

Bankable Insights

# Transaction Banking

Issue 4, 2024: Sibos Highlights

## IN THIS EDITION

Highlights and happenings from  
Sibos in Beijing

Insights on AI and financial crime,  
tokenisation, opportunities with data,  
and more



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chartered

# Foreword

The financial industry is on the cusp of yet another era of innovation driven by enriched data and the rise of AI and Machine Learning. This is presenting our clients and our bank with new opportunities and challenges. The theme of this year's Sibos, the largest financial services conference and exhibition organised by SWIFT, was 'connecting the future of finance' and it couldn't be any more timely or relevant.

At Sibos, Standard Chartered showcased what Tomorrow's Banking is all about for us; banking services that best serve our hyper-connected world. It is where technology and innovation support trade and capital flows and enable equal opportunities for all, seamlessly and transparently. On this journey, we partner with our peers, FinTechs, service providers, and most importantly, you, our clients, to scale innovation and to power tomorrow's real economy.

In this Sibos special edition of Bankable Insights Transaction Banking, you will find perspectives on a range of trends and topics. From digitalisation to sustainability, payment transformation and global trade to supply chain finance innovations. Across these conversations, there is a common theme of partnership and possibilities. We must embrace collaboration to push the boundaries of our industry for the common good.

We hope the insights in this edition inspire you as we come together to shape Tomorrow's Banking, today.

## **Michael Spiegel**

Global Head of Transaction Banking  
Standard Chartered





Hear from Bill Winters, Michael Spiegel, Jerry Zhang and Margaret Harwood-Jones what their vision for Tomorrow's Banking is.

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# Our Sibos 2024 at a glance

## Highlights and happenings

### Bill Winters opens Sibos 2024 describing SWIFT as a movement

In the opening conversation with SWIFT CEO, Javier Pérez-Tasso, our Group CEO discussed trends, innovation and the role of SWIFT in connecting a fragmenting landscape. View the replay [here](#).



### Thought-leadership to catalyse industry transformation

Our experts spoke in more than 11 panels and forums, sharing insights on emerging developments and engaging in a number of meaningful conversations with clients, peers, and partners.



### Expanding our partnership with ADB

We signed a new master risk participation agreement with The Asian Development Bank's Trade and Supply Chain Finance Program (TSCFP) at Sibos 2024.

This new agreement expands our partnership with ADB for supporting Trade and Supply Chain Financing in the region, and will scale up support for our clients in the emerging ASEAN Markets, enabling them to grow further and driving growth in trade corridors across Asia.



### Signing a Digital Currency Strategic Cooperation Memorandum with Bank of Communications

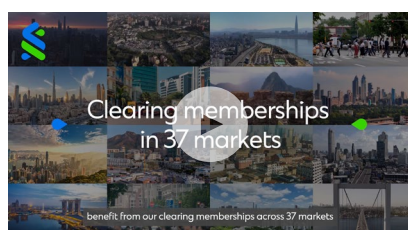
Through this memorandum, we will form a joint working group with Bank of Communications to explore the establishment of a foundational system and mechanism for cross-border digital currency payments and settlements. This initiative aims to enhance the efficiency and convenience of cross-border payments and settlements, create more diverse digital currency application scenarios, and drive the expansion of digital currency usage through innovative application scenarios that bring incremental customer value.



# Our Sibos 2024 at a glance

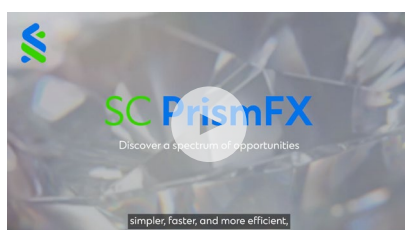
## Solutions showcase

### Explore solutions we showcased



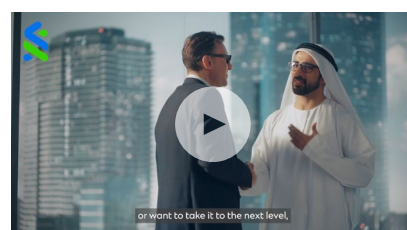
#### Cross-border clearing

A leading RMB settlement bank and a USD-clearer, we showcased our cross-border clearing solution. [Learn more.](#)



#### Introducing SC PrismFX

Featured at Sibos for the first time, watch this [video](#) to learn about our future-ready transactional FX solution.



#### Shaping Islamic Banking

Supervised by five Shariah boards, our expansive Islamic Banking solutions will meet your financial needs. [Learn more.](#)



#### Tomorrow's Custody is available today: Digital Assets Custody

We've added digital assets to our custody portfolio for institutional clients. Explore our Digital Assets Custody service [here](#).



#### Bringing you AI-enabled market insights

Enabling you to better access our market insights and expertise through AI. Watch to [find out more](#) about this exciting development.



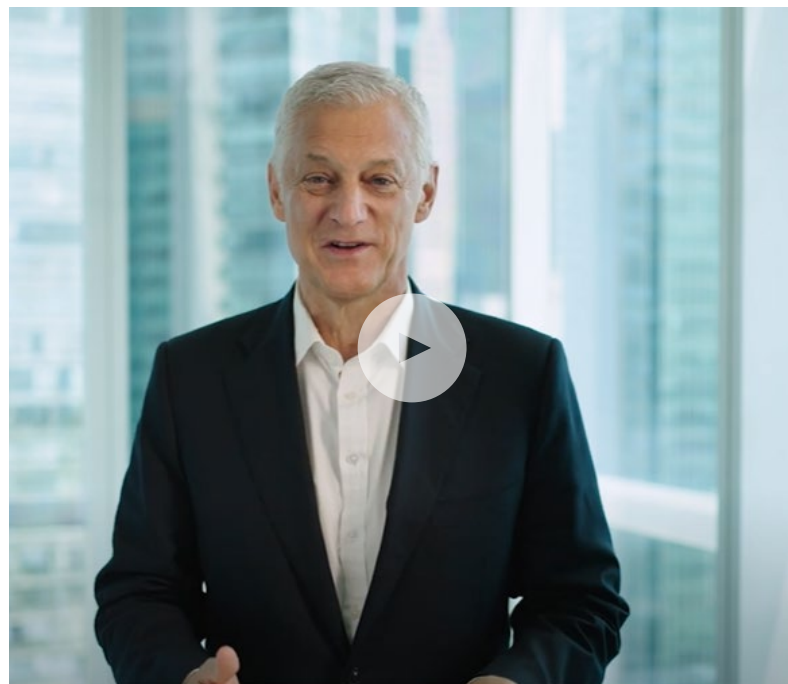
# Why Sibos in China

Leaders share their views in this series of videos

“ Fundamentally, payments are about connecting the world – through trade and investment – and Sibos has always been at the heart of that. And China is at the heart of the system of global trade and cross-border payments. ”

**Bill Winters**

Group Chief Executive,  
Standard Chartered



“ This makes China an ideal location for the financial industry to come together to explore sustainable and inclusive global payment models, trade and the future of finance. ”

**Michael Spiegel**

Global Head of Transaction Banking,  
Standard Chartered

“ China is a key strategic market within our footprint. We are active in all the Connect programs. These allow international investors to access China’s onshore bond and derivative markets. ”

**Margaret Harwood-Jones**

Global Head of Financing & Securities Services, Standard Chartered



“ China is looking to modernise its economic growth through technological innovation and transformation and is proactively shifting from high-speed growth to high quality development. ”

