



An ecosystem in transition

FinTechs and traditional financial institutions
collaborate for a connected future



Contents

3	Foreword
4	Executive summary
5	An ecosystem in transition
8	The next big thing
10	Regulation sparks new opportunities
11	How will financial services be consumed?
13	Brand vs experience
15	Cybersecurity: hygiene or high stakes?
17	Key takeaways

A note on the research

The data for this report was collected at three Money20/20 conferences held in Asia, the US and Europe in March, June and October 2019 respectively. Over 19,000 industry professionals attended the three events, including a large number of senior stakeholders from FinTechs and traditional financial institutions. Live polling of audiences at the events gave access to the views of nearly 2,000 respondents to deliver a comprehensive overview of the current state of the industry.

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

Foreword

Large-scale industry events such as Money20/20 provide an exciting opportunity to take the pulse of a sector.

Money20/20 is a global conference held three times a year across Europe, Asia and the US. In 2019 around 19,000 experienced professionals attended across the three events, including senior delegates from FinTech companies, traditional financial institutions and beyond.

Money20/20 has always given audiences the clearest, sharpest view of what's next in money, helping bring the future into focus. We are proud to have partnered with Barclays and Barclaycard to conduct a global survey into the trends impacting our industry today.

We are especially pleased to see 'partnerships as a growth tactic' emerge as a very strong theme in the research, a trend which we have certainly seen reflected in the shifting conversation taking place at Money20/20 shows through the years. Where once there was, "Are startups going to eat banks' lunch?" now we hear, "How can we partner for success?". There is a clear recognition that there is real value in 'different' and going it alone is not always the most sensible option. From Money20/20's vantage point, it is clear that relationship-building in financial

services is more critical than ever before, and that our community sees collaboration at the heart of its future success.

In essence, the results of this survey show that despite challenges ranging from cybersecurity to new market entrants, the industry is optimistic about the future – in particular the opportunities thrown up by progressive regulation and rapidly-evolving consumer demand. We are excited to see how this study develops in the years ahead. Together with Barclays, we will be tracking the changing face of the financial services ecosystem.

[Tracey Davies](#),
President, Money20/20

Connectivity is key in the new financial services ecosystem

The industry sees itself moving towards a well-connected ecosystem, one in which everyone has a positive role to play in meeting the needs of today's customer.

As the Money20/20 Global Insights Partner in 2019, Barclays was able to gather live data from nearly 2,000 attendees. Our research explored the disruptive forces reshaping the financial services ecosystem, from new technologies and consumer expectations to regulation and security. While the results will always show disparities between the markets due to regional differences, we were intrigued by some of the insights across the globe.

“As multiple services are packaged up, brand may become less important as a differentiator.”

Connectivity and partnership emerged as strong themes. Our polling found that more than two-thirds of global delegates view traditional banks' role in payment innovation as a collaborative one, in which they forge partnerships with FinTechs for mutual benefit.

In this new collaborative environment established and 'neo' businesses will be increasingly networked; FinTechs will partner with traditional banks, start-ups will work with 'Fincumbents' and smaller firms will cooperate to combine their micro-specialisms into more commercially robust solutions. Most respondents therefore see

a positive future for smaller FinTechs, which they believe will continue to find and exploit niches in the industry.

The underlying driver for innovation is shifting expectations: banking customers used to a seamless, personalised experience in other aspects of their digital lives want the same from their financial providers. These changes in consumer behaviour and expectations are in turn driving corporate customers operating in the B2C and ecommerce space to demand seamless, integrated payments and data services from their banking and payments providers. A single organisation, whether FinTech or traditional institution, may struggle to provide this complex and highly personalised service alone.

Banking as a platform

As multiple services are packaged up, brand may become less important as a differentiator. With the opportunities provided by data sharing expected to have an impact globally, the logical consequence is likely to be the rise of 'banking as a platform' as a dominant model.

Regulation will continue to have a strong impact across the globe and will in itself create opportunities for FinTech firms able to innovate effective regulatory technology (RegTech) solutions. Meanwhile, firms recognise the importance of cybersecurity but, perhaps

surprisingly, do not see it as having a marked impact on brand affinity.

