

2024#4

FINANCE **X**

Finance x Tech Magazine

EMBRACING INNOVATION AND HUMANITY:

Reflections from Money20/20
Amsterdam

IS TRADITIONAL BANKING DEAD?

The rise of blended and
embedded finance

4 BREATHING TIPS FOR PROFESSIONALS

A simple yet powerful tool:
Mindful Breathing

DIRTY MONEY

How environmental crimes are
polluting financial systems

EXPLORING THE VIBRANT FINTECH ECOSYSTEM IN HONG KONG:

An Interview with Industry
Leaders

**.MONEY
20/20**

Industry Highlights
from Amsterdam



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INTRODUCTION

KOEN VANDERHOYDONK

Welcome to the latest edition of FinanceX Tech Magazine, your trusted guide at the intersection of finance and technology. As we bask in the warmth of the summer season, it's the perfect opportunity to reflect on the vibrant dynamism of the financial tech landscape, especially highlighted by the recent Money20/20 event held in Amsterdam.

This edition is crafted to navigate you through the pulsating heart of fintech innovations, regulatory insights, and future-forward strategies reshaping how we understand and interact with financial services.



You'll find comprehensive coverage of the key discussions and pioneering technologies unveiled at Money20/20—from groundbreaking payment solutions to advances in regulatory tech that promise more transparency and efficiency. These insights reflect the current state of the fintech industry and forecast the transformative changes on the horizon.

Moreover, our magazine continues to serve as a platform for knowledge exchange, where experts and enthusiasts converge to share insights, challenge norms, and foster a community driven by curiosity and a commitment to excellence. Whether you're a seasoned professional or a newcomer to financial technology, our curated articles and expert columns are designed to provide you with actionable knowledge and innovative perspectives.

As we dive into this rich content, we also want to take a moment to wish everyone a joyful and refreshing summer holiday. We hope this break gives you the chance to rejuvenate and return with renewed zeal to the exciting challenges and opportunities that lie ahead in the fintech space.

Thank you for reading FinanceX Tech Magazine as your companion in exploring financial technology's vast, evolving universe. Here's to a summer of relaxation, inspiration, and preparation for the thrilling developments we'll continue exploring together in finance and technology.

Enjoy reading and happy holidays!

4

BREATHING TIPS FOR PROFESSIONALS

By: Wojtek Jurojc

Undoubtedly, we live in a nonstop, always-on-the-go world and keep our minds and bodies in constant control. However, amidst all the chaos, many overlook a simple yet powerful tool: mindful breathing. Not just the automatic act we do without thinking but conscious, deliberate breathing.

1 Paying attention to how we breathe

All of us can increase vitality by about 50-100% through breathwork. Mindful breathing is connected with our body posture and physical and mental condition, and most importantly, it provides us with more than 70% of our daily energy! The better you breathe, the more energy you have, the clearer your head, and the faster you process data. We use only 33% of our lung capacity. Imagine what happens when you use 100%. If you breathe well, you can control your immune system. How simple is that!?

2 How to start

We don't need to practice for months to start. You can start today with one simple exercise. This will already extend the volume of your lungs, give you power, and unlock untapped potential. Choose one exercise that resonates with you and start doing it, step by step, daily. We can see results within days. To create a habit, it takes a while. That is why the method of small steps and regularity is the most crucial.

3 Take a pause

We live in a world of endless possibilities, an overload of information, and constant decision-making that our brains must consider daily.

The average person processes more than 200 newspapers worth of information daily. This is an overwhelming number. It's difficult to be present. We're not able to free ourselves from a constant loop of past or future worry...to do so, we need to

4 Start breathwork!

Try with a very simple but powerful breathing exercise: 20 Combined Breaths. It gives us the much-needed oxygen, which, in larger doses, clears our mind, stops compulsive thoughts, and helps us process data faster. It provides objectivity and calmness, making it a perfect tool for every leader.

Follow these steps:

1. Inhale through your nose with a short, sharp breath in, immediately followed by a long, strong breath in.
2. Then, without pause, breathe out through your mouth, taking a short, then long, exhalation.
3. Repeat the inhale and exhale pattern five times. Then, take a short break before starting the next round. Aim to complete three rounds.

You should feel the results immediately. I'd like you to please make it a habit. Breathwork is about more than just breathing; it's about unlocking energy, clarity, and focus. Whether you're a newbie or looking to step up your game, there are simple techniques that fit right into your daily life and offer real, tangible benefits. By making mindful breathing part of our routines, we can access new levels of energy, mental clarity, and purpose.

So, why wait? Breathe your life back.

BREATHE LIFE BACK
INTO
YOURSELF

NAVIGATING OPEN BANKING HURDLES

Open banking transforms the financial landscape by promoting transparency, competition, and innovation. However, this transformation is not without its challenges. Financial institutions, fintech companies, and consumers face several key hurdles, including regulatory compliance, security concerns, consumer trust, technological integration, and market competition. Exthand, an open banking solution provider, offers insights and solutions that effectively address these challenges.