**Jerry Zhang**

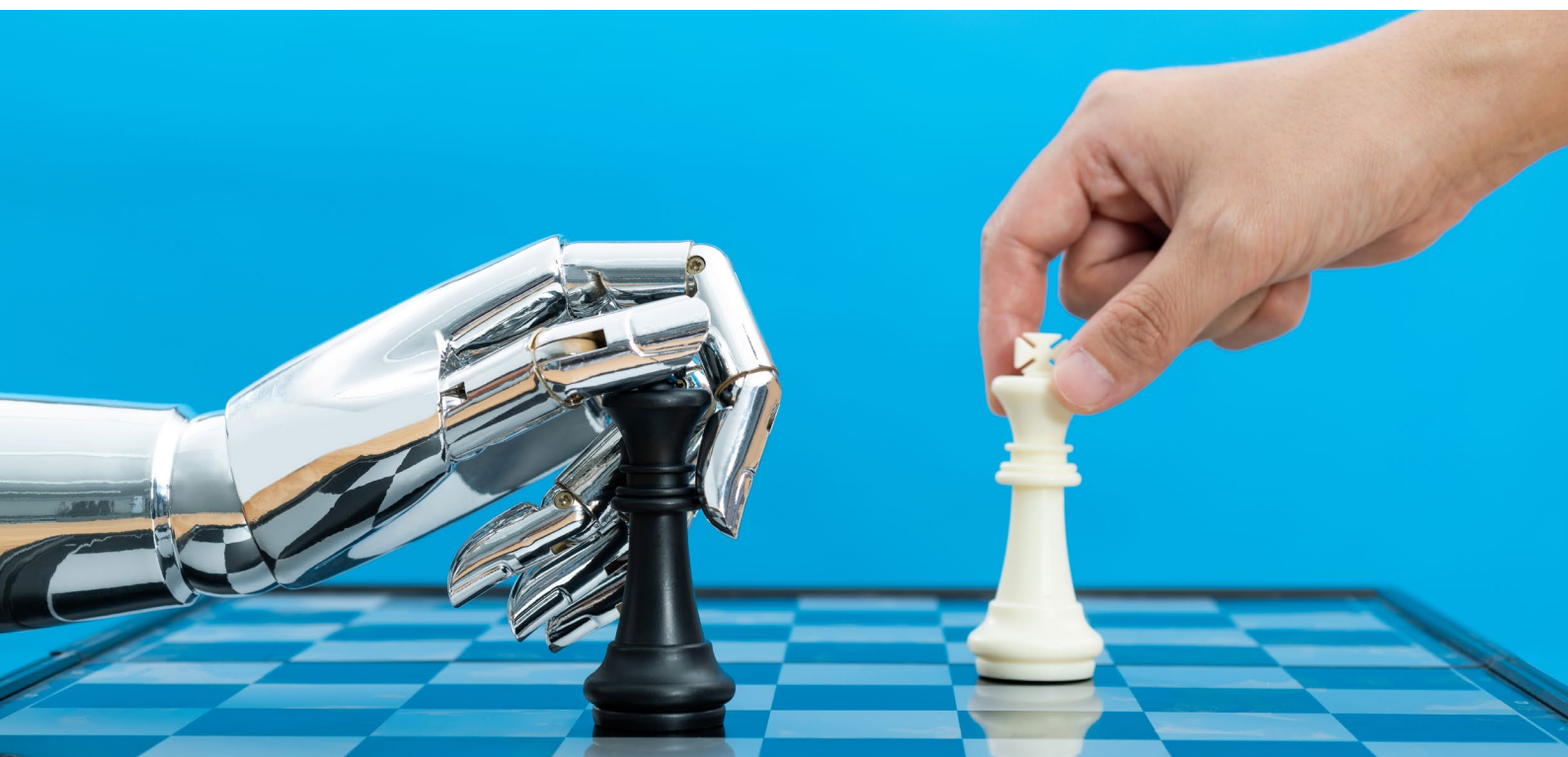
Co-Head of FI Coverage, Standard Chartered



Watch the full video series covering Sibos in China and Tomorrow's Banking [here](#).



# Balancing risk and reward: Deploying AI in the fight against financial crime



AI is turning into an essential tool to combat illegal financial activities. However, with great technological power comes greater responsibility.

With deepening global connectivity, financial crimes have grown bigger and more complex by the year, amounting to more than USD 5.8 trillion annually — or [almost 7 per cent of global GDP](#). Financial Institutions (FIs) are on the frontlines of the fight against it, in collaboration with regulators, industry bodies and technology companies.

FIs have invested billions of dollars in technology to help identify risk patterns and intercept financial crimes, and many are now adding artificial intelligence (AI) tools to their arsenal. AI's ability to analyse large datasets and identify anomalies in transactions, as well as patterns in customer behaviour, makes it a powerful tool for risk management and meeting compliance requirements. However, there are practical and ethical considerations when deploying this technology.

## A changing crime landscape

Whilst the digitisation of financial services has made transactions faster, easier, and more convenient, it has also underpinned an evolution of financial crime – enhancing its sophistication. The rise of online payment methods, for example, has created new avenues for increased fraud, money laundering, and

terrorist financing, amongst other crimes. Hyper-connectivity between markets adds to those risks as transnational criminals can transfer illicit funds across borders in seconds. Cybercrime, which does not respect physical borders, further complicates investigations and makes it harder to recover funds.

“There are a number of avenues to address this challenge. One is action by governments and regulators, who are responding by strengthening both domestic and cross-border laws and striking strategic partnerships to enable information-sharing aimed at fighting financial crime. Then there is the option of using the same emerging technologies, such as AI, to stymie these bad actors.”

**Caroline Ngigi**

Global Head, Conduct, Financial Crime and Compliance Advisory,  
Transaction Banking and Africa, Standard Chartered

## The promise (and reality) of AI, today

With their ability to process reams of data and identify irregularities, AI algorithms can be useful to screen for illicit transactions. As an example, Standard Chartered integrates AI and Machine Learning models for Name and Transaction Screening to ensure consistent and timely decision-making. This, in turn, enhances compliance with regulations and reduces the number of manual interventions needed compared to conventional technologies. This speed of execution also contributes to faster transaction processing.

Ngigi notes that AI models have also been proven effective in areas such as

Sanctions Compliance. The [number of global sanctions](#) has increased significantly since the start of the war in Ukraine in 2022, with the World Trade Organization estimating that [12 per cent of global trade is now affected by sanctions](#). With rules varying across regions and evolving rapidly, many FIs are using AI models to spot potential breaches. In this area, it has proven useful to deploy AI tools, thanks to the definitive lists provided by governments and law enforcements. In addition, most FIs will have vast quantities of historical data that can be used to train the AI models.

It is also worth noting that complexities introduced through sector-specific sanctions mean that existing tools must keep evolving, aided by greater human oversight as they learn.

Advanced surveillance and monitoring technologies can help banks stay ahead of criminals by identifying not just individual illicit transactions, but wider patterns of suspicious behaviour. By training models to detect outliers and unusual patterns, new and unique typologies can be identified ensuring that FIs take on a proactive approach to fight financial crime.

“So, rather than just chasing immediate violations, we can lead in detecting criminal behaviour and working alongside regulators and governments to curb it,” Ngigi says. As well as mitigating risks, AI tools can also help lower the costs of compliance in the long run. “If your AI tools are helping you predict the pattern of criminal behaviour, your human workforce can be deployed to work on more complex risk management matters,” she explains.