We present the survey insights here alongside commentary from Barclaycard payments experts and our Head of FinTech and PSPs, Jenni Himberg-Wild, to provide a clear view on the creative disruption agenda in financial services in 2020 – and beyond.



Philip Bowkley,
Global Head of Financial
Institutions Group
Barclays



Robert Cameron,
CEO
Barclays Payments

An ecosystem in transition

While traditional financial institutions continue to innovate for their customers, the industry sees partnership and collaboration between all players as the way forward.

While public perception may still be that established financial institutions see FinTech companies as a threat, 69% of businesses globally identified collaborating and partnering with FinTechs for mutual benefit as the best approach for traditional banks in the future. This attitude was particularly strong in Europe (72%), and the US (71%), where the rhetoric from established financial services players is changing towards a clearly stated desire to work together with FinTechs.

Synergy and innovation

This concept of partnership goes beyond FinTechs supplying a service to more established firms. On the one hand it involves established industry players providing support, mentoring, insight and guidance to cutting-edge start-ups and rapidly scaling FinTech firms. On the other hand, when collaboration on a project leads to implementation it is more and more likely that both brands will be visible and that the relationship will be truly mutually beneficial.

“More than 69% of businesses globally identified collaborating and partnering with FinTechs for mutual benefit as the best approach for traditional banks in the future.”

There is no doubt that overall the atmosphere in the sector is supportive of start-ups, with nearly 90% of respondents globally expecting smaller FinTech companies to find a niche for their services in the payments industry in their region. In Europe in particular, there is a melting pot of innovation in which smaller companies are teaming up to provide broader and deeper solutions across the industry, notes Barclays Head of FinTech and PSPs, Jenni Himberg-Wild.

“At Barclays we’re seeing evidence of this trend for collaborative innovation across the globe, with FinTech companies growing cross-border either organically or through M&A [mergers and acquisitions].” Approaches arguably differ geographically, she notes: US companies often badge the firms they take over in a new jurisdiction with their own brand, whereas Asian businesses are more likely to retain an acquisition’s existing branding and identity.

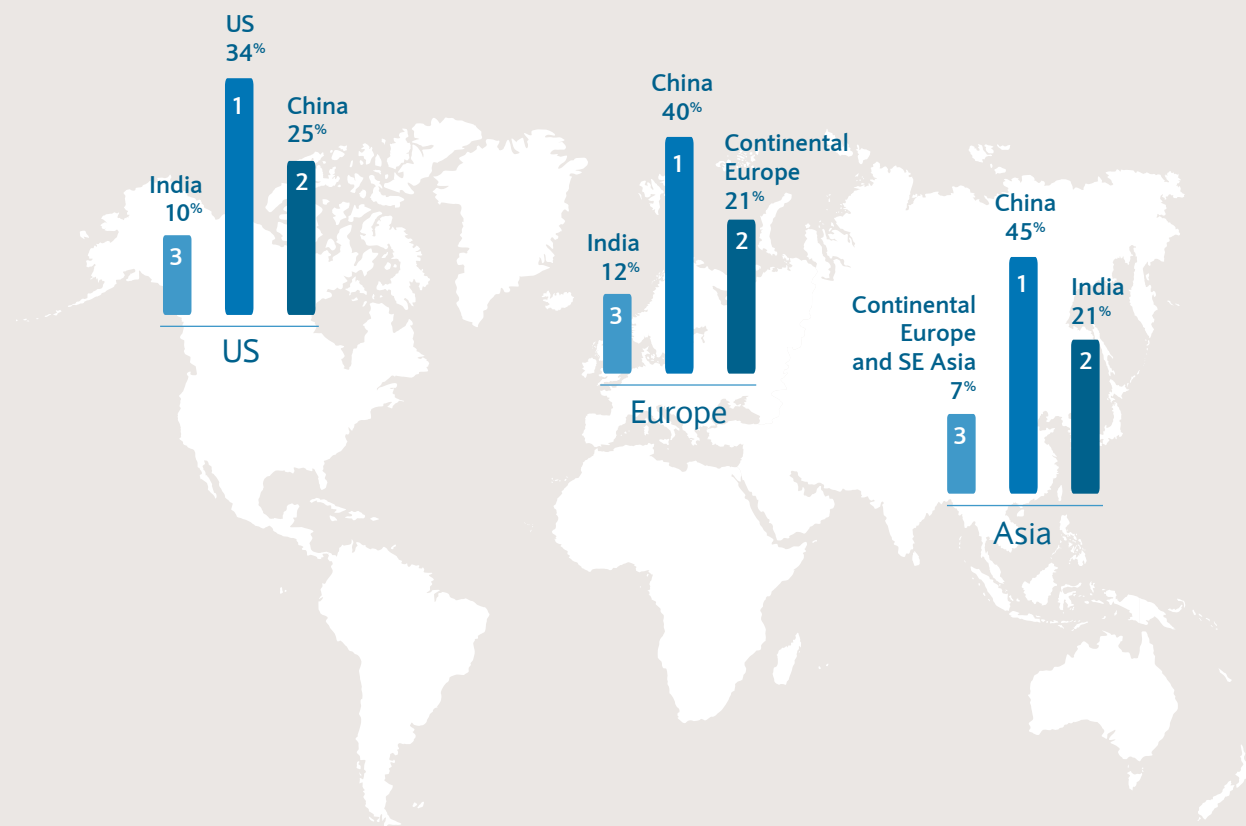
When asked which country will experience the biggest rise in payment innovation over the next five years, China came out on top for 45% of Asian and 40% of European firms. Even the US, where traditional financial institutions are investing heavily in innovation in the face of a rising threat from Big Tech, ranks China as the second most innovative country behind itself. This may be in part due



