Strength in numbers

FinTechs draw on deeper partnerships to break down barriers to growth

BARCLAYS

Contents

Please note: Percentages used in this report have been rounded to the nearest whole numbers, so some charts may not equal 100%.

Foreword

A year of realisation, adaptation and innovation

Last year's 'Alive to opportunity' report highlighted the spirit and energy of our industry to not only persevere, but to flourish and grow in truly extraordinary times. This growth momentum continued as a pervasive theme throughout 2021, but there was also some degree of normalisation as we adapted to the longer-term implications of digital transformation. If 2020 was characterised as a year of sudden recalibration and growth, 2021 can be characterised as a year of realisation, adaptation and innovation.

At Money20/20, building relationships is in our DNA, and it was encouraging to see the spirit of collaboration continue to thrive as we found ways to adapt to seismic shifts in how we work and play. Competition fosters innovation, but we also witnessed symbiotic relationships between incumbents, FinTechs and regulators as we collectively navigated new horizons.

Consumer expectations are heightened for digital channels, with a need for experiences that are designed to minimise friction, enhance personalisation, and maximise security and trust. Open Banking was seen to be fundamental to meeting the demands of these digitally discerning customers, with AI, APIs, and Blockchain just some of the technologies providing the connective tissue for innovation. How the consumer digital journey is optimised will continue to play out throughout the coming year, as will many other themes that we will be sharing in conversations digitally, and in person at our Money20/20 US and Europe shows.

The 2021 end of year report card is again one of successes for our industry and provides continued optimism for the year ahead. We are excited to share this journey with our partners at Barclays and look forward to another year of dynamic growth and prosperity for all stakeholders in the financial services ecosystem.

Tracey Davies
President, Money20/20

As Money20/20 enters its 10th year as the place where FinTech communities love to do business, we are proud to be partnering with Barclays to provide intelligence on the global state of our industry for the third year in a row.

Usually, Money20/20 holds shows three times a year in Asia, Europe, and the US, with live polling of delegates, but in 2020 Money20/20 took its leading content programme online as MoneyFest. However, a partial return to physical events was possible in 2021; the results shared in this report were collected through in-person surveys in Europe and the US and online polling.

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Maturing on all fronts

Deeper and stronger relationships drive growth

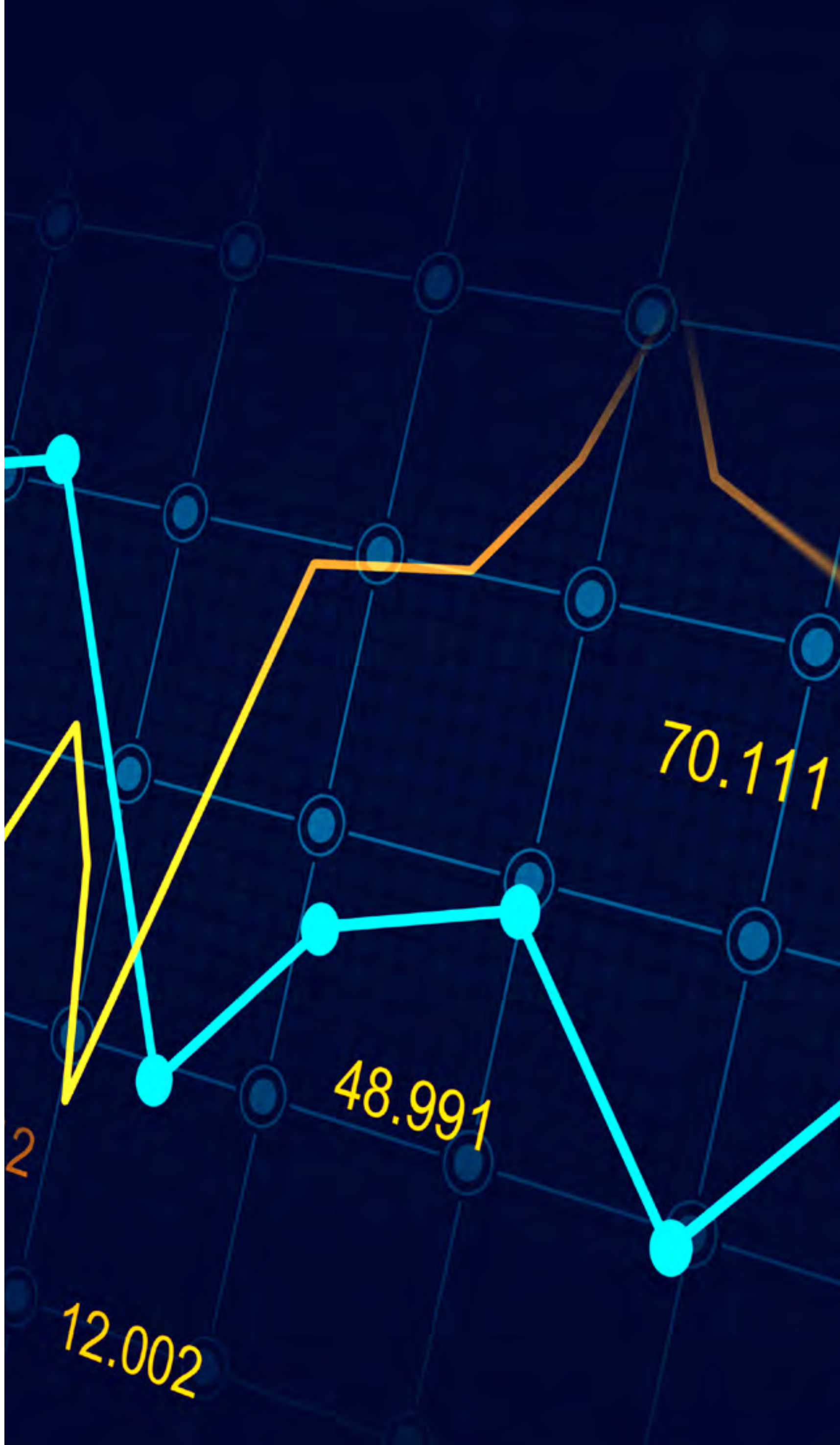
As Money20/20's Global Insights Partner, Barclays is pleased to present this latest annual report on the state of play in the FinTech sector – the third in the series. The report draws on extensive data gathered from Money20/20's polling of FinTech businesses, exploring how they are evolving to meet ever-changing customer needs, their core areas of focus at present and the trends they see on the horizon.

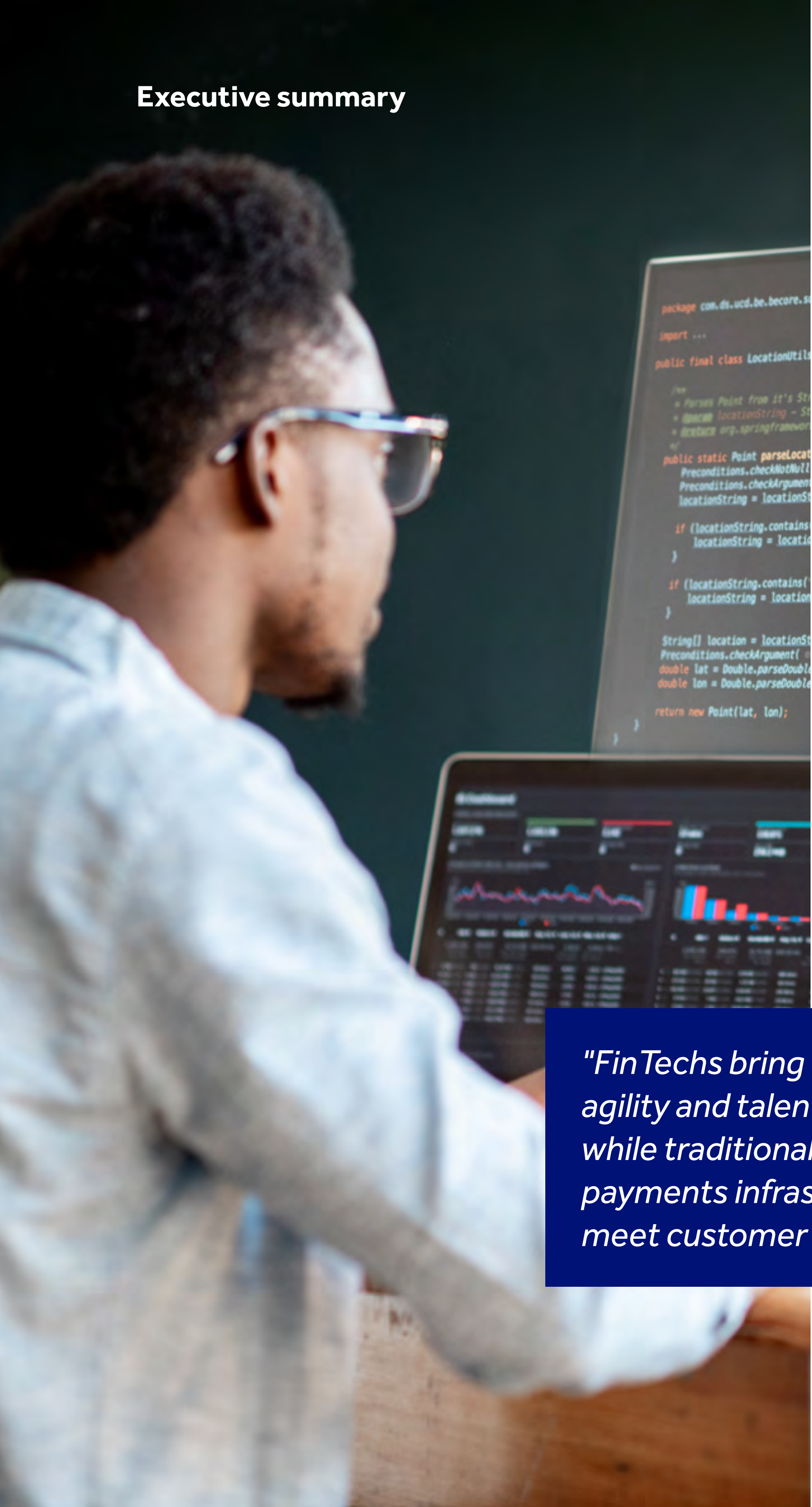
What is clear from this report is that the positivity and confidence that we have seen among FinTechs in the previous two years has not only continued but has grown. This optimism is underpinned by an apparent maturing in the market, which is demonstrated on numerous levels.