## Navigating AI adoption: What to consider

Despite AI’s numerous benefits, FIs need to consider several important factors to ensure successful outcomes, starting with data quality. “FIs need very good data lineage to train, test and deploy the models effectively,” Ngigi says. Despite holding vast datasets, some FIs may be less nimble in deploying AI models as they contend with legacy and/or fragmented data architecture.

“If the current data architecture is not designed in a way that is easily readable and transferable, then it is going to be difficult to deploy these tools.

Therefore, legacy data architectural constructs may lead to slower adoption of AI,” she explains.

With this in mind, FIs have made modernising legacy infrastructure a priority as they look to harness data faster and better. At the same time, concerns with data structure extend beyond FIs as the laws and regulations they rely on to train the AI models need to be in a structured format that is easily readable and transferable. Where regulations are nebulous and unstructured deploying AI will be difficult if not impossible, says Ngigi.

Another important factor is the periodic tuning of AI models to ensure that they remain accurate whilst maintaining expandability. This tuning should also account for newer and evolving threats in the industry to keep the models relevant. Continuous testing, feedback and advanced questioning of the models is also important. As [highlighted by the Wolfsberg Group](#), FIs should carefully control the technology they rely on and understand the implications, limitations, and consequences of its use to avoid ineffective financial crime risk management.

“FIs looking to adopt AI tools also carry the responsibility of ensuring that these are used safely and with significant ongoing testing and monitoring,” Ngigi adds. As an example, biased or discriminatory AI models pose reputational and legal risks with potential financial consequences for FIs. These problems arise when models trained on historical data may reflect discrimination in their results. Regulators have warned against the [potential bias](#) when using AI models, as seen in the US on consumer [credit denials](#) using AI tools.

[“We are custodians of our clients’ data and have a responsibility for how we use it. Where we use client data in any AI tool, ethics must be a priority, and where the data is of a sensitive nature such as personal data, then it carries a higher bar,” she cautions.](#)

To stay ahead of the criminals, financial institutions need to build trust and confidence in the very technologies designed to combat them.

Developing internal governance protocols that include ethical considerations for deploying AI, as Standard Chartered has done, is a key consideration. The bank’s Responsible Artificial Intelligence Standard safeguards customers and partners by ensuring that every AI use case deployed adheres to the pillars of fairness, ethics, transparency, and self-accountability. Standard Chartered also plays an active role in [collaborating with regulators](#) to shape guidelines for responsible AI use.

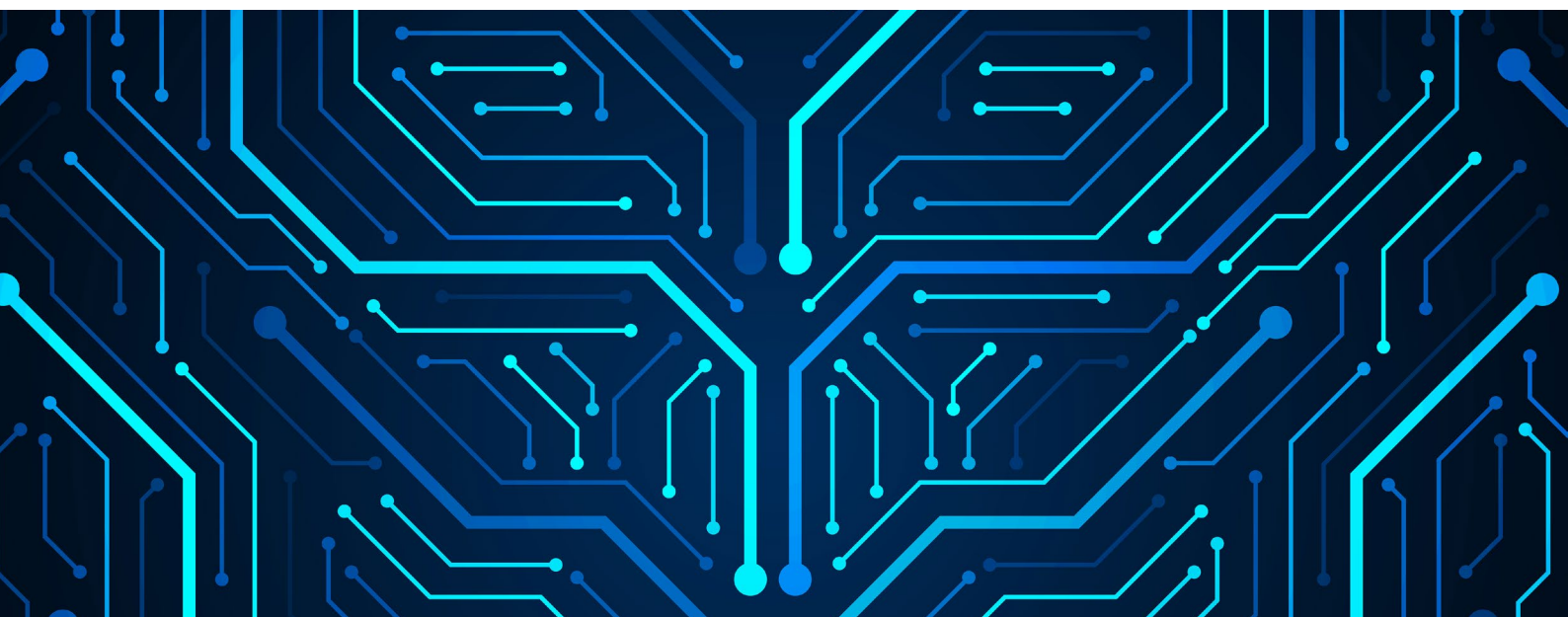
“We really wanted to hone in on ethics. Not because it’s prescribed, but because it’s the right thing to do by our clients, our shareholders, and our regulators,” Ngigi says.

These challenges will be amplified by the continuous evolution of AI and generative AI and therefore, FIs should also invest in the right expertise. “Upskilling is required to develop the right oversight and robust control frameworks,” she argues. “With human intervention and accountability specific to ethics, we can manage this risk more effectively,” she notes.

The promise of AI in revolutionising the fight against financial crime is undeniable. As FIs modernise their data infrastructure and develop sound ethical frameworks, the use of AI technology is expected to grow. With that, FIs are encouraged to work alongside regulators and industry bodies, as has Standard Chartered, in the adoption of the tools and in building robust control frameworks. By presenting this unified front and strategically aligning efforts, FIs could turn the tide against financial crime.



# Real-world asset tokenisation: How FIs can propel this USD30 trillion opportunity



Tokenising real-world assets (RWAs) converts tangible, often illiquid, assets into digital tokens that reside on a blockchain, fractionalising them into smaller units, and making them more accessible, efficient, and secure as investments. Financial institutions have a crucial role to play in advancing and scaling tokenisation to harness its full transformative power – and, with demand for tokenised RWAs estimated to reach USD30.1 trn in a decade<sup>1</sup> according to Standard Chartered, the time to act is now.

Investor demand for tokenised RWAs has the potential to soar: According to a survey by EY-Parthenon, 69% of buy-side firms plan to invest in tokenised assets this year, up from 10% in 2023. Investors aim to allocate up to 6% of their portfolios to tokenised assets this year; that will rise to 9% by 2027<sup>2</sup>. But despite growing demand, the tokenised assets ecosystem remains nascent and is at risk of stalling unless financial institutions take steps to scale up the adoption of this opportunity.