The Home of FinTech

With hubs in major FinTech centres including London, Mumbai, New York and Tel Aviv, Barclays' Rise initiative provides workspaces where FinTech start-ups can connect, create and scale their businesses. Rise also runs accelerator programmes, which enable start-ups to pitch their products and ideas to a global venture capital audience.

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



to an environment that fosters a culture of technological innovation, encouraging growth, explains Himberg-Wild. “This evolving technological advantage means we may see Chinese firms taking the opportunity to break into new territories in the next few years,” she believes.

What’s driving disruption?

While still in the shadow of China, India ranks in the top three as a future source of payment innovation across all regions, with 21% voting for it in Asia and a further 12% in Europe (and 10% in the US). Although 25% of Asian firms saw consumers key in leading behaviour and disruption, overall the majority (53%) saw start-ups as the most important idea generators for driving change in the industry. Partnerships were also seen as relevant, particularly in Europe where 21% viewed them as the key innovators. The low importance given to large, established businesses as disruptors (consistent at 6% across the regions) downplays the potential impact of Big Tech companies on the sector. However, this may be down to a perception that these larger firms are buying up and surfacing innovation from start-ups rather than originating the ideas themselves.

When asked: “What would be the most important element to improve in your business to increase productivity?”, firms reported a strong preference for process efficiencies (36%)

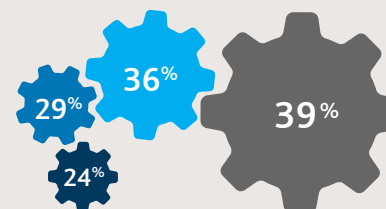
and partnerships with external organisations (27%). US delegates were particularly keen on developing more efficient processes, perhaps reflecting a cultural inclination towards a focus on man hours and head count. Despite industry rhetoric around access to talent, firms deemed this less important with only 18% overall choosing this option as the most important factor in driving productivity. The figure was slightly higher in Europe (23%) and Asia (22%) compared with the US (16%). The availability of a global pool of key FinTech talent (such as coders) that businesses can access remotely is likely to be a factor, as well as more agile working practices around IT, which tend to favour contractors over permanent staff. However, given the amount of healthy discussion about the talent gap, the importance of diversity and the drive to recruit females into STEM industries these figures might be lower than expected.

“In Europe in particular, there is a melting pot of innovation in which smaller companies are teaming up to provide broader and deeper solutions.”

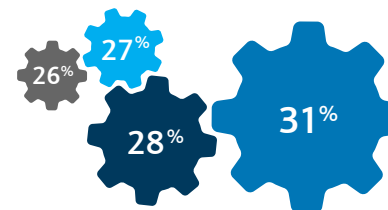
What would be the most important business improvement to drive productivity?

