**Standards and Best Practices for the Year 2020**

The financial services industry has become increasingly concerned over payment data quality and the need for financial institutions to know with whom they are engaging and to ensure that transactions conform to a growing body of regulations. The year 2020 promises to be a benchmark year for those engaged in payment processing.

In an effort to comply with recommendation 16 from the Financial Action Task Force, which seeks to set standards for combating money laundering and financing of terrorism, financial messaging service SWIFT is preparing the payments community for standards changes to be put in place by 2020. Recommendation 16 requires that the full name and address be specified for the ordering customer (payer) and beneficiary (payee) for all wire transfers. Legislation in some major jurisdictions may require that the data be screened against a published list of sanctioned entities, according to SWIFT. The service provider recommends a best practice approach to payment data management, since penalties for a breach of sanctions include unlimited fines for companies and even jail time.

SWIFT's Standards MT Release 2020 will remove free-format message field options to ensure that payer and beneficiary data is captured and communicated in a structured way. Long term, this will simplify compliance, but preparation is required in the short term. According to SWIFT, financial institutions make heavy use of free-format fields to exchange payer and beneficiary data, which can lead to incomplete data that may not be reliably screened. The new structured formats require that institutions make sure that payment data is complete, accurate and up-to-date, SWIFT said.

Just as customers are now demanding better services, smoother payment experiences and more value for money, regulators are also demanding more from the industry, embracing technology that will enhance the ability to collect and analyze information. According to PricewaterhouseCoopers' (PwC) Global CEO Survey, 70% of leaders in the financial services sector hold the speed of change in technology a concern—a pace that is far from slowing down.

In the report *Financial Services Technology 2020 and Beyond*, PwC outlines the following priorities for the year 2020 to prepare for the approach of technological change:

1. Update your company's IT operating model to prepare for the "new normal."
2. Reduce costs by simplifying legacy systems, taking software as a service beyond the cloud and adopting robotics and artificial intelligence.
3. Create technological capabilities to become more intelligent about your customers' needs.
4. Prepare IT architecture to be able to connect to anything at any time.
5. Pay attention to cybersecurity.
6. Put in place the talent and skills to execute and win.

One technological disruption that PwC sees is the advent of the sharing economy, in which financial institutions may be just one node in a network driven by peer-to-peer transactions engaged by financial service firms and a new breed of financial technology, or fintech, companies. The U.K., U.S. and China today have peer-to-peer lending platforms, often in partnership with traditional banks. Alternative distribution channels may be particularly relevant in emerging markets.

Blockchain's "public ledger" technology is another disruptor, moving from retail to more institutional uses. PwC sees blockchain becoming an integral part of financial institutions' operational infrastructure. Benefits include making that infrastructure less expensive and opening an almost limitless array of uses, from financial transactions to automated contractual agreements, PwC said.

Disruption will also come from robotics, artificial intelligence (AI) and machine learning. By 2020, AI will automate a substantial amount of underwriting, particularly in mature markets with readily available data, PwC said. The greater automation from AI would free humans to concentrate on assessing and pricing risks in emerging markets, which are less data-rich. Detection of payments fraud is another use for AI, which banks already use. Predictive analytics (past and forecast spending behavior) will be employed to combat risk from fraud, hacking, data compromise and other vulnerabilities.

Success comes to those who prepare. Establishing the standards and architecture for emerging technologies and putting them in place now will ensure that credit departments are ready for change for years to come.

– Adam Fusco, associate editor