<sup>1</sup> [“Real-world asset tokenisation: A game changer for global trade”](#) by Standard Chartered and Synpulse

<sup>2</sup> [EY-Parthenon: How tokenisation in asset management is driving meaningful opportunity](#)

## How is the tokenisation ecosystem evolving to meet the growing demand?


Multiple factors lie behind this strong demand for tokenised assets: the ability tokenisation brings to fractionalise assets into bite-sized pieces for ownership is a game changer for numerous illiquid asset classes. It also unlocks new wealth opportunities for a younger generation of investors who are already interested in digital assets.

On the supply side, tokenisation offers numerous operational efficiencies to participating financial institutions, not least in terms of tracking ownership, custody, transactions and settlement. Moreover, the diversification of distribution that it offers frees up more credit for banks to meet the financing needs of the new economy.

Yet despite momentum accelerating over the past year, the adoption of tokenised RWAs remains limited. The current value of tokenised RWAs (excluding stablecoins) is around [USD13bn](#), mostly issued by fintechs as early adopters. However, the perceived barriers to growth are slowly being removed as demand-side and supply-side constraints are resolved, and as the tokenisation ecosystem matures.

For example, tokenisation platforms, which support the issuance of tokenised assets, are starting to converge in terms of the technology they use, says Dr Steven Hu, Head of Digital Assets, Trade & Working Capital at Standard Chartered.



Until now, some financial institutions took the approach of waiting for the convergence of platforms before they would enter the space. Now, that time has come – and more and more financial institutions and banks will step into the tokenisation of assets. 

**Dr Steven Hu**

Head of Digital Assets, Trade & Working Capital,  
Standard Chartered

Another factor has been the global, coordinated effort around establishing the financial infrastructure for digital assets, involving regulators, central banks and financial institutions. Efforts such as the [Global Layer 1 \(GL1\) initiative](#) to explore the development of a multi-purpose, shared ledger that strikes a balance between security and accessibility, or Hong Kong's [recent circulars](#) on SFC-authorized tokenised investment products, show a concerted attempt to provide regulatory clarity.

Moreover, global connectivity is set to improve once SWIFT completes its [live trial for a single window](#) that provides access to digital assets and digital currencies, with further improvements as numerous countries launch central bank digital currencies. Meanwhile, the Bank for International Settlements Innovation Hub, together with the Institute of International Finance and 40 private-sector financial firms, are participating in [Project Agorá](#), which explores how tokenisation can enhance wholesale cross-border payments. In addition, Standard Chartered has been a front runner in the Guardian Wholesale Network (GWN) industry group that aims to deepen the liquidity across primary and secondary markets for tokenised assets in a coordinated and networked manner.

With platforms and regulatory efforts converging, one major final outstanding issue – the lack of supply of quality assets – is also ready to be resolved.

There is a massive opportunity for financial institutions to meet the soaring demand for tokenised across a range of asset classes, particularly those for which access and liquidity have been restricted – including debt, securities financing and collateral, real estate, alternatives, and trade finance assets. The last alone could be worth up to [USD5 trillion by 2034](#) and is a major and untapped prospect for driving growth in the adoption of tokenised RWAs.

## Creating a new asset class: tokenising trade finance assets

Trade finance assets remain underappreciated yet are highly attractive. The overall asset class is sizeable and growing, with global trade expected to reach [USD32.6 trn by 2030](#). The short-term tenor of trade finance assets makes them relatively low-risk and offers investors the opportunity to diversify, since the range of trade finance assets is wide and grants access to trade across the globe, including in frontier and emerging markets. Additionally, trade assets typically enjoy low default rates and high recovery rates. Despite the advantages inherent to trade finance assets, there are several reasons

why institutional investors underappreciate them. Some are unfamiliar with this asset class and lack sufficient understanding of its characteristics. Trade finance assets also suffer from operational intensity, pricing inconsistency and a lack of transparency.

Nevertheless, for banks, trade finance constitutes a sound place to start with tokenised RWAs, since it is already part of their financial universe. Trade is at the heart of the global economy and will remain there, while tokenisation is seen as an opportunity to tackle the growing trade finance gap.

Combating this gap – channelling liquidity to where it is needed to propel economic growth – is a fundamental part of banks’ missions, and tokenisation represents a significant advance on the current approach to trade finance. And there is no doubt that advances in the field are increasingly necessary, given the evolving cross-border complexity of supply chains in all manner of new economy goods, from electric vehicles to the batteries and computer chips they depend on. To support growth in the real economy, trade in all such goods needs access to credit. And tokenisation is a new distribution channel of funding with greater origination efficiency, constituting a viable, brand-new and universally accessible asset class with stable returns.

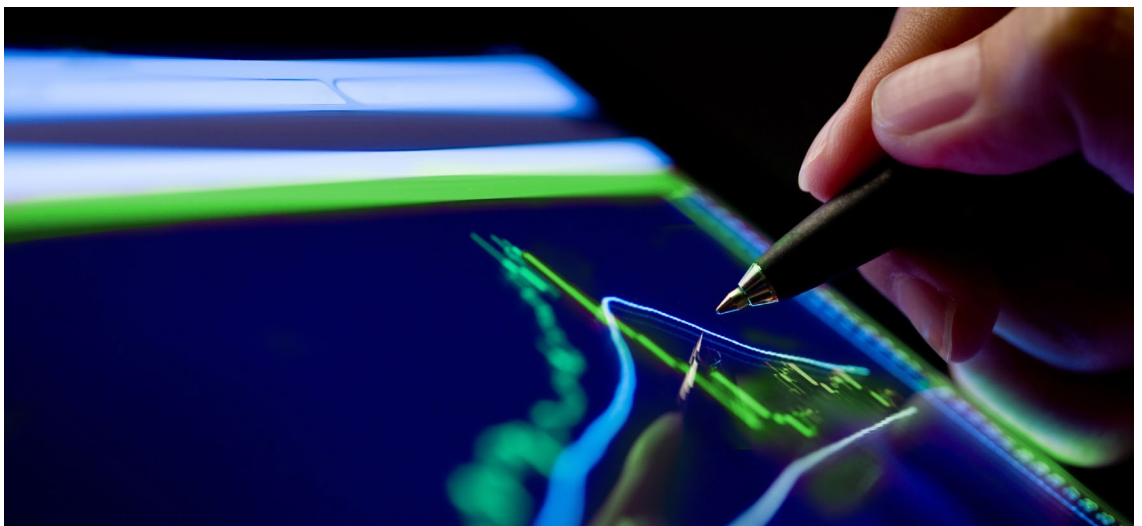
Tokenisation offers advantages in four important ways:

- It **improves access to new, fast-growing, emerging markets**. Banks that distribute trade assets using digital tokens can boost their net interest income and optimise their capital structure. Investors get access to a range of low-risk assets.
- It **simplifies trade complexity** in an asset class that is often deemed inaccessible, and can help to provide finance further down the supply chain tier (as shown by [Project Dynamo](#), a collaboration

between Standard Chartered, BIS Innovation Hub Hong Kong, Hong Kong Monetary Authority and technology companies).

- By **digitalising structured finance solutions**, tokenisation greatly expands the set of investible trade finance assets. Programmability ensures flows are automated, which makes data management easier, with each token traceable and linked to an underlying asset. Additionally, programmability simplifies ownership transfer and enables composable finance.
- It **reduces information asymmetry** between issuers and investors, boosting investor confidence.