"Frictionless payments are the most important driver for keeping customers loyal – overtaking 'delivering a personalised offering'."

Maturing approach to growth
FinTechs' outlook on growth, for example, has matured beyond a simple focus on seizing the opportunities created by the pandemic – their overriding focus according to last year's report. We are seeing a return to the far greater investment in strategic growth drivers we saw before the pandemic, and with even greater gusto – with more attention being paid to cross-border activities, acquisition, and internal changes to support new working models. Firms are now focused on more sustainable and longer-term growth opportunities.

Frictionless comes to the fore
A clear shift identified by 2021's findings versus the previous years' was that there is now unanimity among respondents, across regions, that frictionless payments are the most important driver for keeping customers loyal – overtaking 'delivering a personalised offering', which led the way in 2020.





But talent threatens success

However, an emerging concern for FinTechs looking to deliver on that is the battle for skills and talent. For the first time, talent acquisition has been cited by respondents as the second-most pressing issue for FinTechs, and it's a concern across all three regions surveyed.

This is a threat to FinTechs' ambitions and, as our report highlights, the lack of available talent is no longer limited to tech and development roles, but more senior and strategic positions across maturing FinTech businesses.

This issue is in part fuelling a third major trend identified in this year's report – enhanced collaboration – as firms look for alternative ways to access the skills, talent and solutions they need to meet customer expectations.

Collaboration meets customer demand

As these issues stimulate new partnerships and more collaboration between FinTechs and traditional financial institutions, the nature of the relationships is also maturing. Instead of being a buyer-supplier contract, they are increasingly built on mutual benefits and drawing on equal input from both parties. FinTechs bring their innovation, agility and talent to the table, while traditional players deliver the payments infrastructure required to meet customer needs.

In unpicking the data around those relationships, and the broader trends in FinTech, this report delivers a comprehensive overview of the current state of play and the future intentions of FinTechs around the world.

"FinTechs bring their innovation, agility and talent to the table, while traditional players deliver the payments infrastructure required to meet customer needs."

Sabry Salman
Global Head of Financial Institutions and Non-Bank PSPs, Barclays International Corporate Banking

Growth through adaptation

New-world realities drive growth on multiple fronts

We know that the FinTech sector is growing. Following the significant investment we have seen in recent years, further considerable growth is projected – at a CAGR of 23.58% from 2021 to 2025.

Understandably, FinTech players are hugely focused on their individual growth – a statistic borne out in last year's Money20/20 report, in which 57% of respondents cited growth as their core focus. This year, that focus is continuing – but is manifesting itself in many more strategic activities.

When asked to set out their main focus for the short-to-medium term, this year's respondents' most popular response across all three regions was again growth.

When asked to set out their main focus for the short-to-medium term, this year's respondents' most popular response across all three regions was again growth – EMEA (23% of respondents), APAC (22%), and the Americas (26%).

While this figure was down considerably from last year's survey, rather than seeing a sharp decline in attitudes to growth, it's more likely that last year was somewhat of an anomaly, as firms sought to drive growth solely by capitalising on trends accelerated during the pandemic, such as remote working and digital payments.

As Jenni Himberg-Wild, Head of FinTech and Non-Bank PSPs, Barclays, explains, firms are also now adopting a more strategic approach to growth – looking to stimulate it by increasing profitability and acquisitions, enhancing cross-border operations and redefining target markets.

FinTechs' short-medium-term focus

The most popular area of focus among FinTechs in all regions is 'growth':

23%
of EMEA respondents

22%
of APAC respondents

26%
of Americas respondents

"These findings demonstrate that growth is still a primary focus for FinTechs – and growth through adaptation seems the real theme," she explains. "Last year we saw that FinTechs had to adapt to Covid-19 realities, and they were successful in doing so as their digital-native approach and speed to react was well suited to the trends accelerated during the pandemic.

"Now, alongside this continued focus on growth, FinTech firms are broadening their activities – thinking about multiple challenges and opportunities and looking to address many of those activities that will also be real drivers for growth."

David Williams, Director, Head of US FinTech, Barclays, agrees – adding this is particularly the case stateside: "We are seeing a specific mix of activity across the larger FinTechs. In some instances, companies are aiming to strengthen their core, shedding non-core businesses to invest in better technology and client experience. The majority, however, are growing through acquisition."

The war for talent takes hold

Despite FinTechs' universal focus on growth, a major threat to achieving that aim sits before them – the war for talent.

Talent acquisition has risen up the order of priority for respondents this year – and is now cited as the second-most pressing area across all three regions.

Himberg-Wild says this presents a real challenge, which is being exacerbated by multiple players seeking to attract the talent that does exist.

"Competition for talent in the payments industry is hot right now and it includes the traditional financial institutions, because they also need access to those good people," she explains.

"It's essential to understand that the battle is no longer just for coders and technical payments people. As the market continues to mature, there is increasing demand for people with a real breadth of experience. We are seeing firms looking at IPOs, for example, and they are looking to add people with broad business experience, bolstering their boards and adding credibility.

"The competition is now fierce. As these businesses mature and evolve, it is not enough to just bring in new tech. Talent is essential to the continued growth of these businesses."

In response to this challenge, FinTechs are increasingly steering their focus towards partnerships and collaboration as a means of accessing the talent they need to drive growth – collaboration is now the second-most popular route to idea generation and change across the sector.

FinTechs power growth through multiple routes

FinTechs are focused on driving growth through multiple routes, in particular increasing profitability and acquisitions, enhancing cross-border operations and redefining target markets.

Top priorities in the short- to medium-term:

Growth	23%
Access to talent	11%
Post Covid-19 recovery	8%
Increasing profitability	8%
Acquisition	7%
Enhancing our cross-border operations	7%
Macro-economic uncertainty	6%
Process efficiencies	6%
Adjusting to new regulation	5%
Internal changes to support new working models	5%
Improving control	4%
Redefining our target markets	4%
Effective sourcing	2%
Optimised working capital	2%

Best of both worlds

Partnerships mature to meet evolving challenges

FinTechs' focus on partnering and collaboration to achieve the growth they are seeking through multiple routes is clear. This survey once again revealed an expectation across the industry that start-ups will drive the ideas that lead the behaviour and disruption of the payments industry.

In the Americas, 61% of respondents said they expect start-ups to be the main source of disruption and change in the industry going forward – while in APAC and EMEA that was the view of 59% of respondents. These figures were up even on 2020's research – when just over half (53%) of respondents collectively cited start-ups as taking the lead.

FinTechs see partnering with these and other financial organisations as crucial to their growth and success.

Collaboration is king

Also aligned to the previous figures, all three regions cited partnerships as the second-highest route to idea generation and change, while when asked about traditional banks' roles in payment innovation going forward, the most common responses were collaborating and partnering with FinTechs for mutual benefit; and investing in early-stage FinTechs with equity and/or accelerator programmes.

Himberg-Wild says these findings demonstrate a shift in the relationships between FinTechs and traditional financial institutions – from one of buyer-supplier to one where there is far greater focus on mutual benefits and equal contribution to the partnership.

"There's a real sense of material partnership now," she explains. "The worlds of FinTech and traditional financial institutions are colliding in a meaningful way. These partnerships are no longer just about one buying services from the other, but a coming together to create a meaningful relationship whereby each party is bringing something to the table that the other needs – and with both parties fully focused on the same positive outcome."

