

It is likely that the market for payments and other bank-related services will grow significantly in the next few years and we will see greater convergence among banks, mobile operators and fintechs, so it is important to keep in mind the following trends:

Social Eco-systems and Application Programming Interfaces (APIs)

- Banks need to engage with clients in new and innovative ways to remain relevant.
- Banks, mobile operators and fintech firms are increasingly adopting and leveraging advanced technologies to deliver innovative financial products and services. These enabling technologies, such as artificial intelligence machine learning, advanced data analytics, distributed ledger technology, cloud computing and application programming interfaces, present opportunities, but also pose their own inherent risks.
- Banks are engaging with clients through social ecosystems with open APIs.
- Banks are offering a multi-channel experience through physical branches, telephone services and digital channels, e.g. digital branches. In some cases, this has led to branch closures, as the consumers have moved online.
- Banks in countries where the capacity for branches is smaller are also leveraging technology, such as real-time communications networks. They are increasingly delegating “last-mile” cash management and customer service functions to third-party retail outlets.
- Banks are modifying their technical ecosystems with open APIs, allowing third-party integration. It is crucial for successful integration that partners can easily be integrated and products can be developed through collaboration.

Banks and/or Telecoms

- Just as some banks are offering mobile telephone services, mobile operators are offering banking services to their customers.
- Mobile operators may have an advantage in these situations, as they own the existing online relationship with their customers and can easily build on this relationship to offer financial services as well.
- On the other hand, mobile operators should carefully consider all of the obstacles and regulations that make financial services a very difficult industry to enter in Europe. In Europe, services must comply with various European and national regulatory requirements and it takes detailed banking and telecommunications industry knowledge to proceed.

- Telecoms and mobile operators do not yet cover the full financing or savings needs of their clients.
- Conversely, banks could launch mobile virtual network operators to leverage opportunities for customer mobility and channel control.

Fintechs

- More digital-native clients have been adopting apps and services from fintech companies that threaten many of the traditional banking, investment management and payment services providers’ lines of business. As a result, a range of opportunities have arisen for joint commercialisation, e.g. offering services to unbanked consumers.
- Fintechs could limit their services to unregulated sectors.
- Fintechs provide assistance in relation to monitoring and reviewing compliance with applicable regulatory requirements, including those related to consumer protection, data protection and AML/CFT, when introducing new products, services or channels.
- Customer identification is often a key aspect of providing fintech services.
- Many fintech companies provide fraud detection and customer identification services using biometrics, machine-learning and other innovative methods. Fintech companies often target their services at the issues and problems faced in the telecoms and financial sectors.
- These innovative methods are constantly fed data by the terminal devices customers use. This data needs to be processed in a secure manner that protects the privacy of those it concerns.

Payment Products by Mobile Operators

- Mobile operators already provide mobile wallets that can store money on digital versions of payment cards, loyalty cards, vouchers, tickets and other items normally found in a physical wallet.
- All mobile operators have arrangements with several financial institutions (banks, credit card and payment service providers) for revenue collection from customers that is fully online and automated.
- Mobile operators are recognising the opportunities provided by fintech companies – but mobile operators and fintech companies operate in different industries, cultures and in different sizes.

Security/Confidentiality

- Wherever data is concerned, data security and confidentiality need to be maintained.
- This means that a bank’s IT architecture needs to be able to encapsulate all the relevant data exchanged in a very controlled way, with enhanced authorisation and authentication, as well as data interchange-controlling and -monitoring elements.

- Different approaches exist, depending on the degree of partnership/competition and drivers for value creation.
- Even though the generation of financial products – assumption of risk, capital management and regulation – has remained the core responsibility of banks, telecoms and mobile operators could play a disruptive role, especially for transactional activities.

Privacy

- Regulators increasingly expect to observe privacy beginning with product design, and they have penalised companies that fail to see and act on obvious privacy flaws.
- Personal data may need to be handled in accordance with national and EU laws and foreign laws where it is being transferred internationally.
- Before personal data is collected, it should be mapped and assessed with the following questions in mind:
 - How will the personal data be collected, retained, used and shared?
 - Is the personal data collected for a limited purpose and then deleted?
 - Has appropriate notice been given to consumers that complies with the law, best practices and regulator expectations?

Competition

- Banks, telecoms companies and fintech companies have access to large and varied data sets.
- Banks have access to consumers' financial information, telecoms companies can have access to information on consumers' communications and some fintech companies have access to biometric data.
- Access to a large and unique dataset may give rise to competition concerns. This access, or how it is used, can provide an (unfair) advantage over competitors.
- Telecoms companies may face particular issues where they are in a dominant position in the market.

Protect Intellectual Property Rights

- Collaboration among these industries helps to promote innovation, but it is also important to protect investments and ownership rights by seeking national and international patent, trademark and/or copyright protections.
- With a growth industry like fintech, innovative ideas are often not sufficiently protected and companies often do not determine what aspects of the product are eligible for intellectual property protection.
- Rights have to be secured to all aspects of the product design to reduce litigation risks upon launch.

Ultimately, the market will be driven by these providers to the advantage of the participants.

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