Global Europe Asia US

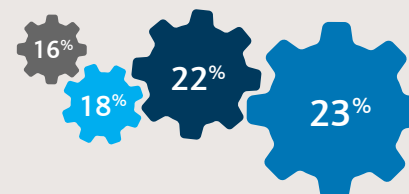
Process efficiencies



Partnerships with external organisations



Access to talent



The next big thing

Open Banking and APIs will bring greater connectivity into the financial services ecosystem, to the potential benefit of both firms and customers.

When asked to name the next biggest innovation or trend which will disrupt the payments market, delegates' answers commonly mentioned APIs [application programming interfaces] and Open Banking. Though driven by technical innovation and regulation, the increased connectivity these trends give to the ecosystem is likely to bring other pressures. For traditional financial institutions, this increased competition is likely to be accompanied by a greater need for resource to ensure both effective interoperability and the security of data being shared.

**“People don’t want to pay.
They want to buy. Payments
need to be invisible.”**

The rise of user-centric design

Businesses across the globe also told us they see user experience (UX) as a significant area for innovation as customers look for the same flow of efficient, personalised, end-to-end interactions they experience in other areas of their lives. When asked what the future of payments meant to them, one US delegate replied: “Seamless UX from a trusted and safe provider.” Another European attendee answered: “People don’t want to pay. They want to buy. Payments need to be invisible.”

“As a sector, FinTech is keen to make inroads into the B2B marketplace, where firms saw innovations such as virtual cards (28%) and seamless payments (27%) as key.”

Fast, no-click or even invisible transactions, already seen in Asia, may become the norm as Europe and the US follow the trend. Just over one quarter (27%) of US firms ranked frictionless payments as the single most important way of keeping customers loyal and providing a great experience, with a further 26% opting for personalisation and 19% for an omni-channel approach. While figures were lower for Europe, and particularly Asia where these trends are more advanced, all regions ranked these three aspects far higher than price, security and even brand.

One of the big predicted trends across the delegates was a demand for ‘virtual’ services, which are built on top of your existing bank account and do not require you to open additional accounts. Several others cited the continuing global growth of mobile wallet adoption as part of the move towards more seamless payments. The demand for

Trends and innovation


frictionless payment as part of the flow of consumers’ online activity is likely to drive further developments in technology such as biometrics and facial recognition.

Connectivity matters

As a sector, FinTech is keen to make inroads into the B2B marketplace, where firms saw innovations such as virtual cards (28%) and seamless payments (27%) as key. FinTechs are not alone in recognising the upcoming importance of B2B connectivity, especially in payments; large global corporates have also embraced the opportunities in this space. Barclaycard’s Precisionpay, for example, enables merchants to make payments simply and quickly using a secure virtual card.

Globally, businesses consistently see potential in the data-driven optimisation of both payments and funding for B2B, with just over 20% naming this as the most important B2B payments innovation. As an example, many FinTechs are focusing on the automated chasing of invoice payments. B2C companies launching into B2B should be fully aware of the sectoral differences in order to ensure their launch in a new market is a success.

What do you see as the most important B2B payments innovation?

		Europe	Asia	US
	Digital payments virtual cards and new payments rails	22%	31%	30%
	Connectivity	30%	25%	26%
	Optimised B2B finance	22%	20%	20%

Regulation sparks new opportunities

Encouragingly, a significant percentage of firms see regulation as a new opportunity to do business, particularly in the US and Europe.

While some firms were concerned about the increased time spent working with regulation and the resulting higher cost of doing business, nearly 40% saw it as providing new commercial opportunities, with US and European markets (41% and 39% respectively) particularly optimistic in this respect. The lower figure for Asia (25%) may reflect the less intense regulatory regimes in the region.

RegTech potential

FinTechs able to help financial institutions comply efficiently and effectively with the growing number of regulatory requirements in Europe and the US may stand to benefit hugely. Across the industry, these RegTech solutions, which automate the collection and delivery of data for compliance, are a growing area of focus.

Firms expect regulation to have a particularly strong impact on Open Banking. Given that Open Banking is in place only in Europe, it is perhaps surprising that less than half (47%) of European firms expect new regulation to affect Open Banking more than any other area. What is perhaps even more noteworthy is that nearly a third of businesses in Asia and the US also see it as the area where the impact of regulation will be most felt, with one European delegate citing global Open Banking as the next biggest innovation that will disrupt the payments market.