Start-ups to fuel innovation and change

FinTechs in each region overwhelmingly believe start-ups will drive disruption and change in the sector – up on last year

61%

of Americas respondents

59%

of APAC respondents

59%

of EMEA respondents

All regions

60% vs. 53%

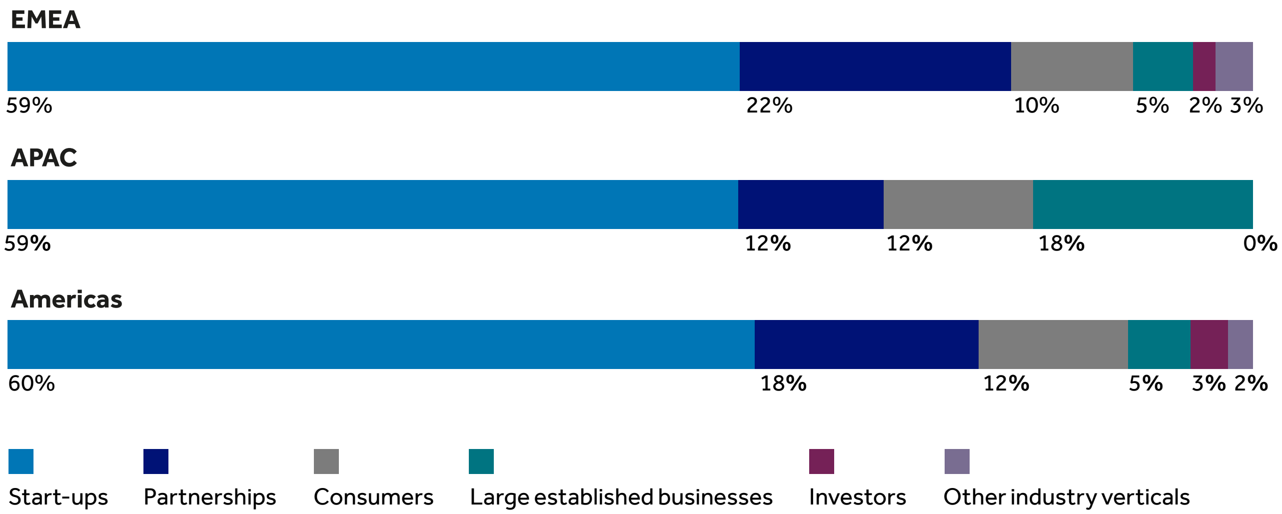
All regions 2021 **All regions 2020**

Himberg-Wild adds that, within those partnerships, it is the FinTechs that continue to drive the user experience – seeing the world as they do from a user experience (UX) rather than product point of view.

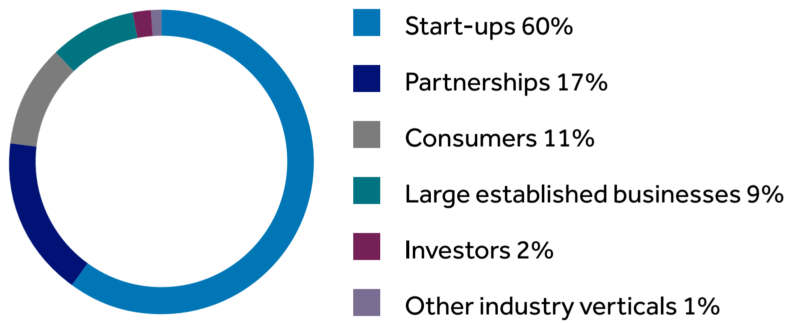
“There is a huge focus now on meeting customer expectations to provide seamless and frictionless transactions,” she adds. “Mutually beneficial partnerships are essential to meet this need; traditional financial institutions require the technology, the ideas and the agility of the FinTechs, and FinTechs need the payments infrastructure of the traditional financial institutions to deliver it. That means we are seeing much more mature and balanced partnerships and collaboration now.”

According to the latest findings, large established businesses were cited by APAC respondents as being the second most important driver for change, at 18% – but were only cited by 5% of respondents in EMEA and Americas. Part of the reason for the higher response in Asia could be down to the fact the market is dominated by a few large players with a higher profile.

Which audience do you think generates ideas leading the behaviour and disruption of the payments industry?



Who will drive the greatest disruption in FinTech globally



However, Tim Glennon, Head of NBFI Europe, Barclays Corporate Banking, says this is likely to be an evolving picture: "This may change going forward as we are seeing significant interest in Europe from traditional and corporate venture capital players – who recognise Europe as a large homogenous market with a highly evolved regulatory system, a broad pool of talent and emerging high-profile unicorns demonstrating dynamism and innovation," he says.

In terms of other drivers of change and disruption in the payments industry, consumers were rated third highest by respondents across regions for the third year running, while investors ranked low in all three regions once again.

> *"The worlds of FinTech and traditional financial institutions are colliding in a meaningful way… coming together to create a meaningful relationship whereby each party is bringing something to the table that the other needs."*
>
> **Jenni Himberg-Wild**
> Head of FinTech and Non-Bank PSPs, Barclays

The role of the traditional banks
One of the biggest shifts in this year's report versus that of last year related to the proportion of FinTech businesses that are seeking to become financial institutions. Last year, the primary region where firms were looking to gain a banking licence was APAC – where 28% of respondents felt FinTech businesses would seek to become financial institutions, with EMEA (17%) and the Americas (28%) lagging behind.

This year, there was a far greater expectation in EMEA and the Americas, (27% and 28% respectively), while the number in APAC fell considerably, to 18%.

This shift represented an ongoing trend, with the APAC number now having fallen from 39% in 2019, to 28% last year, and 18% this year.

"We continue to see strong interest from companies seeking new licenses across the EMEA region – notably from APAC, which may explain some of the shift in focus here," Glennon says. "And while we see interest in countries across the region, there has been a strong move towards those with a reputation for a stronger licensing regime, even if this means it may take longer to achieve."

27%

of respondents in EMEA felt FinTech businesses would seek to become financial institutions this year.

In the future, how do you think financial technology will be consumed?

	EMEA	APAC	Americas
Integrated, invisible services	35%	24%	34%
FinTech businesses will seek to become financial institutions	27%	18%	26%
Banking as a platform	19%	24%	18%
Through partnerships with established players	14%	12%	18%
Single proposition providers	3%	18%	2%
Other	1%	6%	2%

The rise in EMEA and the Americas may be being driven by some recent high-profile examples of FinTechs, such as Revolut, applying for banking licenses in those regions, raising expectations that others may follow suit.

Despite that shift in sentiment, it is unlikely any moves among FinTechs to become banks will be to the detriment of ongoing partnerships and collaboration – given their desire to pair their innovation and agility with traditional financial institutions' ability to deliver liquidity and payments infrastructure.

The power of start-ups

Belief in the power of start-ups and smaller FinTech players to drive innovation was further reflected in the fact that the overwhelming majority of respondents – nearly 90% overall, relatively consistent across regions – saw an ongoing role for smaller FinTechs in the payments ecosystem.

This reflects their continued ability to meet the demand for flexibility and agility, and to deliver fresh and innovative ideas.

B2Bs shifts its focus

In the B2B space, there was agreement across regions when it came to the topic of the most important payments innovation for B2B-focused FinTechs: 'digital payments – virtual cards and new payments rails'. This was cited by 27% of respondents overall, but was a particularly strong response in APAC (35%).

This was a significant shift on the previous year's findings, when digital payments were seen as only the third most important innovation for this group, behind 'connectivity – seamless payments innovation' and 'data-driven optimisation of payments and funding'.

However, this year's findings were a realignment with the responses of two years ago – suggesting last year's focus on connectivity may have been a heightened response to the pandemic period.

Connectivity was rated as the second most common response in each region this year (24% across regions). All three regions also cited data-driven optimisation of payments and funding as the third most popular response (16% overall).

"There is a huge focus now on meeting customer expectations to provide seamless and frictionless transactions."

Jenni Himberg-Wild
Head of FinTech and Non-Bank PSPs, Barclays

"This is the arena where we expect some of the fiercest competition going forward," explains Glennon, "as entrants converge from different evolving business models to drive some of the most exciting innovation. Open Banking and Direct Participation provide FinTechs with the potential to move away from focusing on the technology layer, to instead becoming licensed while leaning on traditional institutions for scheme connectivity all the way through to becoming fully licensed banks. Which path they choose will affect the partners they need now and throughout the lifecycle. Seeing which strategy delivers the best outcomes for clients and investors is one of the most interesting narratives we will see unfold over the next couple of years."

The origins of innovation

Payments' advance becomes pan-regional

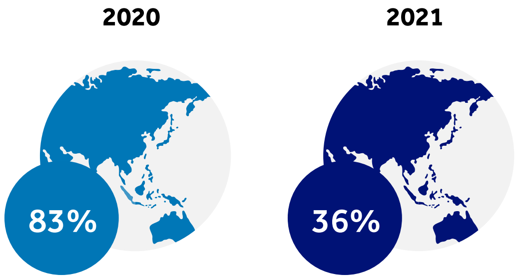
As payments continue to evolve to meet end users' needs, views on where future innovation will come from are changing.

As was the case in 2020, when asked where the biggest rise in payment innovation will be in the next five years, there was again some tendency among respondents to rate their own region highly. However, this was not as prevalent as before, and there was a notable shift in respondents' views on APAC and the US.

In the 2020 research, home bias was particularly strong in APAC, where China, India, Japan and Southeast Asia together claimed more than 83% of regional votes.

Now, these countries only account for 36% of responses, with respondents in both APAC and the Americas believing the biggest single rise in payments innovation in the next five years will be in the US – 29% and 43% respectively. In the Americas, the second choice stood out clearly as China (13%).

APAC's home bias softens



"Being truly 'global' is difficult to achieve in payments, and even those who appear more global are mostly part of a network of companies, with a web of banks and other FinTechs around them."

