

Digital payments driving the trend in APAC market

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As digital payments take the centre stage, the complexity of transactions is also increasing. Santosh Tripathy explains how providers can address these using SmartStream's operational control platforms.

Nowadays, the financial industry is all about speed: from digital payments, to online transactions, to settling resolutions, and—perhaps most important of all—the efficiency of a financial institution's entire ecosystem.

With the pandemic pushing the growth of digital payments, consumers are now showing stronger preference for more convenient contactless payments, instead of cash, notes **Santosh Tripathy**, Practice Leader, Digital Payments at SmartStream. One example of this: the option for contactless payments has now become a table stake requirement for almost all consumers applying for new credit cards, he added.

The competition is especially tough in Asia Pacific—which leads the world in digital payments innovations, particularly Singapore. Santosh says that the country's digital payments credentials have been further enhanced by the Monetary Authority of Singapore successfully completing Phase V of the Central Bank Digital Currency project (CBDC), Project Ubin.

Other recent trends in APAC all revolve around speed and efficacy as well: from real time payments, open banking, to e-wallets, all of which driving the APAC market. And the whole ecosystem has grown phenomenally in the last few months, now that merchants have started to accept the contactless payments, which is expected to become the next trend.

To stay technologically ahead and prepared for these trends, firms should spend their energy and time in control measures such as operational control, data control, and security, according to Santosh. And this is where SmartStream comes into the picture: the firm's proven lineup of operational control systems empowers digital platforms with confidence in their ability to create efficient back offices to support growth of volume, velocity and variations of transactions.

Bigger data management

With contactless payment transactions increasing, banks need to ensure greater control over their data and reconciliations, as digital payments and open banking make these tasks far more volume heavy.

The complexity of transactions is also increasing, making it a big challenge for companies, particularly banks, to handle their transaction data.

"That transaction data has a lot of meaningful information to extract," Santosh said. "At the same time, you have to create infrastructure where you are storing this data securely, and you have to then mine this data to extract information."

Security is also imperative, as leaked information can reduce the confidence that consumers have in using digital payments, added Santosh.

Further, regulations across regional markets have tightened with the rising complexity of data handled by payment companies.

Addressing complexities through operational control platforms

Apart from the increasing speed, velocity, complexity of data, and transaction processing & innovations in the digital payment space, firms should also make sure that their digital payment application's operational controls are in the proper place. The Prudential Regulation Authority has started a consultation paper "Non-systemic UK banks: The Prudential Regulation Authority's approach to new and growing banks" to discuss how to supervise and manage new and growing Non-Systematic UK Banks.

"PRA has noticed that many of these new banks have underestimated the development required to become a successful and established bank. Often, these banks are focused on the ambition of becoming authorised and lose the longer term focus of becoming a sustainable business, or fail to appreciate the ongoing need to **invest in systems and controls** to ensure they remain commensurate with the evolving needs of the business. "

"Someone who is not aware of the risks and the deficiencies and the threats cannot prepare the system and the larger ecosystem for that threat," warns Santosh, noting that if anything goes wrong and disrupts the whole operational control, the confidence of users will go down. A case in point is the collapse of Wirecard AG.

SmartStream helps firms effectively and efficiently address these concerns with its wide range of operational control platforms which can be deployed in the cloud or as a managed services.

“Our control systems play the role of monitoring the traffic palettes, safeguarding the system that we are preparing on the digital payments platform,” said Santosh.

“They are playing in that space of putting the right control measures and checks and balances to make the internal operations very strong, efficient, and robust. This means that anything untoward is handled, identified, and fixed,” he added.

The platforms’ primary target is to bring controls efficiencies so that any financial or reputational risk is identified early. Santosh notes firms who would start utilising SmartStream’s experience in the operation space early will benefit in having the right controls as well as checks and balances in their operations for them to grow.