“Open Banking is not new. Conceptually, it has existed in Asia for a long time.”

Open Banking is not new, notes Barclays’ Himberg-Wild, yet regulation that applies to one specific region is now driving global thinking in the area. “Conceptually, Open Banking has existed in Asia for a long time, for example, albeit not enshrined in regulation,” she explains. “The growing global awareness of Open Banking highlights not only the increasing connectivity of the FinTech community but, importantly, the role of regulation in sparking ideas across the globe.”

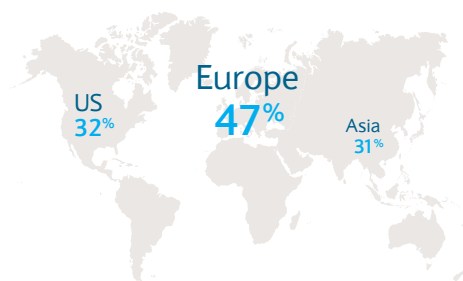
The year of Open Banking

As intended, Open Banking is creating more competition in the market and the opportunity for a meaningful shift in the fundamentals of payments. What is not yet clear, says Himberg-Wild, is whether businesses fully understand how to harness its power to enhance user experience. “Our data and experience suggest that 2020 may well be ‘the year of Open Banking’. Players in the market, established and new, are looking hard at how to leverage Open Banking, but the tipping point is yet to happen.

After Open Banking, firms saw data privacy as the area most likely to be affected by regulation, with 31% of US respondents ranking this highest, along with 27% in Asia. In the US the increased time spent on dealing with regulation is seen as more than twice as important as in Europe and Asia, with 23% of firms viewing it as significant as to how their business will operate. In response to new regulation, US businesses are also far more likely to focus on working with regulators (41%) and industry experts (24%), compared with their global peers.

Which area will new regulation impact the most?

35% of global respondents said Open Banking



How will financial services be consumed?


While artificial intelligence (AI) clearly ranks as the most important technology for the sector, opinions vary globally on how it will be surfaced to customers.

Globally, 34% of firms surveyed see partnerships and collaboration between FinTechs and established players as the most important way in which tech will be consumed. However, in Europe banking as a platform is even more popular, with just under 40% of respondents considering this the most important vehicle for delivering financial services to customers, compared with 30% in the US and 24% in Asia.

The evolution of FinTech

In Asia, meanwhile, nearly 40% of firms expected FinTech businesses to seek to become financial institutions themselves in future. This result might at first seem surprising from a market widely considered to be one of the most brand agnostic in the world, accepts Jenni Himberg-Wild. “From a FinTech’s perspective, however, a regulatory landscape that encourages innovation and change is likely to prove an attractive prospect in enabling them to gain a banking licence and harness the power and operational benefits of a financial institution in a comparatively short time frame.” This might explain why a lower proportion of European (20%) and US (31%) delegates believed FinTechs in their own regions would aim to become financial institutions, she suggests.

How will financial technology be consumed in future?

	Europe	Asia	US
 Partnerships with established players	37%	32%	34%
 Banking as a platform	39%	24%	30%
 FinTech businesses seeking to become financial institutions	20%	39%	31%

Rather than particular products, customers are looking for solutions to make their lives easier. Digital platforms will enable banks to build on their client relationships to deliver new customer-focused services, while benefiting from network effects. Nearly 40% of European businesses expected banking as a platform and its wider evolution into finance as a platform – including lending, investment, insurance and other products and services – to be the key future business model by which financial firms deliver the advantages of technology to customers.

Though invisible to the end customer, AI is the underlying technology consistently expected to have the most impact, with 39% of firms predicting that it will most revolutionise the way they work. European and US firms also saw automation (19% and 18% respectively) and machine learning (18% for each) as important.

Blockchain in practice

One quarter of Asian delegates still expected blockchain to revolutionise financial services compared with around only 10% of those in the US and Europe. Belief in the long-term potential of blockchain-powered Central Bank Digital Currencies may partly explain this continuing interest. While central banks in the US and Europe are still at the discussion stage, China is already piloting a digital yuan initiative. The maturity of regulation in the US and Europe is also a likely factor affecting easy implementation in these regions.