Jenni Himberg-Wild
Head of FinTech and Non-Bank PSPs, Barclays

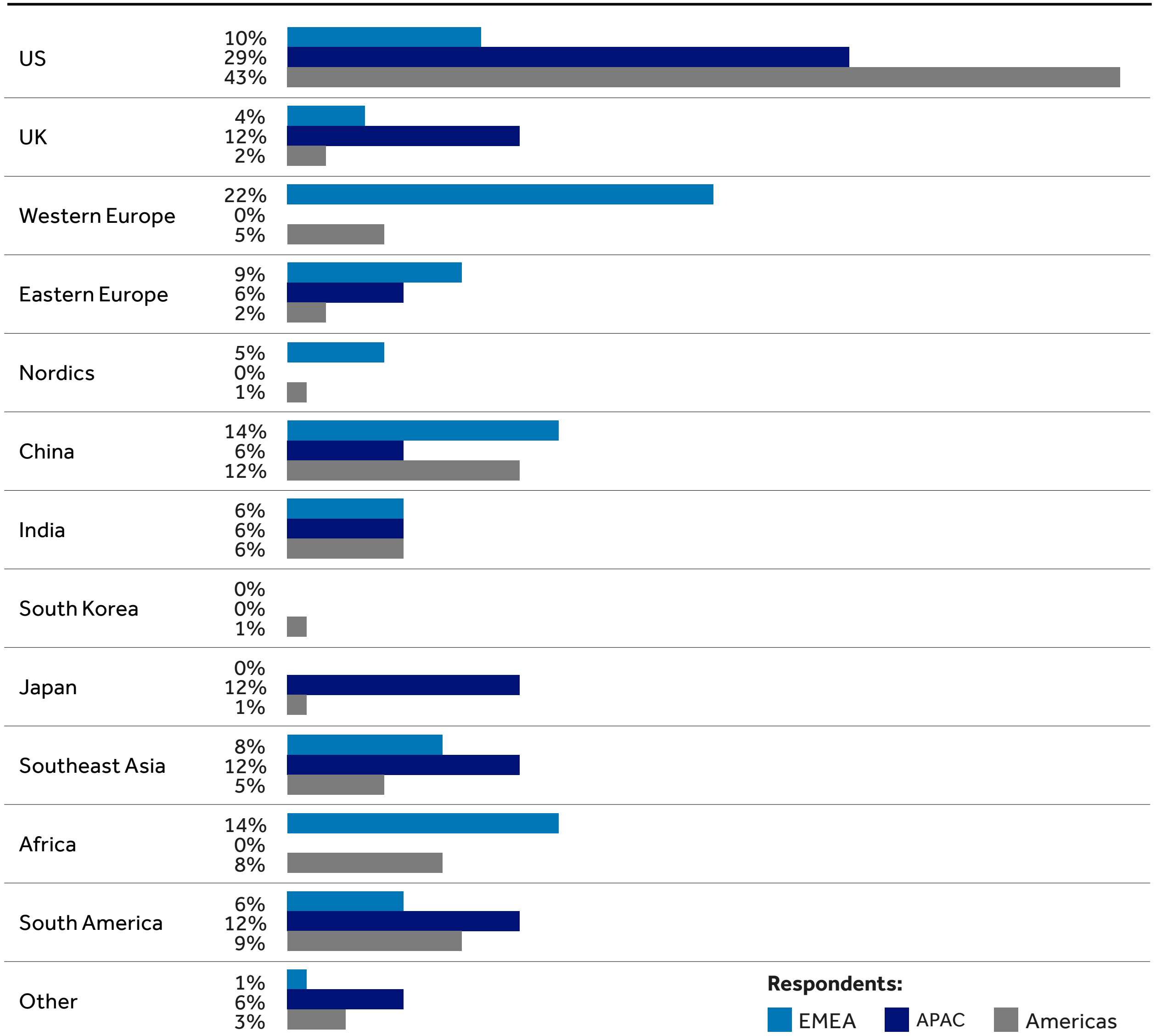
Respondents from EMEA were most likely to cite Western Europe as the location most likely to see the biggest rise in payment innovation (22%), followed by China, Africa and the UK.

Only 10% of EMEA respondents cited the US as likely to see the biggest innovation – even though the US increased overall. No APAC respondents and only 5% of Americas respondents cited Western Europe as the top pick.

One explanation for the shift in views on where innovation will come from in the near term may be that, as some core markets mature and evolve, many of the “quick wins” and initial innovations aimed at meeting customer demands have now been made, meaning further immediate innovation will be less likely.

Despite that, Himberg-Wild suggests the differences between regions suggest local knowledge remains key to success: “We have seen it time and again,” she says. “Being truly ‘global’ is difficult to achieve in payments, and even those who appear more global are mostly part of a network of companies, with a web of banks and other FinTechs around them.

Where will the biggest rise of payment innovation be seen in the next five years?



Invisible, frictionless and seamless

The relentless drive to keep customers loyal

This year's report revealed unanimity among respondents, across regions, that frictionless payments are now the most important driver for keeping customers loyal.

Across regions, more than 24% of respondents to this year's survey cited frictionless payments as the key driver for customer loyalty – split broadly evenly across EMEA (23%), APAC (24%) and the Americas (26%). This compared with just 21% citing 'delivering a personalised offering' as the key driver – a step change from our last report when delivering a personalised offering sat at 29% across regions, while frictionless payments stood at just 20%.

Himberg-Wild says these responses dovetail with the earlier findings that, whether they are looking to become banks in their own right or to partner with traditional financial institutions for success, there is a growing focus on meeting customer expectations around experience.

"Again, this response demonstrates the clear focus on delivering UX," she says. "The question is one of expediency – how quickly can they get there and will it be more beneficial for them to reach that offering by building alone or finding a partner that can underpin their offering with an existing infrastructure."

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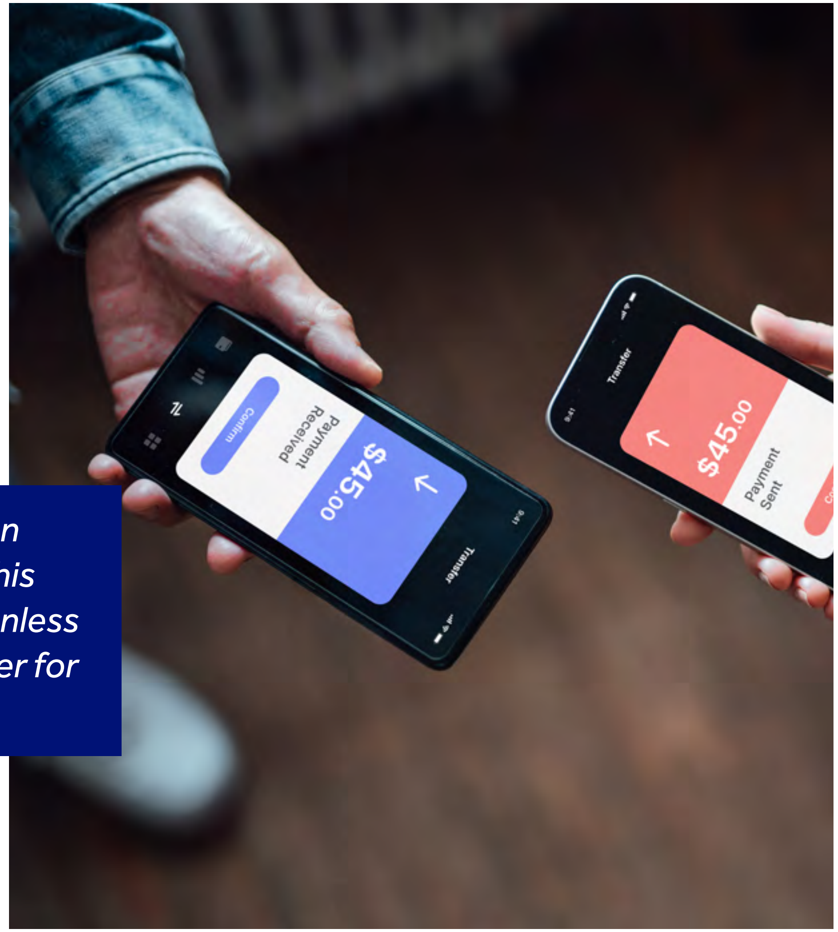


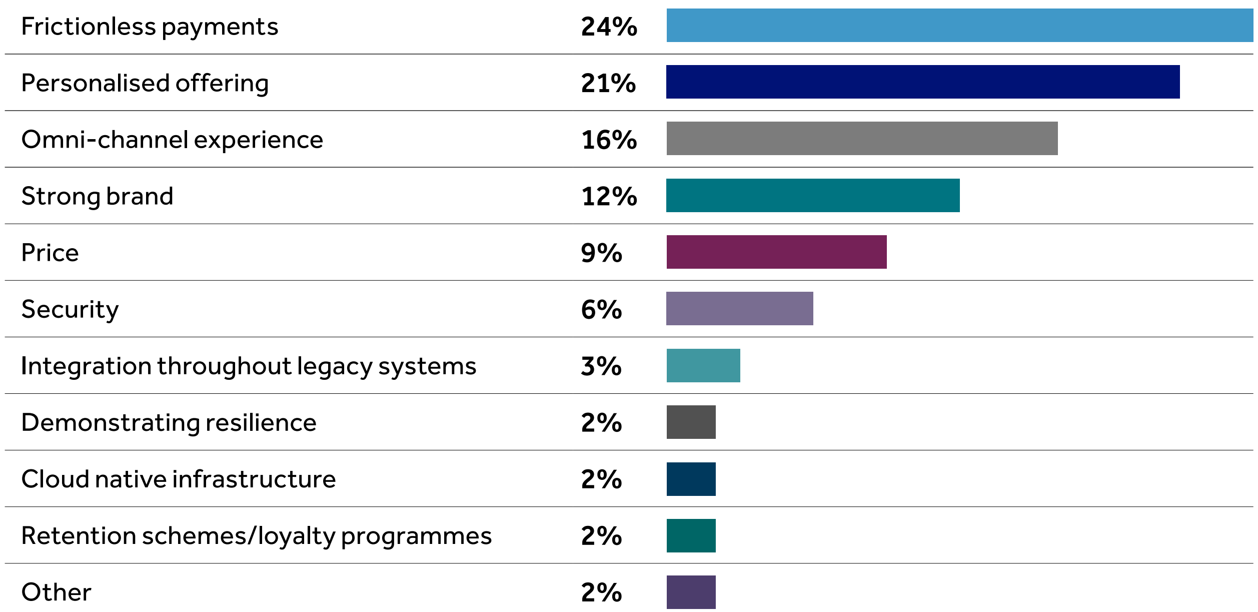
FIs remain important but less visible
While this suggests a continued involvement for traditional financial institutions, a growing focus on technology to improve the customer experience and drive brand loyalty may mean their involvement in the payments process becomes more integrated, potentially making providers less visible at a transactional level.

