerful Chinese organisations is vast, complex and is being played out in Asia more than anywhere else globally.

Interestingly, the majority of eWallets are driven by firms that do not primarily do business in finance or banking, originating in industries such as Telecomms, Sport, Travel, Gam(b)ling and their invasive expansion into new areas of consumer lifestyle could potentially have drastic implications for traditional banks.

AI & Quantum Computing: Impact in the Transaction Space

Paul Schulte then gave a detailed insight into the rise of Facebook's Libra and the almost instant reaction to it by PBOC with their almost secretive launch of the so-called 'Silk Road coin'. Placed in both a macro-economic and macro-historical context Schulte traced what he termed the "Coin Wars" as empires rose and fell through the ages. All of this as a precursor for "a new clash of civilisations": East vs West in Telecom, 5G & Quantum technology.

Schulte predicted that this would play out in a "war" between Libra and Silk Road coin and suggested that SRc would eventually have the upper hand and be the winner. He noted some concerns about Libra becoming so powerful that it could potentially shut down governments. On the positive side, it has the potential to revolutionise the global banking industry, give the poor access to financial services and end the monopoly of banks, payment service and international money transfer providers who charge extortionate amounts for their services. Ultimately, however, China's initiative would win out because it is 300X faster than Libra and would scale far more rapidly.

DAY 2:

Harmonisation in Cross-Border Payments

JP Morgan's **Jeroen Kok** opened this session, explaining that one of every three transactions in the APAC region is done through them with them spending \$600 million on cyber security measures to protect them. Transferwise's Head of APAC Card Product, **Surendra Chapot** gave an overview of how they are providing an alternative to correspondent banking in the region and speeding up the process by as much as six times by cutting out intermediaries.

Role of the Clearing House in the Modern Payment Ecosystem

The Philippine Clearing House's **Emmanuel 'Noel' Barcena** gave an overview of how the traditional role of the clearing house is developing into a far more sophisticated offering to provide a more enhanced customer experience. They are working with 23 local banks in 78 different regions of the Philippines to provide this service as well as a whole plethora of international banks. He touched on several of their new initiatives including the National Retail Payment System (NRPS) which is a new policy and regulatory framework that aims to establish a safe, efficient and reliable retail payment system in The Philippines. Their PESONet system is also using open API architecture to enhance customer experience and fund transfers have increased from 1.7 million in 2015 to 8 million in 2019.



Digital Finance Inclusion - Improving Lives

Chaired by **Kristy Duncan**, CEO of Women in Payments, the panel began with an overview of global FI initiatives which then drilled down into local initiatives with insight from BTPN's EVP **Achmad 'Iwan' Segundo** and Dana Indonesia's CFO **Yattha Saputra**. The panel looked at how retail banks and paytech companies contribute to FI and whether there any pre-requisites to ensure FI through fintech can be successful. The panel then discussed whether it thought fintech companies have done enough for FI with examples of initiatives from both BTPN and Dana. Issues around whether the regulators are inhibiting or facilitating FI were also discussed.

Some interesting stats came out of the session: Globally, 72% of men, and 65% of women had bank accounts in 2017 (according to the World Bank Global Findex). This leaves a 7% gender gap. In developing countries, the gender gap is 9%. In 2017, the World Bank reported that 94% of adults in developed countries had a bank account, as compared to 63% in developing countries.

Using AI to Uncover Financial Crime

In this presentation Mastercard's Executive Vice President, Products & Innovation in Asia Pacific, **Sandeep Malhotra**, revealed how they are using AI and machine learning to detect and prevent fraud. Their UK model is taken as the main frame of reference and Malhotra revealed that an estimated US \$2 trillion is laundered each year with approximately GBP £135 million frozen funds in UK Financial Institutions unable to be repatriated. As a result, there has been US \$321 billion frozen funds in UK Financial Institutions unable to be repatriated and 74% unrecoverable losses due to scams.

Malhotra then gave some insight into how these illicit funds were being moved through the financial system and how Mastercard was using cutting-edge, tailor-made technology to combat it. Fraud techniques are becoming ever more sophisticated using mule accounts involving small amounts being moved multiple times amongst multiple accounts. Through social engineering and cyberattacks, fraudsters trick businesses into making payments into accounts they control. Mastercard is endeavouring to pioneer countermeasures against this but it is a continually evolving battle.

"Great insight and exposure on the future payment system roadmap. Good exposure and networking as well."

- Payments Network Malaysia Sdn Bhd

"The Summit is particular useful in the sense that different industry players across regions and regulators can share thoughts and exchange ideas."

- Monetary Authority Of Macao

Thailand's National Digital ID Project

Yos Kimsawatde of the Thai Bankers' Association gave this presentation, explaining that the project is being unveiled next month and has been developed on blockchain. There were some several great use cases including telemedicine referenced. It resolves many issues at KYC and authentication level, and apparently also has a great use case for visa applications and also digital loan applications.

Fintech Regulation in Southeast Asia - Beyond the Sandbox

Glenn Tasky of the SEACEN Centre began his presentation by positing that Regulation should focus on the activity, not the entity using examples of platforms such as Tencent, Ant Financial, Google, Amazon, Grab for whom financial services are a small part of their business – 11.3 percent in 2018 - and suggesting that it was not feasible or necessary to regulate them at this level. He then went on to cite the three basic pillars of financial sector regulation: Financial stability, Consumer protection & Preventing money laundering, terrorist financing, and proliferation financing.

In adapting regulations, jurisdictions should seek to provide principles-based and regulatory certainty to innovators such as FinTechs. Furthermore, data protection and data privacy must also be taken into account. The three main activities of platforms and FinTechs – lending, payments, and wealth management – each require different regulatory approaches with cyber risk looming over all platform and FinTech activities.

Glenn then went on to reveal some of the activities of different regional regulatory sandboxes to further FinTech development in SE Asia. Recent experiences with sandboxes sometimes resulted in regulations being changed as a result of the sandbox experiment. There needs to be a separate, final approval before an activity “goes live” from a sandbox. Policies could also be tested in sandboxes in what is often termed a “policy sandbox”. Some post-sandbox issues that have arisen are that FinTechs are often very poor in managing cyber risk. FinTechs once released from the sandbox focus on rapid short-term growth rather than controls and regulatory compliance so post-sandbox follow-up with regulators is required.

Conclusion

The 8th edition of the Asia Global Payment Summit brought together a dynamic gathering of senior professionals from regulators, central banks, retail banks, payment service providers, FinTechs and law firms to discuss the rapidly evolving payments ecosystem in the ASEAN region. The desire for regional alignment and interoperability took centre stage and it was clear that there is still a long way to go to fully realise this. Over the course of the next year we will see further initiatives aimed at driving regional interoperability forward, whilst advances in FinTech will continue to challenge the regulatory framework and the legacy financial service providers. We look forward to visiting these themes and many other emerging issues when the 9th edition of the event takes place in **Manila, Philippines on 10-11th September 2020.**



The **ASIA**
Global Payment Summit

MANILA, PHILIPPINES
10-11 SEPTEMBER 2020

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