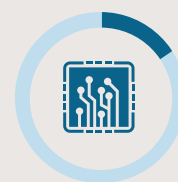
Which new technology would most revolutionise the way you work?



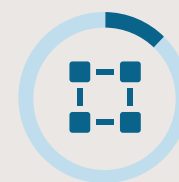
39%
AI



17%
Automation



17%
Machine learning



12%
Blockchain



9%
Biometrics

“Nearly 40% of European businesses expected banking as a platform to be the key future business model by which financial firms deliver the advantages of technology to customers.”

Brand vs experience

The industry sees brand as less of a differentiator as customers prioritise a seamless, personalised experience.

Globally fewer than 8% of firms saw a strong brand as a primary factor in keeping customers loyal and providing a great experience. Regionally, in Europe only 4% saw it as important, while in Asia interest was as low as 2%.

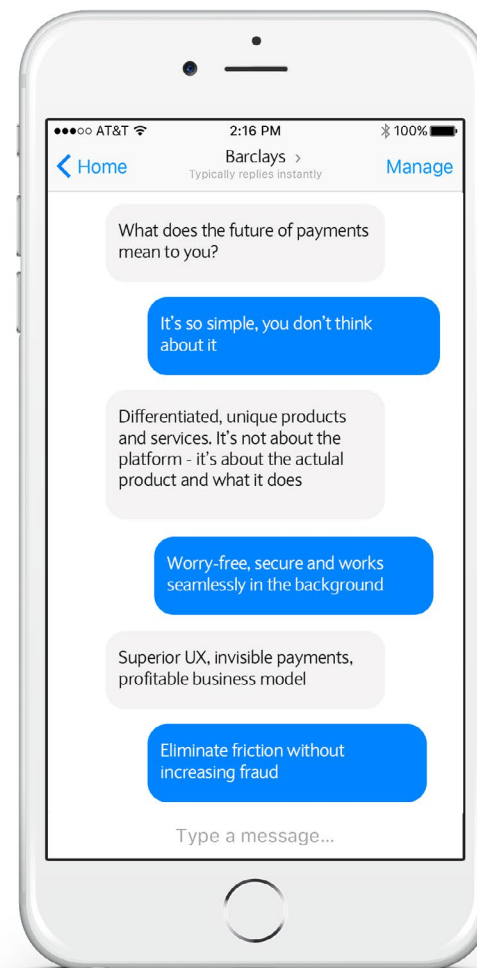
Do brands still matter?

These results suggest a model in which financial services – or at least payments – become invisible to customers. As one delegate predicted: “Payments and lending will become an ‘invisible’ brick building the consumer experience”.

“Ultimately a strong ecosystem may be more important for customer loyalty, with the brand of a platform more important than the brand of a product.”

Himberg-Wild says: “Ultimately a strong ecosystem may be more important for customer loyalty, with the brand of a platform more important than the brand of a product. Whether for a B2B or B2C consumer, it is likely to be the platform that drives trust between company and consumer.”

It is notable that brand is already seen as least relevant in Asia, where two names dominate but where the need



The role of the customer

for brand differentiation is arguably lower. The rise of the consumer is a strong economic driver in Asia, with affluent, high-spending digital natives who favour super apps heavily influencing the market.¹ At the same time, it should be remembered that outside of Asia regulation and consumer brand recognition create a natural barrier to these super apps, notes Himberg-Wild.