There was acceptance across the board that future financial technology will be consumed through integrated, invisible services – noted by 35% of respondents in EMEA and the Americas, and 24% in APAC.

Notably, demonstrating resilience; cloud-native infrastructure; integration throughout legacy systems; and retention schemes/loyalty programmes all received very low scores among respondents – while price was ranked low everywhere but in APAC.

This further suggests that the market has matured to be focused on areas beyond infrastructure, integration and loyalty programmes – to now having a far greater focus on user experience, faster payments and meeting bespoke customer needs.

How do you keep customers loyal and provide a great experience?



Frictionless payments take over

2020

20% Frictionless payments

29% Personalised offering

2021

24% Frictionless payments

21% Personalised offering

Partnering in action

Barclays' partnership with Form3

Barclays' partnership with payments technology FinTech Form3 is a working example of the value that can be created through genuine bank/FinTech collaboration.

The two organisations joined forces in 2017 to meet a clear objective: to empower FinTechs to incorporate frictionless and seamless payment solutions into their UK and European offerings, by means of a direct connection to payment schemes.

As with any true partnership, the key is for both sides to each bring something compelling to the collaboration. In this Barclays/Form3 partnership, Form3 brings scalable, industrialised APIs that can support the heavy load and complexity involved in interacting with a market infrastructure such as Faster Payments in the UK and SEPA Instant in Europe. Other than other side, Barclays has helped Form3 to gain indirect memberships to those schemes, the required expertise and the liquidity infrastructure. Those ingredients combined empower the industry to enhance consumer journeys and provide scalable solutions.

Also central to any effective partnership are clear working parameters and a Memorandum of Understanding around working practices.

To smooth the path of collaboration, Barclays and Form3 have put several processes and working frameworks in place.

From a product development perspective, for example, tech partners from both sides work directly together at all levels.

The two organisations joined forces in 2017 to meet a clear objective: to empower FinTechs to incorporate frictionless and seamless payment solutions into their UK and European offerings, by means of a direct connection to payment schemes.

Governance is also a combined process. The teams from Barclays and Form3 meet regularly under two working groups, to plan and deliver commercials (client consultation and implementations) and product development – with decisions made by a joint steering committee.

In the Barclays/Form3 partnership, defining a clear understanding goes beyond the standard vendor-buyer model. Bespoke agreements have been written and are regularly upgraded as new payment schemes are added, to ensure they take account of the evolving market and client needs.

In addition, bespoke customer guidance has also been created in partnership to ensure FinTech clients fully understand the requirements placed on them – such as being able to publish IBANs in their own name, which is an important and valuable asset. To do that, an application needs to be made to obtain the required approvals and national clearing code for the country in question – and developing guidance around how to do that has been critical to the success of the proposition.

Perhaps the most important working agreement, however, has been around the sales process. With both organisations focused on growth but each also having a different sales strategy, defining a sales approach that provides clarity on each side's processes and parameters has been essential.

The partnership approach is certainly delivering. "This joint offering from Barclays and Form3 leverages the strengths of both organisations to bring value to the industry," explains Michael Muller, CEO, Form3. "Key in determining what topics to work on includes an open dialogue of each other's strengths and weaknesses. and what solutions would add value and where."

David Shinkins, Global Head, Cash Management Sales at Barclays, adds: "We recognised the potential of this partnership with Form3 even before we started developing this particular solution. This has continued to strengthen over years through collaboration and is a genuine example of how banks and FinTechs can combine to deliver solutions that are greater than the sum of their parts."

Horizon planning

Real-time payments and cryptocurrencies gain traction

Supporting the view that customer loyalty and experience will be driven by seamless and frictionless payments, respondents in all regions stated that the next innovation they expect to disrupt the payments market will be real-time payments.

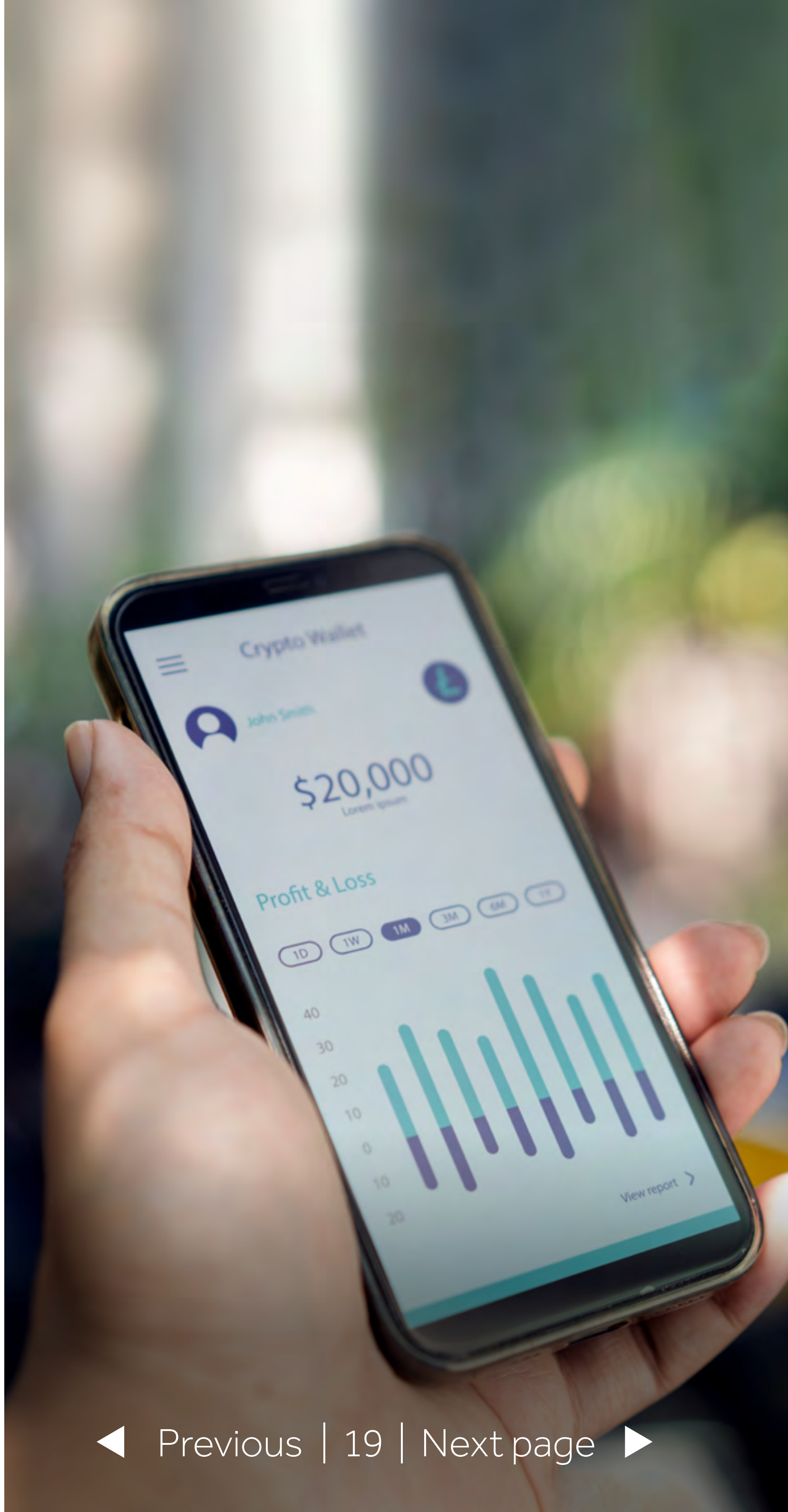
This was cited as the next likely disruption by 28% of respondents in EMEA; 24% in APAC and nearly one third (32%) of respondents in the Americas.

Despite these figures, the overall proportion of respondents citing this as the innovation most likely to disrupt the payments market next was considerably lower than last year, when 71% of respondents overall cited it as the top choice. That number reached three-quarters of respondents in the US.

Himberg-Wild explains this decline may be due in part to the fact that many FinTechs' customers already perceive many of their payment transactions to be 'in real time'.

"While cross-border payments are rarely processed in 'real time', FinTechs have taken great strides to create a user experience that delivers the 'illusion' of them being so – and they have achieved this once again through great partnerships that leverage large networks of traditional financial institutions and non-bank PSPs," she says. "This is where the symbiotic relationship between FinTechs and banks is really showing its value."