Indeed, as Standard Chartered showed with the Monetary Authority of Singapore’s Project Guardian, it is possible to simulate the placement of [USD500 million in asset-backed security tokens](#) backed by trade finance assets – from tokenisation to distribution and secondary trading. Our efforts showed significant investor demand for tokenised trade finance as a new asset class, while also demonstrating the viability of tokenisation to the industry as a whole – as an innovative means for banks to power growth in national economies.





# What the tokenisation market needs – and what financial institutions can do

While much has been done to advance the tokenised RWA market, there is much more to do – and when it comes to bringing tokenisation to scale, the community of financial institutions across the value chain, from originators to custodians to infrastructure providers and investors, each have a crucial role to play across six key areas.

## 1 Preparing a global strategy:

All financial institutions need to educate stakeholders and management about this opportunity. From informing the board, executives, and employees about the benefits and risks; to defining a global strategy for tokenisation, strategic preparation is a key starting point. This also includes identifying target markets and potential partnerships, monitoring regulations, and staying updated on the rapidly evolving frameworks and guidelines.

More specifically, for **asset originators** including trade banks, balance sheets are a key consideration, since they represent a core strength that they can leverage to advance adoption. With tokenisation quality supply set to become a challenge in the near-term, banks can use tokenisation as a bridge to distribute RWAs to investors, which can improve their capital efficiency and help to optimise shareholder returns. A likely driver is Basel IV, which will see changes in the way that banks calculate risk-weighted assets. Banks will need to consider new ways to utilise capital to support economic growth, including innovative ways to originate and distribute lending assets. Tokenisation can allow them to derecognise those assets from their balance sheets, which makes asset origination more efficient by cutting the amount of regulatory capital needed to cover risk.

**Custodians**, on the other hand, face additional strategic preparation responsibilities, particularly in reinforcing their role as **trust anchors** in the tokenisation ecosystem – providing an uninterrupted, direct connection between tokens and the underlying RWAs. This trust role is crucial because – unlike cryptocurrencies – tokenisation requires a smooth, instant connection to the RWAs. Custodians will need to reassure investors that the underlying asset is real, unique and not double-collateralised. In practical terms, this calls for banks to develop expanded custodian capabilities to reinforce their roles as anchors of trust, including investigating capabilities like wallet infrastructures and seamless end-to-end transaction processes.

## 2 Developing the infrastructure,

through experimenting with blockchain platforms and different tokenisation structures, while focusing on the long-term potential and technology maturity assessment, as well as integration and interoperability. Financial institutions also need to embrace public-private partnerships to build a network infrastructure that works for them.

## 3 Ensuring operational readiness,

by adapting risk management frameworks for tokenised assets; ensuring AML and KYC compliance are incorporated into key operational processes; and setting up Centres of Excellence to guide the business.



#### **4 Partnering and collaborating:**

Boosting cooperation with clients, regulators, fintechs and other industry players is crucial to develop the broader tokenisation ecosystem. This should include collaborating to understand the complex and evolving regulatory landscape, particularly in cross-border initiatives; and working to establish a unified commercial frameworks and rulebook to support the new tokenised economy, avoiding siloed approaches and duplicated investments.

#### **5 Building talent and organisational readiness:**

Acquiring, upskilling or reskilling talent is a must, to ensure they have sufficient capabilities in tokenisation, cryptoassets, and blockchain in general. This requires building a community, organisational structure and strategic sponsorship to build the support system and empowering culture to seize the tokenisation opportunity.

#### **6 Advocating and promoting:**

This includes a combination of promotion and education among clients and employees, as well as the broader financial ecosystem. Education and advocacy should extend to employees who may not have been exposed to the asset class, as well as industry counterparts, regulators and clients. By participating in proofs of concept (PoC) trials and experiments, institutions also have the chance to raise awareness among all stakeholders, as well as deliver more customised and personalised financial products and services to their existing client base. In doing so, the utility value of RWA tokens will develop further, which will drive awareness and adoption.

## The journey to the future of finance

Progress in the tokenisation of RWAs is well underway. Collaboration is increasing, and participants are deploying technology to overcome key challenges. Others are sharing knowledge and educating the market about the regulatory, legal and risk characteristics of tokenised RWAs. The potential to catapult tokenisation to the next level lies with financial institutions.

Standard Chartered has been leading several initiatives to build a global community of regulated financial institutions, non-bank financial institutions, regulators and interested investors to turn the concept of tokenised RWAs into a deliverable investment choice.



Given the scale of the opportunity, we see the undoubted power of joining forces with all stakeholders in an inclusive financial ecosystem that can effectively scale and realise tokenised RWAs' potential.

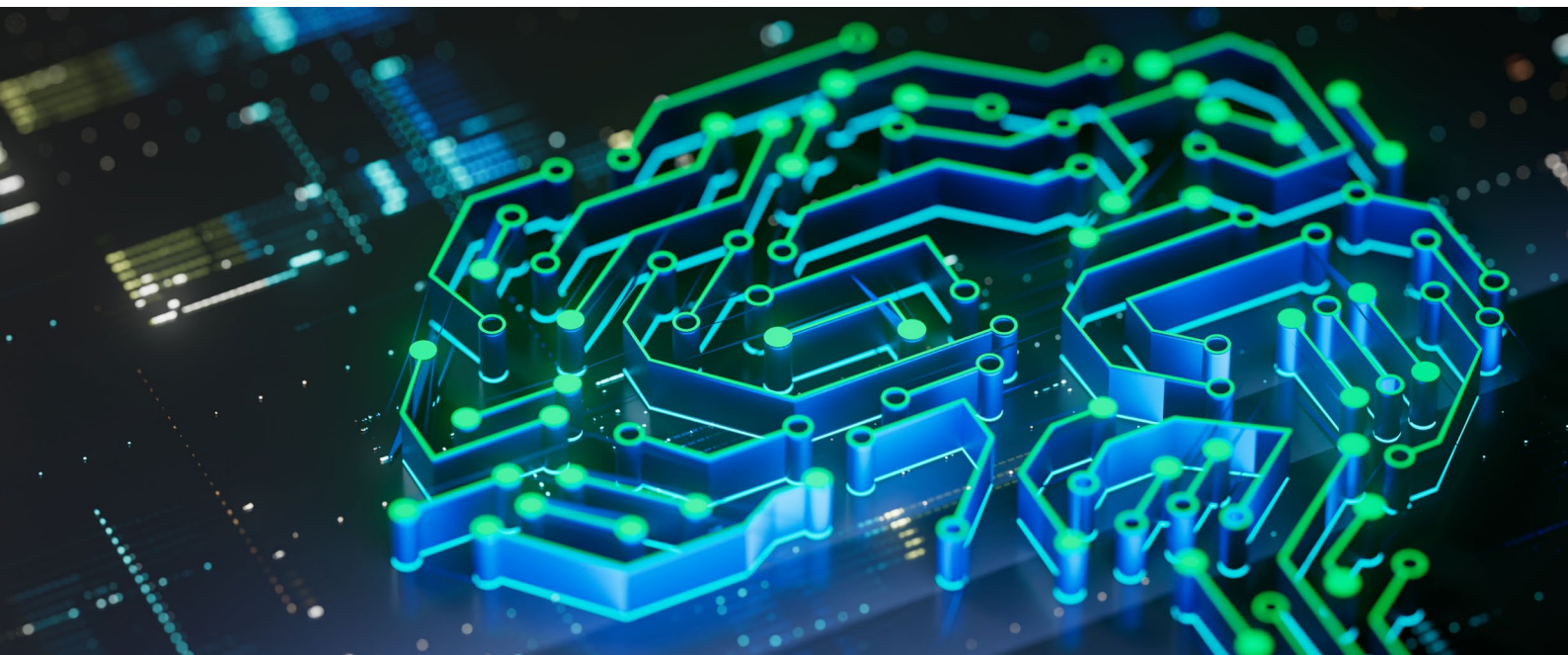
**Dr Steven Hu**

Head of Digital Assets, Trade & Working Capital,  
Standard Chartered



To join Standard Chartered in scaling real-world asset tokenisation and shaping the next chapter of finance, please get in touch with your Relationship Manager or contact us at:  
**[Transaction.Banking@sc.com](mailto:Transaction.Banking@sc.com)**

# Custodians refine their data strategies



Irrespective of whether our clients are banks or asset owners, if they are to provide value to their customers, they will need access to high quality data.