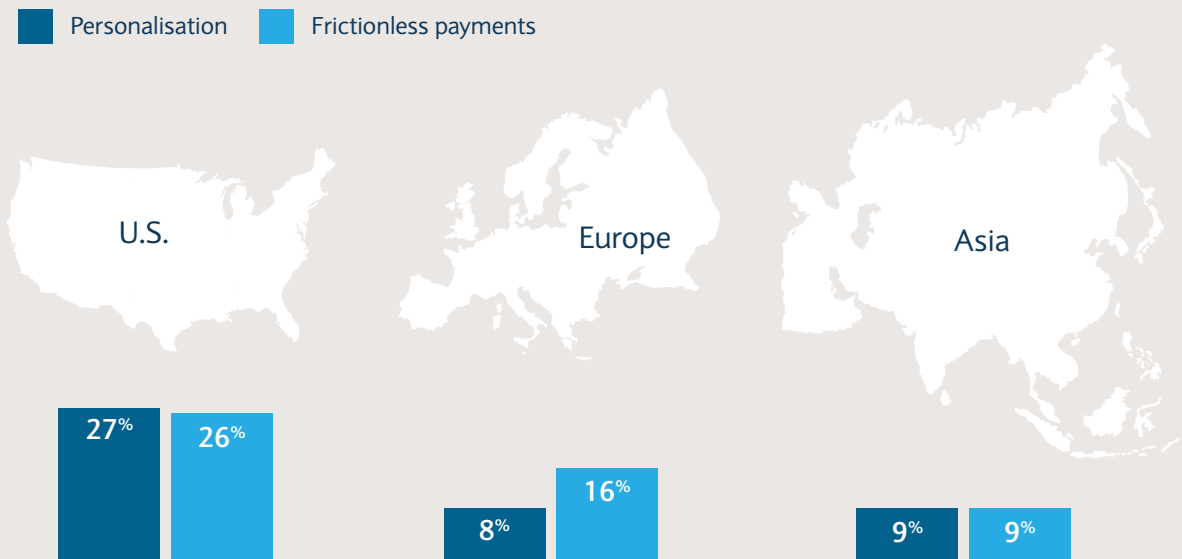
It will be interesting to observe the impact of the Asian Big Tech firms as they expand into the US and Europe, at the same time as mature providers from those regions try to establish a presence in Asia, she believes. “In the long term, effective connectivity and a back end that enables a high degree of personalisation may kill the need for a strong brand to surface your proposition.”

State of pay

Asked to describe the future of payments in a few words, responses clustered around words including ‘access’, ‘convenience’ and ‘cashless’. “The future of payments means instant, easy and trusted” was a typical response. In terms of keeping customers loyal and providing a great experience, price and security come far down the list below personalisation, frictionless payments and an omni-channel approach. This attitude was most evident in Europe, where fewer than 2% vote for either price or security.

More than one quarter (27%) of US respondents saw frictionless payments as key to providing a great customer experience, compared with only 9% in Asia and 8% in Europe. Americans also place high importance on personalisation (26%, compared with 16% in Europe and only 9% in Asia). This may reflect some self-consciousness about their current abilities in this area and continuing reliance on more traditional payment systems, as well as a strong desire to evolve, explains Himberg-Wild.

What’s the secret to customer loyalty and a great experience?



“The future of payments means instant, easy and trusted.”

¹ The World Economic Forum (2018) ‘Future of Consumption in Fast-Growth Consumer Markets: China’. Available at: [weforum.org/reports/future-of-consumption-in-fast-growth-consumer-markets-china](https://www.weforum.org/reports/future-of-consumption-in-fast-growth-consumer-markets-china)

Hygiene or high stakes?

More than half of all firms do not have a robust approach to cybersecurity, a possible concern given recent high-profile incidents.

While 47% of firms were confident they have a robust approach to cybersecurity, by implication more than half were not. Asia was less confident than Europe and the US about cybersecurity, with only 37% expressing confidence (compared with 54% in Europe and 47% in the US).

Regulation across borders

This difference may be partly down to cultural norms and behaviours but is also likely to reflect the more structured environment around cybersecurity created by the General Data Protection Regulation (GDPR) and data privacy regulation in Europe and the US.

“Across the industry, we’ve noted a feeling that Europe and the US see regulation surrounding security as a fixed pillar in innovation standards, whereas in the Asian markets this is more fluid,” says Himberg-Wild. “This fluidity enables the region to benefit from a greater level of innovation, whereas the US and European consumers are less inclined to accept this trade-off.”

Despite this, it is still surprising that our global data shows only 23% felt they need to invest further in cybersecurity. This either reflects an attitude of resignation or relates to the low importance given to security in building brand loyalty as evidenced earlier in this report. Our separate research into cybersecurity in August 2019 showed that

only one in four firms had an in-house fraud expert, with the rest outsourcing this role. While this may present a risk, it could also be the result of an agile approach to accessing the best talent for the job.