The continued focus on real-time payments and a frictionless experience is also understandable amid growing complexity in the payments market. Increased requirements for dynamic/one-time passcodes to authenticate online transactions are prompting a rise in declined payments in some territories. In the UK, for example, where the ramping up of Stronger Customer Authentication (SCA) is now underway and greater requirements are being placed on consumers to authenticate, 6% of non-compliant transactions are now being declined.



The perceived rise of 'crypto disruption'
An interesting emergence in this year's results was that Central Bank Digital Currencies (CBDCs) have risen considerably up the list of innovations and disruptions gaining traction, with 24% of APAC respondents now citing this as the next innovation to disrupt the industry – the same number who cited real-time payments in that region.

AI-powered payments have also risen up the list of responses, further supporting the industry's focus on meeting customer demand for faster payments and a more seamless experience.

While these findings suggest a broader range of innovations and disruptions on the radar of FinTechs, Shinkins urges caution around some of the perceived disruptions, specifically CBDCs.

"I think part of the reason CBDCs have emerged as a potential near-term disruptor is a result of the crypto movement of the last five years, where we have seen the market evolve and the emergence of clear demand for such assets," he says.

"How central banks tackle the issue of implementing and regulating CBDCs, however, and how they are viewed by banks, remains to be seen – and I suspect the interest in this area is fuelled somewhat by the increased rhetoric in this area."

Himberg-Wild agrees: "CBDCs are on everyone's mind at present, as there is a lot of talk about them in the financial media," she adds. "People see central banks issuing whitepapers and consultations on CBDCs, and that is prompting the industry to try to work out how CBDCs will be relevant to FinTech. But this is still very much an area of exploration."

Central Bank Digital Currencies (CBDCs) have risen considerably up the list of innovations and disruptions gaining traction.

Firms must not lose sight of ISO 20022
Perhaps a surprising finding was the relatively low number of respondents that cited ISO 20022 as likely to be the next innovation or industry standard that will disrupt the payments market.

This was the second most popular response in terms of trends affecting the sector last year, with 11% of overall respondents citing it, and 17% in APAC. This year, ISO 20022 was cited by less than 5% of respondents overall – falling behind CBDCs, payments powered by artificial intelligence, and clusters of collaborating FinTechs.

This may be the result of firms now feeling that ISO 20022 is well and truly on their radar and an issue they are currently handling, leading to them no longer treating it as 'new'.

However, the adoption of the messaging standard is at the core of a major transformation across the payments industry, involving market infrastructures, financial institutions and non-bank PSPs – and while many may feel they have a grip on the issue, it is important they do not become complacent and stay focused on implementation.

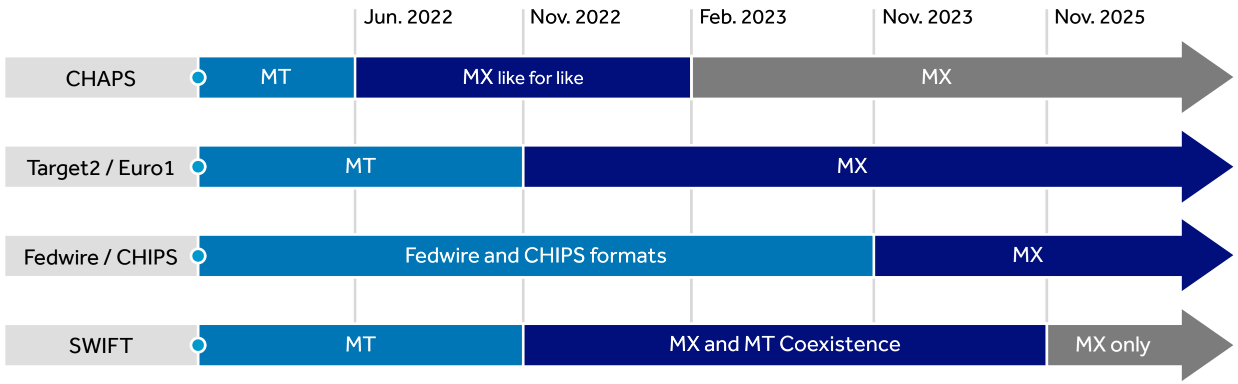
Moreover, this is crucial to meeting customer expectations around frictionless payments. With ISO 20022 fundamental to delivering the intelligent data to facilitate real-time payments, getting it wrong or failing to give it the attention required could jeopardise customer loyalty.

Find out more about the standard's importance to the sector at: barclayscorporate.com/insights/innovation/iso-for-banks/

Integration in action
With both consumers and businesses searching for, and focused on, greater integration and better user experience, APIs and artificial intelligence (AI) continue to be the focus for firms looking to meet customer expectations and drive success – although these categories dropped slightly in popularity, with blockchain technologies picking up the slack.

> *[ISO 20022] is crucial to meeting customer expectations around frictionless payments… getting it wrong or failing to give it the attention required could jeopardise customer loyalty.*

Key Market Infrastructure migration dates

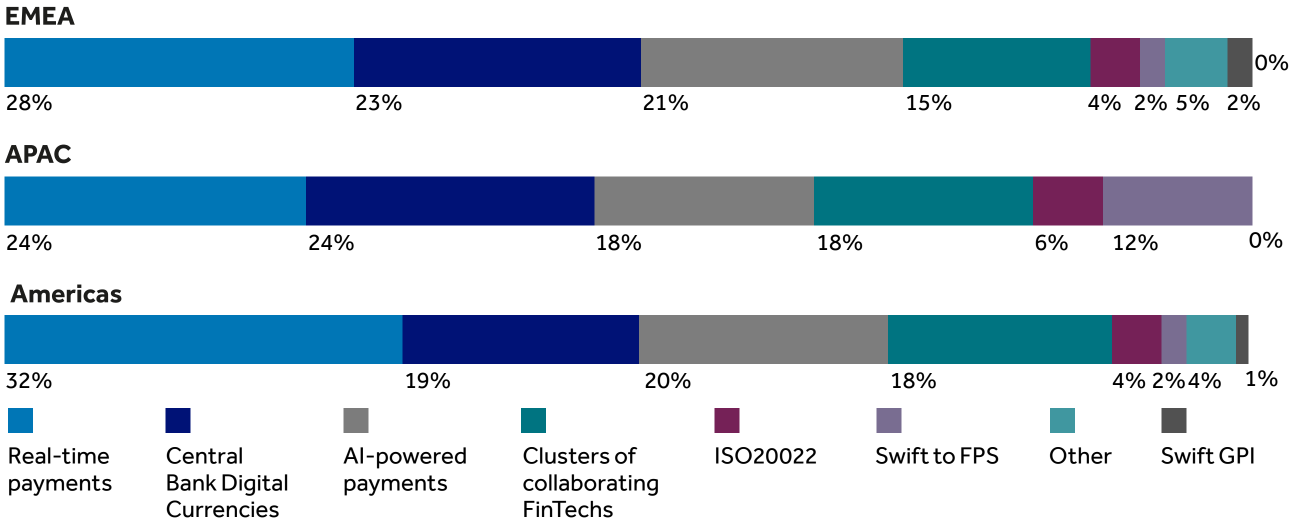


The latest survey findings revealed that, overall, 24% of respondents felt that AI is the new technology most likely to revolutionise the way they work – down slightly on the 31% overall average of last year. APIs – while still the top choice in APAC at 35% – were cited by 22% of respondents across regions.

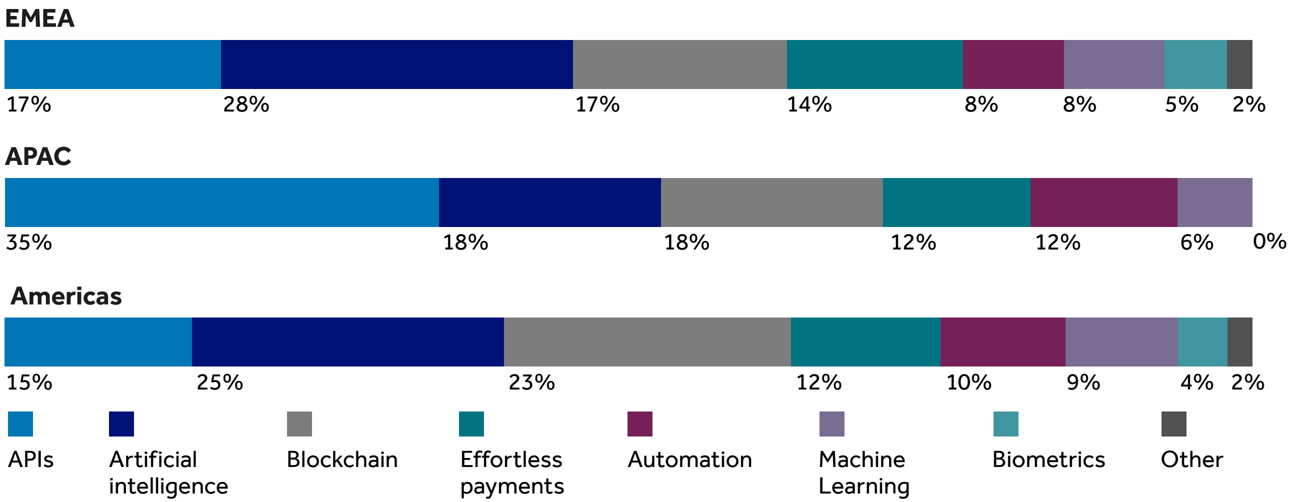
Contrastingly, Blockchain rose to 19% against just 12% last year. However, this again is likely to be the result of increased commentary around Blockchain technologies, and APIs and AI remain the technologies that respondents feel will enable them to deliver seamless, integrated experiences.