Adopting digital supply chain finance (SCF) solutions could boost trade in Asia, Africa and If our clients – irrespective of whether they are banks, brokers, asset managers or asset owners – are to provide value to their end customers, elevate their service offerings, and obtain operational efficiencies, then they will need access to high quality data.

As competition for wallet share intensifies, custodians and financial market infrastructures (FMI) are responding to growing client demands for data by enhancing their own data and analytics capabilities.

A coherent data strategy is essential if custodians and FMIs are to differentiate themselves from their peers and future proof their businesses moving forward.

The availability of robust data will enable us to move at pace, and develop exciting new products, such as digital asset custody or environmental, social and governance (ESG) solutions.

It can also help us – together with our clients – manage risk by reducing friction in the market and facilitating greater transparency in the custody chain from FMIs right through to the end investors themselves.



## Delivering data to clients seamlessly

If a data strategy is to be successful, then custodians need to get the basics right first to ensure customers have the best experience possible. This means delivering data, which is meaningful to clients, in a way that is flexible, consistent, and easily consumable.

Custodians also need to be mindful that not every client is the same. While some institutions have fully embraced automation and digitalisation,

others are still wedded to manual processes, meaning custodians should adopt an omni-channel approach when sharing data with clients.

In practice, this means custodians could find themselves using an assortment of data distribution channels, including Application Programming Interfaces (APIs), online portals, Swift messaging or even email, depending on client preference.

## No compromise on data protection

In addition to having effective data delivery channels, it is also vital we have robust controls in place to protect data, if we are to meet the requirements of clients and regulators (e.g. the EU's General Data Protection Regulation, etc.)

As technology becomes increasingly sophisticated, so too do the risks. For example, some of our network management clients are asking us about what would happen if the books and records held at an agent bank or a Central Securities Depository (CSD), along with their data back-up servers, were to be compromised or wiped by cyber-criminals.

Operational resilience and data governance will be critical here in mitigating such risks, as it will enable custodians to recover data quickly.

With the growing ubiquity of open architecture – a public as opposed to private proprietary technology infrastructure – it is also vital firms have clear policies and procedures in place covering data sharing, according to one network manager client.

Providing a seamless data experience for clients is key but it cannot come at the expense of security.



## Developing the right data strategy

Providers, such as ourselves, are leveraging data to deliver a number of cutting edge digital solutions to clients.

One of these solutions is by collaborating with leading technology companies. For example, we partner with a cloud provider that supports our data strategy by acting as a cloud warehouse for our data and analytics.

Other projects include a collaboration to enhance the settlement data we provide clients with, and a partnership on a potential solution supporting digitalisation of the account opening process.

We also focus on co-creation initiatives with our clients to identify challenges, and potential solutions for those very same problems and enable them to employ a [data-centric strategy](#).

## Making a bet on AI

Custodians are embracing artificial intelligence (AI) tools, such as machine learning and natural language processing, both of which have been highly effective in automating a number of manual processes, such as instruction capture, data validation and exception handling. Already, the results have been impressive, with some of these activities seeing their processing times fall by 90%.

We anticipate the technology will eventually permeate more into the world of client servicing, enabling us to provide our customers with instantaneous trade status updates and respond to their queries via bots. Within a few years, generative AI solutions (e.g. ChatGPT etc.) will likely be incorporated into custodians' workstreams, a milestone which will further enhance their client servicing capabilities.

As a provider, we are integrating AI into our client service proposition. For example, we are streamlining our contract lifecycle management processes by working with Evisort, an AI-enabled contract management solution.

Evisort's cloud-based software as a service will help us digitalise the end-to-end client onboarding process, from contract creation, through to negotiation and renewal for all FSS products globally, a move that will remove many of the pain-points synonymous with client onboardings.

In order to thrive in this digital age, custodians need to have an intelligent and thoughtful data strategy. While data can be empowering for clients, it is vital custodians adopt an omnichannel approach when sharing data with customers, and prioritise security.

# Money moves without borders. Why can't our payments data do the same?



Euromoney's chief research officer Andrei Charniauski took on the most pressing question at Sibos in Beijing: how can the financial services industry reduce cost, increase speed and improve access? Payments data could be the answer, according to a panel of experts.

Having spoken to many transaction banking leaders at Sibos last week, there was no hotter topic than cross-border payments. This is a major piece of the puzzle the financial services industry needs to resolve to bring down costs, increase speed, provide wider access and improve transparency.

[Cross-border payments](#) are no longer just about moving money – they are about moving data. All of the challenges associated with international payments today derive from how clients and [payments data](#) is accessed and shared. The big question is: how do we share data across borders safely, efficiently and without giving compliance teams a collective heart attack?

At a Sibos panel on data sharing, I was joined by four financial services professionals who live and breathe domestic and international payments. Together, we explored the promise and challenges of data sharing in this context and discussed current practices, domestic examples and potential solutions to improve data sharing worldwide.

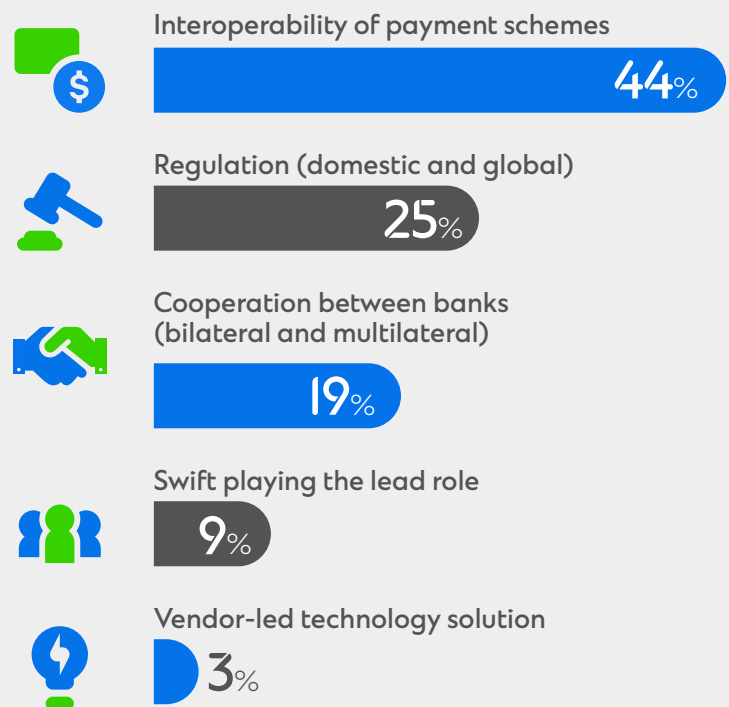
<b>MODERATOR</b>	Andrei Charniauski Euromoney			
<b>PANELLISTS</b>	Misao Watanabe Mizuho Bank	Danielle Sharpe Standard Chartered Bank	Edward Metzger LexisNexis Risk Solutions	Stuart Bailey Lloyds Bank

## Data sharing in cross-border payments

“Clients want to be able to move money when they want, how they want, to anywhere in the world. Speed, certainty, visibility and certainly security are some of the key things that I believe clients are truly looking for,” says Danielle Sharpe, managing director for FI clearing products, transaction banking at Standard Chartered Bank. “And, of course, as we get faster and as we do have more access to [different real-time payment schemes](#), instant schemes around the world, as things move quicker, fraud and crime is also moving quicker.”