Globally, 27% of firms believed they could be doing more to educate colleagues about cybersecurity, with as many as 35% of Asian firms recognising this as an issue (compared with 27% in the US and 25% in Europe). Given that more than 50% of firms admitted to not having a robust approach to cybersecurity it would be reasonable to expect this figure to be higher. The gap between recognising the issue and resourcing it effectively may come down to thinking differently.

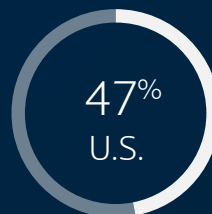
Convenience without compromise

With Open Banking expected to affect businesses significantly, the need to ensure the integrity and security of data as it is shared between entities should be kept high on the agenda. Overall, while security didn’t rank highly as a specific driver of innovation, in written responses businesses recognised its importance as part of the agenda for the future of payments. Payment should be “worry free, secure and work seamlessly in the background” as one delegate put it, with the ultimate aim to “eliminate friction without increasing fraud”.

“Across the industry, we’ve noted a feeling that Europe and the US see regulation surrounding security as a fixed pillar in innovation standards, whereas in the Asian markets this is more fluid.”

How do you feel about the rising threats associated with cybersecurity?

“We’re confident we have a robust approach to cybersecurity.”



“We could be doing more to educate colleagues about cybersecurity.”



“We need to invest further in cybersecurity.”



Adobe Stock

Key takeaways

- Driven by innovation and regulation such as APIs and Open Banking, the financial services sector is moving towards a more truly connected ecosystem
- The platform approach which has already revolutionised many aspects of our digital lives looks set to transform the world of finance in the coming years
- A tipping point is approaching for Open Banking in Europe and interest in the potential of shared data is mounting globally
- Brand is no longer the differentiator it was, with firms expecting customers to prioritise a seamless, personalised experience over brand, as well as security and price
- A significant percentage of firms sees regulation as an opportunity, with Open Banking in particular being of strong interest even outside of its current scope in Europe
- Opinions vary globally on how financial services will be consumed: in Asia 40% expect FinTechs to become financial institutions themselves, while in Europe 40% see banking as a platform dominating
- The demand for better UX and a more frictionless experience will spread from Asia to other regions, with the US in particular recognising and seeking to redress its deficit in this area
- Asia is expected to see the biggest rise in payment innovation in the next five years, with Chinese firms likely to break into new territories and India growing in strength as an innovation hub
- FinTechs are eager to make inroads into the B2B marketplace, with firms identifying improved connectivity and data-driven optimisation of both payments and funding as key in the sector
- Over 50% of firms admit they do not have a robust approach to cybersecurity, yet fewer than 6% see it as important for customer experience and loyalty – a possible concern given recent breaches
- The low importance given to access to talent suggests business are comfortable with an agile approach to resourcing that makes use of a global talent pool to fuel innovation
- Firms able to provide excellent UX, ‘invisible’ payments and easy access to solutions will win customers. However, to retain them they will need to ensure security and comply with regulations efficiently
- Collaboration is key to delivering these goals: FinTechs bring innovation, ambition and specialist focus, while established financial institutions have the stability, depth, reputation and financial muscle to bring new ideas to market.

“The platform approach looks set to transform the world of finance.”

Client to confirm CTA.

barclayscorporate.com/ecosystem-in-transition

Please consider the environment before printing this report.

 [@BarclaysCorp](https://twitter.com/BarclaysCorp)

 [Barclays Corporate Banking](#)

The views expressed in this report are the views of third parties, and do not necessarily reflect the views of Barclays Bank PLC nor should they be taken as statements of policy or intent of Barclays Bank PLC. Barclays Bank PLC takes no responsibility for the veracity of information contained in third-party narrative and no warranties or undertakings of any kind, whether expressed or implied, regarding the accuracy or completeness of the information given. Barclays Bank PLC takes no liability for the impact of any decisions made based on information contained and views expressed in any third-party guides or articles.

Barclays Bank PLC is registered in England (Company No. 1026167) with its registered office at 1 Churchill Place, London E14 5HP. Barclays Bank PLC is authorised by the Prudential Regulation Authority, and regulated by the Financial Conduct Authority (Financial Services Register No. 122702) and the Prudential Regulation Authority. Barclays is a trading name and trade mark of Barclays PLC and its subsidiaries.