Himberg-Wild suggests this is evidence of how deeper partnerships are driving a deeper role for technology: "More meaningful partnerships are leading to new use of technology – moving beyond simply collaborating to access common infrastructure. While this still exists and remains important, there is now also a desire to discuss different technologies to ensure all parties play a complementary role in joined-up horizon gazing."

What do you think will be the next innovation/trend that will disrupt the payments market?



Which new technology would most revolutionise the way you work?



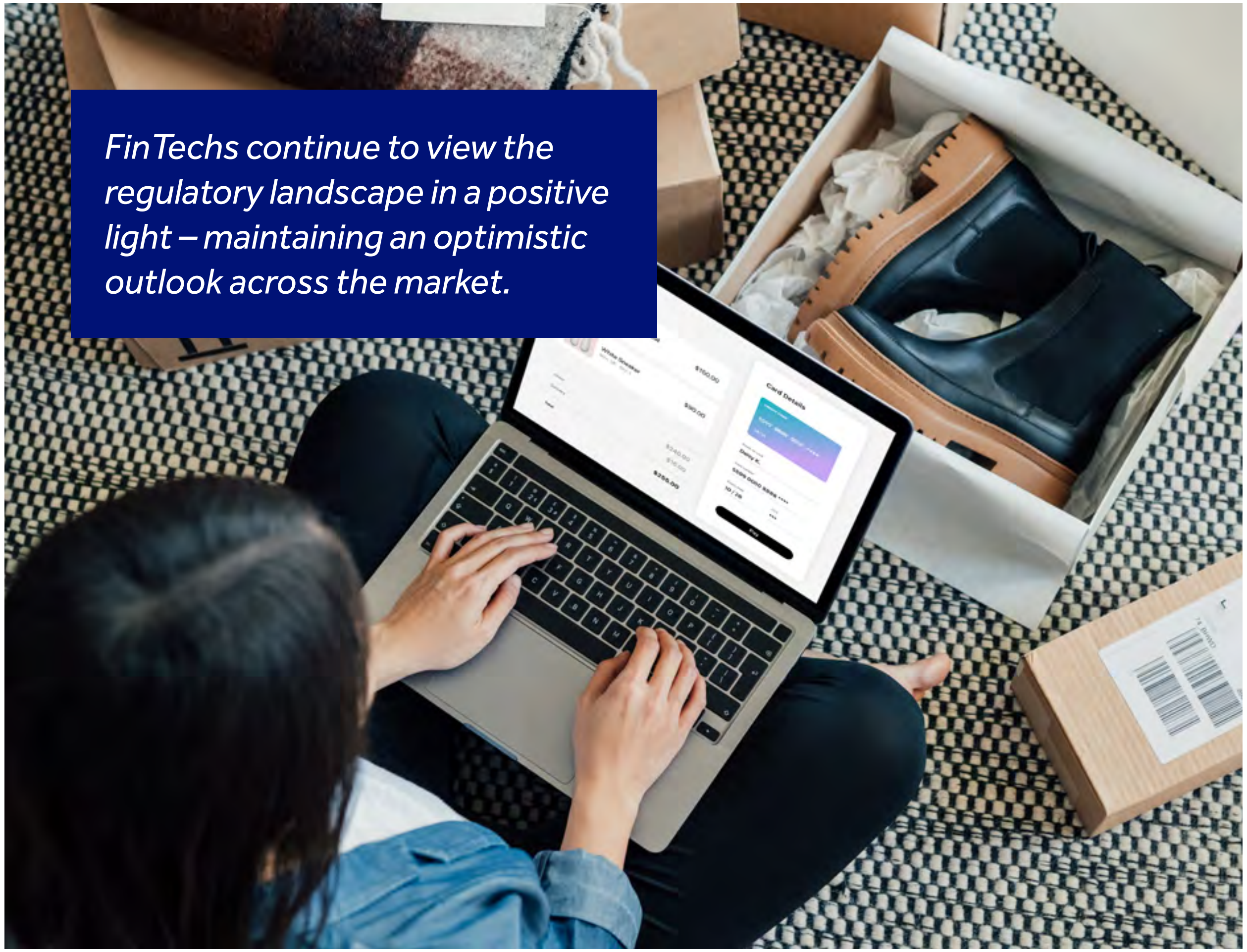
Further opportunities for success

Regulatory and security costs are a small price to pay for greater opportunity

With the world of banking and financial services becoming increasingly complex, increasingly data-driven and increasingly global, and with the ramifications of the 2008 global financial crisis still relatively fresh, the sector has undergone vast regulatory reform in the past decade-and-a-half.

In line with the findings from last year's report, firms in the sector continue to view the regulatory landscape in a positive light – maintaining an optimistic outlook across the market.

This was borne out by the findings of this year's survey, which revealed the most common view of the impact of further regulation on businesses was that it will create new opportunities. This was the case across all regions – EMEA (45%), Americas (44%) and APAC (35%).



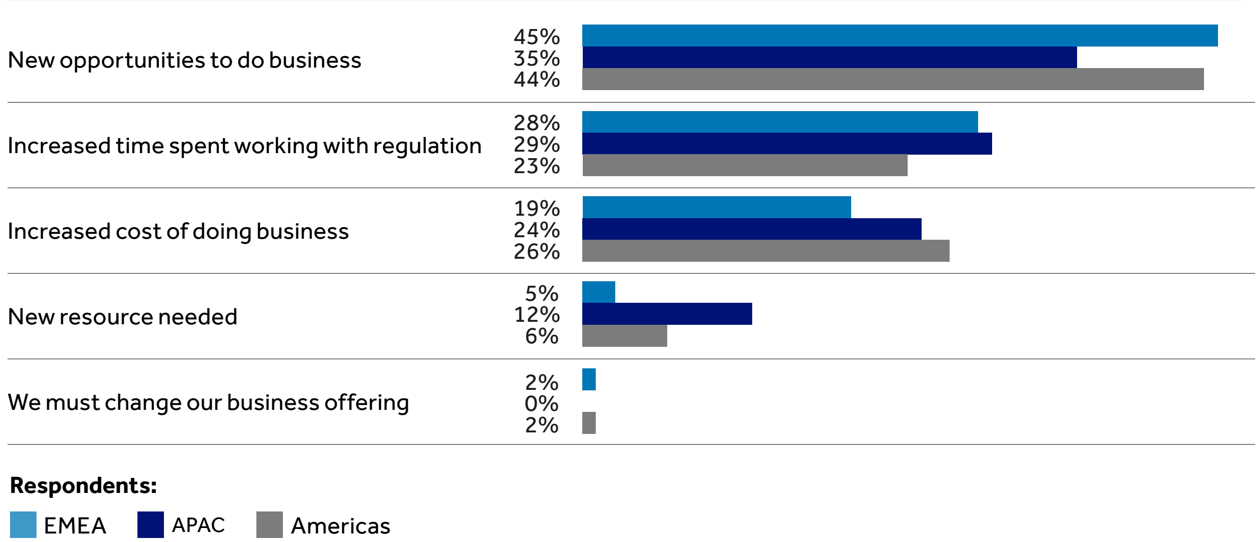
FinTechs continue to view the regulatory landscape in a positive light – maintaining an optimistic outlook across the market.

"Europe has long been known for a strong regulatory framework across payments, data, and labour, which can be leveraged across a broad market," explains Glennon. "So it's not a surprise to see the favourable response here. The emergence and success of a number of home-grown European FinTechs, such as Klarna, Adyen, Nexi and Mollie, endorses the model and will attract others."

There was a view among FinTechs that increased regulation would increase the cost of doing business and increase the time they spend working with regulation; although the proportion of firms that felt this way was down on last year – particularly in the Americas, where it's possible that many firms feel they are already far along their regulatory journey.

Regardless, and encouragingly, very few respondents felt regulation would result in them having to change their business offering, and there is a sense that firms accept the cost of regulation as a necessary expense that will in the long run deliver greater opportunities.

What impact will regulation have on your business?