Striking this balance between streamlined transactions and robust security measures has proven to be one of the most complex hurdles to overcome.

### Poll: What will have the biggest improvement to data sharing in cross-border payments?



Note: this is a poll of around 200 attendees at this panel, which included representatives from mostly banks and technology vendors



Data sharing, while integral to modern banking, especially in cross-border payments, remains a multifaceted challenge for financial institutions.

Edward Metzger, vice president for payments efficiency at LexisNexis Risk Solutions, explains that data sharing is fundamental in cross-border payments. Each transaction inherently involves multiple organisations exchanging information to complete a payment, from the identity of the sender to the destination of the funds.

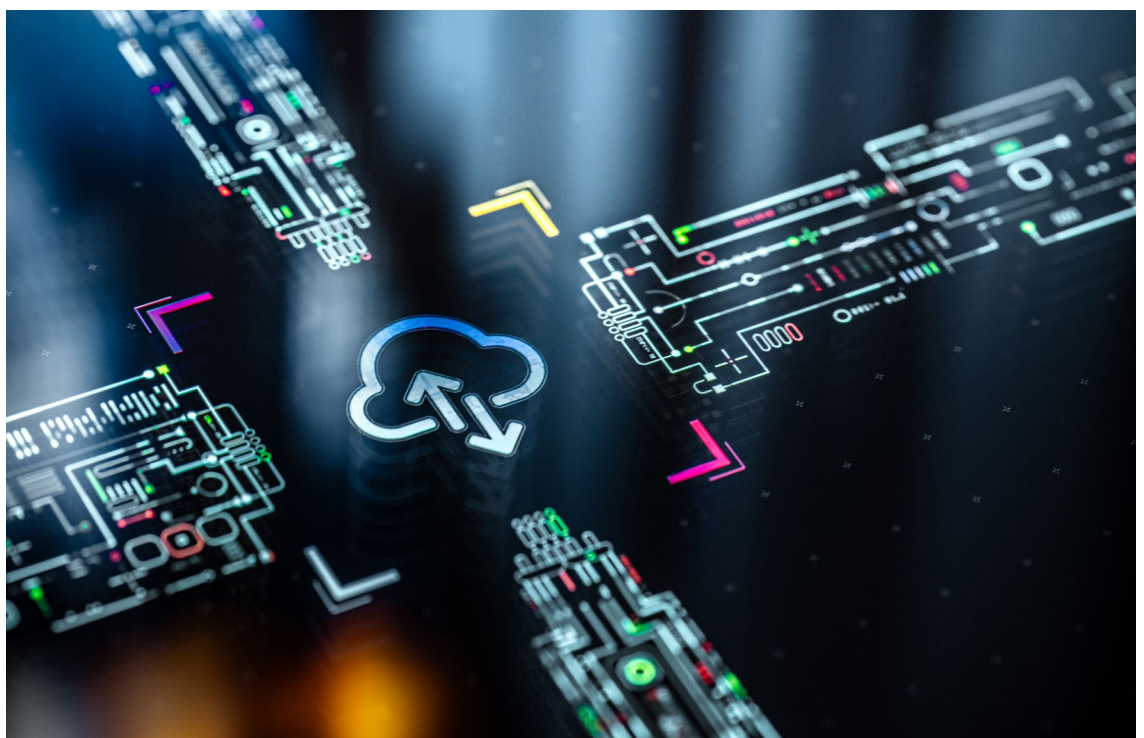
“What we really mean as an industry when we talk about these challenges is data sharing of additional data that enriches the transaction,” says Metzger. This means sharing information necessary for compliance, fraud prevention and security – without compromising data privacy regulations or operational efficiency. This emphasis on compliance reflects the industry’s broader struggle with protecting against fraud while maintaining the integrity and speed of cross-border payments.

## Domestic examples

Several countries have made strides in improving domestic data sharing to enhance security and reduce fraud, creating models that might offer lessons for international frameworks.

Stuart Bailey, head of payments industry regulation at Lloyds Bank, points to the UK’s Confirmation of Payee initiative,

a service launched in 2019 to confirm a beneficiary’s account information before a transaction proceeds. This system, Bailey notes, has drastically reduced fraud, performing “two million confirmation checks a day” and extending to more than 400 UK-based payment service providers.



“What we really mean as an industry when we talk about these challenges is data sharing of additional data that enriches the transaction.”

**Edward Metzger**  
LexisNexis Risk Solutions



Beyond improving customer security, Bailey observes that setting such a regulatory standard spurred innovation in data handling. “Once you set the standards and rules of the game, you see real innovation,” he says. Verification technologies, application programming interfaces and other tools have flourished, creating a more secure domestic environment that has reduced errors and enhanced the customer journey.

Meanwhile, in Japan, Mizuho Bank has seen benefits from its own rigorous approach to data sharing, according to Misao Watanabe, who represented Mizuho and the Japanese Banking Association. Japan’s longstanding local payment systems have evolved with data-sharing protocols that “pop out the account holder’s name on the screen” to prevent mistakes, an approach implemented more than two decades ago to enhance transaction accuracy. Watanabe says that these standards have created a “consensus” around data sharing in Japan, illustrating how domestic systems can foster a culture of transparency.

However, transferring these domestic solutions to an international stage brings its own set of challenges, particularly as regulatory landscapes differ widely across borders. Watanabe highlights the challenges faced by Mizuho’s global operation in sharing data across different countries within the bank’s own 40 branches and subsidiaries. He explains that while there is a desire to centralise information to enhance collaboration among colleagues, various international regulations create significant obstacles. Specifically, Mizuho must comply with Japanese laws and the local regulations in each country it operates in, which can often conflict. This regulatory complexity forces the bank to limit data sharing between offices and even within teams, leading to delays and restricted access to valuable information.

“We are a globalised world,” Sharpe remarks, “but... we’re certainly not getting any closer” in terms of universal data-sharing protocols.

And, according to a poll around 200 people in the audience at this panel, data privacy was by far the main challenge associated with data sharing in cross-border payments.

## Sharing data points

According to Metzger, at the domestic level, banks primarily want to share data that would help reduce fraud and improve compliance while respecting privacy laws. Within domestic markets, data sharing often focuses on fraud prevention, specifically in areas like authorised push payment fraud and scam detection. Banks want to share information that can help identify patterns associated with fraudulent activities, enabling them to act quickly and prevent losses.



Once you set the standards and rules of the game, you see real innovation.

**Stuart Bailey**  
Lloyds Bank



Metzger gives an example of LexisNexis's Threat Metrix, a fraud database where banks contribute anonymised data in exchange for access to a shared resource. This allows institutions to identify accounts or transactions associated with fraud in a secure, privacy-compliant manner. Banks want data-sharing solutions that protect customer privacy while offering the insights necessary to create a safer and more streamlined payment environment.

Bailey highlights the “creative tension” between the data that must be included in a payment message and the data needed for compliance checks before sending the payment. He noted that as payments move toward structured data formats – [such as ISO 20022](#) – there is an

increasing need to gather and validate information upfront to meet regulatory and compliance requirements. This tension has led to the development of new validation processes around data assurance.

“Suddenly, the payments department is the data assurance department for the whole organisation,” says Bailey, pointing out that the complexity of data requirements affects multiple areas, including upstream processes, customer interactions and reference data management. As a result, this “creative tension” has cascading effects across the bank’s operating model, emphasising the importance of accurate data preparation and validation in the payments journey.

“We are a globalised world, but... we’re certainly not getting any closer [in terms of universal data-sharing protocols].”

**Danielle Sharpe**  
Standard Chartered Bank



Sharpe explains that correspondent banks repeatedly check the same data in cross-border payments due to compliance requirements and the complexity of different regulations across countries. She notes that each country has unique payment systems, regulatory frameworks and stages of technological development, which means that compliance checks often cannot be standardised or skipped. With Standard Chartered operating in 53 markets and participating in 37 clearing schemes, she emphasises that each jurisdiction adds its own layer of regulatory requirements and nuances.

Sharpe also highlights that while there might be hope for a system where banks could rely on prior checks done by upstream institutions in the payment chain, the level of trust and cooperation required for this approach is not yet in place. As a result, each bank along the payment journey feels the need to perform its own compliance checks to ensure security and regulatory adherence. To optimise this, she suggests that advancements in data standards, such as [ISO formats](#), and potentially third-party aggregators, could help harmonise data handling. However, she acknowledges that further progress in trust, regulatory consistency and data architecture alignment is still needed across the industry.

## Global regulators and data sharing

The [Financial Stability Board \(FSB\)](#) [has recently](#) completed a public consultation on cross-border data sharing, which aimed to address the regulatory challenges in global payments. Watanabe says he welcomed the FSB’s recommendations, which he described as “ambitious and essential for improving regulatory harmony across countries”.

The FSB’s key recommendations, Watanabe explains, focus on encouraging countries’ regulatory authorities to work together toward greater “regulatory harmonisation.” The recommendations

include creating public-private forums and standardising regulations, which would also involve minimising data localisation requirements to facilitate smoother cross-border transactions.

He emphasises that the proposed framework is designed to allow broader, more consistent data sharing across borders, which the industry views as crucial. Watanabe expresses optimism, saying that these recommendations, if implemented, could make a meaningful difference in overcoming regulatory fragmentation in cross-border payments.

## What can banks do today?

As the panel looked at solutions to bridge these regulatory divides, both Metzger and Bailey suggested that technology could provide an answer. Metzger suggested that while regulatory changes are in progress, banks can take practical steps to address current data-sharing challenges. He emphasises

the importance of leveraging existing solutions and data sources to manage data quality and compliance. He points out that banks can use publicly and commercially available data to ensure standardised information in ISO message formats, thereby improving data quality within the current ecosystem.

“ [The FSB’s recommendations are] ambitious and essential for improving regulatory harmony across countries. ”

**Misao Watanabe**  
Mizuho Bank



Additionally, Metzger says that banks can adopt a “coalition of the willing” approach, where they use available data-sharing solutions— such as name verification services – that may not cover all markets but collectively provide substantial benefits. He recommends focusing on what is achievable with today’s tools and data sources, even if they are partial solutions, while the industry waits for regulatory frameworks to align with these needs.

Bailey suggests that new data structures and standards are paving the way for improved connectivity between systems. He points to a UK initiative, called Payments Substitutability, that aims to allow different payment flows within various schemes to substitute for one another, enhancing system resilience.

Bailey also noted the emergence of bridging services that link separate “walled garden” payment systems,

creating a new industry focused on interoperability. He suggested that organisations like Swift could play a significant role in connecting local payment schemes by offering services such as bank account verification to streamline data flow between systems. Overall, Bailey expresses optimism that the industry is making tangible progress toward a more interconnected payment ecosystem, which should facilitate smoother cross-border transactions.

And Sharpe shares examples of collaborative efforts among banks and payment schemes, [particularly in Asia](#). She highlights how Singapore has extended its PayNow instant payment service to work with Indonesia, creating a cross-border remittance system for low-value transactions. This partnership between Singapore and Indonesia demonstrates how bilateral agreements can enable cross-border data portability and payment interoperability.



“ I encourage banks, fintechs and payment service providers to work collectively, as everyone is dealing with similar regulatory, compliance and data privacy challenges. ”

**Andrei Charniausk**  
Euromoney



Sharpe also points to a project in Singapore known as COSMIC, a collaboration between five local banks and the Monetary Authority of Singapore. COSMIC aims to allow banks to share information when they suspect financial transactions are linked to criminal activity. This initiative reflects how banks and regulators can come together to enhance domestic data sharing for specific purposes, such as fraud prevention.

While these initiatives are promising, Sharpe acknowledges that they primarily address lower value transactions and specific regulatory goals, such as crime prevention. She expresses a need for broader, more scalable solutions that could support higher value cross-border payments across multiple jurisdictions.

And in the absence of a global regulatory framework for data sharing, there is also a role to play for Swift, technology vendors and other non-bank organisations. Metzger explains that these third-party aggregators can facilitate secure, privacy-compliant data

sharing by acting as intermediaries. For example, he notes that banks are often more comfortable sharing data with a trusted third party than directly with other banks, provided that strict legal and risk management standards are upheld.

Metzger also notes the potential of hashed databases, where data is anonymised, allowing institutions to share relevant information without revealing personally identifiable information. By aggregating data and supporting shared resources, Metzger argues, Swift and vendors can offer solutions that help banks prevent fraud and enhance customer experience without breaching privacy regulations.

However, broad adoption is critical here as third-party solutions are most effective when they are widely used across financial institutions. Swift and vendors should focus their efforts on gaining industry-wide participation to ensure that their platforms offer comprehensive coverage and reliable data-sharing mechanisms for cross-border payments.



## In this together

This Sibos panel underscores the complex interplay of regulation, technology and cooperation necessary to transform cross-border payments through effective data sharing.

Collaboration in tackling the shared challenges of data sharing and cross-border payments is critical to success. Although financial institutions may compete in the market, when it comes to data sharing and improving payment systems, they “need to be in this together”, says Sharpe.

Banks, fintechs and payment service providers need to work collectively, as everyone is dealing with similar regulatory, compliance and data privacy challenges. Ultimately, data sharing holds not just commercial advantages but global economic benefits, potentially contributing up to 2.5% of the world’s GDP, according to the World Economic Forum.

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# Bankable Insights: Transaction Banking

Issue 4, 2024: Sibos Highlights

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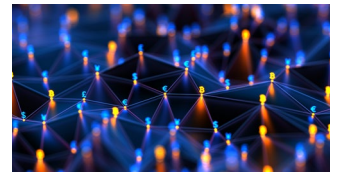
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