Regulation can drive opportunity

The most popular view of regulation among FinTechs was that it would drive opportunityin the sector:

45%
of EMEA respondents

44%
of Americas respondents

35%
of APAC respondents

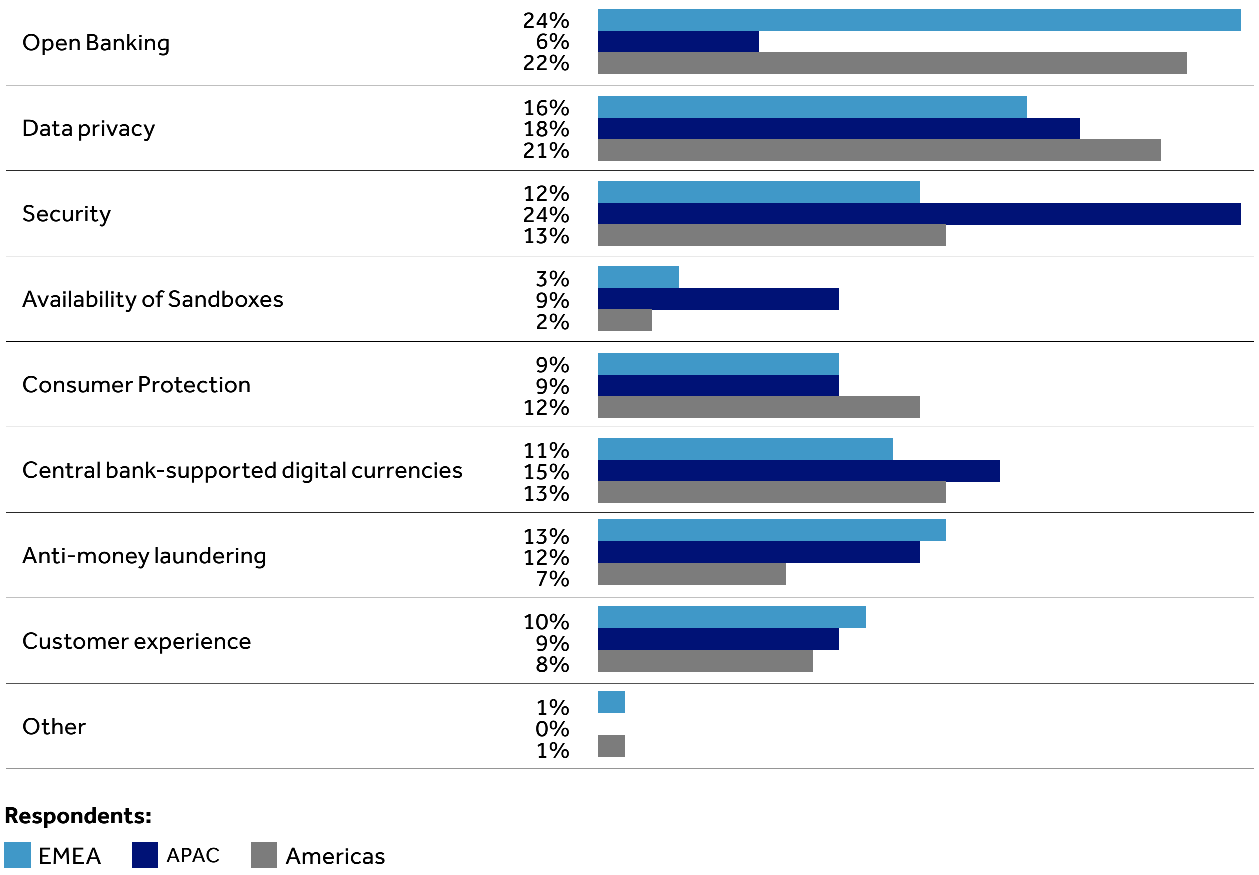
FinTechs embrace the regulators
In terms of the areas FinTechs expect to be most impacted by regulation in the coming year, Open Banking was the highest-ranked area in both EMEA and the Americas, while in APAC it was security – although both responses ranked highly across all regions, signalling a strong understanding of the impact data is having on the industry and the need to regulate that. Accordingly, data privacy also ranked relatively high.

CBDCs were another area cited as likely to be impacted by regulation – again supporting the view that increased awareness and discussion around this topic is placing it on the radar of more firms.

Customer experience, consumer protection and availability of sandboxes ranked lowest – an unsurprising result given the maturity of these areas and the fact they have well-established regulation already in place.

Encouragingly, most respondents revealed they are 'working with regulators' or 'working with industry experts' to stay on top of regulatory matters – in line with our findings that the sector is increasingly focused on strong collaboration and partnership. That was further supported by large numbers of respondents saying they are partnering with payment experts and 'learning from others'.

The areas of new regulation that FinTechs believe will have the greatest impact in the next year



Section 3: Regulation and security

From a stateside perspective, Williams adds: "It is clear that FinTech companies continue to invest in their regulatory frameworks. We have witnessed significant growth in compliance functions and investment in systems and processes to strengthen anti-money laundering and data security practices, for example. Increased regulation combined with the level of investment and focus we are seeing paves the way to a smoother road for traditional financial institutions to support FinTechs and vice versa."

Open Banking still to come of age
While some feel that Open Banking has been relatively slow to impact the financial sector in the three or so years since the data-sharing initiative was first launched, there is a view that the increased focus on collaboration and partnering could finally see it come of age – and deliver opportunities for all.

This was highlighted by FinTechs' views on the potential use cases they see for Open Banking in the coming year – whereby more than one-third of respondents (34%) said the greatest opportunity was 'easing integration of banking across providers' so the customer-owning entity can develop value-added services on top.

What potential use cases do you envisage for Open Banking?

	EMEA	APAC	Americas
Enabling consolidation of ERP / Accounting Software as a go-to interface	16%	20%	14%
Easing integration of banking across providers	32%	35%	34%
Increasing consumer choice and reducing inertia	27%	25%	28%
Providing the most cost-effective propositions to clients	23%	20%	22%
Other	1%	0%	2%

Open Banking could finally fulfil its potential... with 70-80% of respondents across regions saying it could impact their business either in a big way or would deliver some benefit to their business.

Further highlighting the view that Open Banking could finally fulfil its potential was the view of between 70-80% of respondents across regions that Open Banking would either impact their business in a big way or would deliver some benefit to their business.

Only 20-25% of respondents said they either didn't think it would impact their business or didn't know how it would.

Steve Lappin, Barclaycard Payments, agrees Open Banking has the potential to help smooth the frictionless experience consumers are seeking: "Open Banking helps remove some of the friction around SCA, as it doesn't use card infrastructure, and it reduces cost for retailers as fees levied by card schemes are avoided. This approach, much more like the 'push payment' models already popular in continental Europe, demonstrates Open Banking's potential."

Around one-quarter of respondents (27%) said Open Banking would increase consumer choice and reduce inertia, driving innovation in the sector; while more than one-fifth (22%) said it would enable them to provide the most cost-effective propositions to clients – demonstrating there is a genuine and clear focus on customer experience and meeting customer needs.

Cyberattack prevention is better than cure

A more complex digital payments sector, built around enhanced data processing and handling, means a potential increase in entry points for cyber attackers.

Despite that, there was a common theme across all regions that firms do not feel they need to spend more on cybersecurity moving forward. In fact, in EMEA and the Americas, at least half of businesses (55% and 50% respectively) said they are confident they have a robust approach to cybersecurity and only 20% and 21% respectively said they feel they need to invest further in cybersecurity.

Lappin says such complacency around cyber threats is a concern and firms should be fully focused on the potential risks ahead.

"Complacent is the last thing you want to be in the area of cybersecurity," he stresses. "We've seen some high-profile hacks over the last 18 months to two years, many of which have received considerable media coverage. That's not where you want to be when you're holding consumers' payment data.

"It's vital to talk about cybersecurity regularly and I would encourage far more firms to increase investment in this area to prevent attacks. I would recommend a 'healthy paranoia' when thinking about cybersecurity, and that means remaining focused and being prepared to invest."

While a large proportion of firms in EMEA and the Americas feel they are on top of cybersecurity, the response from FinTechs in APAC was markedly different.

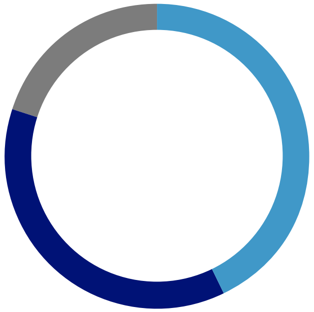
The most common response there was that firms feel they could be doing more to support and educate colleagues about cybersecurity.

However, the proportion of respondents saying they do not need to invest more in this area was high across all regions, and Shinkins warns this lack of continuous improvement in cyber protection could risk undoing much of the good work firms have done to evolve their offering in recent years.

"Many organisations have very clearly defined cybersecurity programmes, as you'd expect them to," he says. "But it is alarming that it is not at the forefront of all leaders' minds when you consider that an attack could take down their entire business model. Given the efforts firms in the sector have clearly gone to in recent years – as highlighted by this report – that would seem like a short-sighted approach and could undo lots of the great work that is taking place."

Discover more about how to prevent fraud at: barclayscorporate.com/insights/fraud-protection/cyber-fraud-toolkit/

FinTechs' views on their current grasp of cybersecurity



While a large proportion of firms in EMEA and the Americas feel they are on top of cybersecurity, the response from FinTechs in APAC was markedly different.

Strategies for success

Insights to drive ongoing growth and success

Keep your focus on UX

The overwhelming driver for FinTechs' activities is their focus on meeting expectations around user experience. Stay focused on customers' desires for frictionless, fast and seamless payments.

Partner up for success

Collaboration and partnership are increasingly driving activity in the market. Firms no longer want a buyer-supplier relationship – but a genuine partnership that delivers mutual benefits.

Regulation is an opportunity

Successful and forward-thinking firms no longer see regulation as a burden to their business – but as an opportunity to do more business. Embrace regulation.

Get cyber smart

While some firms feel they do not need to increase their investment in cybersecurity, it is clear that a more complex, more digital and more data-driven world requires a keen focus on protecting against cyberattacks.

APIs and AI take centre stage

With connectivity now crucial, APIs and Artificial Intelligence can help meet customer needs – and this demand is driving partnerships, as FinTechs increasingly look to traditional financial institutions for support.

To find out more about how Barclays can support your business, please call 0800 015 42 42* or visit barclayscorporate.com

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February 2022