Regulatory Compliance

One of the most significant challenges in open banking is navigating the complex web of regulations, such as the Revised Payment Services Directive (PSD2) in Europe. These regulations require financial institutions to open their payment services and customer data to third-party providers through APIs, which can be a resource-intensive process. To ease the burden of regulatory compliance, Exthand has developed a platform that connects to over 2300 bank APIs, ensuring alignment with the latest regulatory standards. This white-label infrastructure allows clients to integrate seamlessly while maintaining compliance, thus relieving financial institutions from the need to develop and maintain their own compliant systems.

Security Concerns

The sharing of financial data with third parties introduces significant security risks. Protecting this sensitive information from breaches and ensuring secure transactions is crucial for maintaining consumer confidence and regulatory compliance. Exthand tackles these security concerns through a unique deployment method. By using Docker containers, Exthand allows clients to deploy the solution on their infrastructure—whether on-premises or in the cloud—providing complete control over security measures. This method ensures technological security and sovereignty, which are critical for building trust with consumers and meeting regulatory requirements.

Consumer Trust

Consumer trust is paramount in open banking. Users need to feel confident that third-party providers handle their financial data securely and responsibly. However, building and maintaining this trust is challenging, especially given the sensitivity of financial information. Exthand enhances consumer trust by offering a 100% white-label solution. This means that the Exthand brand remains invisible, and clients can present the service under their trusted brand. This approach ensures end-users interact only with brands they already trust, alleviating concerns over data sharing with unfamiliar entities.

Technological Integration

Integrating open banking solutions with existing financial systems can be complex and costly. Ensuring seamless interoperability between different banking systems and third-party applications is essential for the smooth operation of open banking services. Exthand's API-first approach facilitates easy integration with existing platforms. The company provides Payment Initiation Services (PiS) and Account Information Services (AiS), enabling clients to initiate payments and fetch real-time account data effortlessly. Docker containers further streamline the integration process, making it more secure and less cumbersome.

Open banking presents numerous challenges, but companies like Exthand are leading the way with innovative solutions and strategic approaches. Through technological innovation, robust security measures, and a strategic approach to market needs, Exthand effectively addresses the critical issues in the open banking landscape. By continuing to refine its approach and adapt to market needs, Exthand is well-positioned to thrive in the competitive open banking ecosystem. This blend of insight and practical solutions offers a roadmap for other industry players looking to navigate the complexities of open banking.

The logo for Exthand, featuring the word "exthand" in a lowercase, sans-serif font. The "ex" is in red, and "thand" is in a light blue/purple color.

Exthand provides a comprehensive open banking solution, offering seamless integration with over 2300 bank APIs. Their platform ensures regulatory compliance, robust security through Docker container deployment, and a 100% white-label service to build consumer trust. Exthand's services, including Payment Initiation and Account Information, cater to various industries, making them a leader in secure and flexible open banking infrastructure.

FINTECH INNOVATOR

SPOTLIGHT

Mateo Jarrin Cuvi



Empowering Global GRC Professionals with AGRC

From the outset, the UK's Association of Governance, Risk, and Compliance (AGRC) has aimed to serve professionals worldwide through affordable, inclusive, and comprehensive membership and certification packages. As a global, non-profit, professional certification and networking organization, AGRC is dedicated to meeting the needs of governance, risk, and compliance professionals.

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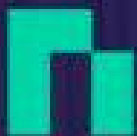
- Introduce recent graduates or young professionals to relevant GRC subjects.
- Help experienced professionals transition into new and challenging roles within the sector.
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Additionally, through our monthly webinar series and partnerships as Media or Strategic Partners with renowned conference organizers in the financial crime prevention and GRC space, AGRC fosters the exchange of knowledge and experiences among financial services professionals. We support our community of multi-jurisdictional GRC professionals by promoting their shared values, expertise, and business development opportunities.

Discover more about AGRC at www.agrc.org. I look forward to welcoming you as a member.

Mateo Jarrin Cuvi
Global Manager for
Partners & Media





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DIGITAL, SUSTAINABLE, AND PERSONALIZED: THE CHANGING CUSTOMER DEMANDS TOWARDS THEIR BANK



European retail banking is transforming significantly, fueled by digital innovation, sustainability, and a push towards personalized customer experiences. This shift is reshaping the landscape, adapting to post-pandemic realities and a broader set of economic and social changes.

Navigating Economic Fluctuations and Interest Rate Changes

The traditional lending-centric business model in Europe is being replaced by one emphasising deposit growth and effective liability management. This change comes in response to rising interest rates, a consequence of tighter monetary policies by central banks aiming to curb inflation. European banks are thus rethinking their asset and liability management strategies and ensuring they maintain sufficient liquidity to withstand economic uncertainties.

The focus on deposits has heightened the importance of robust cybersecurity measures, as digital platforms, which are crucial in attracting and managing these deposits, become prime targets for cyber threats.

Digital Transformation: Enhancing Customer Experiences

Digital transformation is pivotal in this evolving banking environment. European banks are leveraging technology to not only improve deposit management but also to enhance overall customer interactions. Implementing advanced cybersecurity protocols protects customer data and funds, fostering trust even as banking becomes more digital.





Personalized Services for Affluent Customers

Banks are also recalibrating their strategies to better serve affluent customers by offering hyper-personalized services. By utilizing data analytics and artificial intelligence, banks can tailor their offerings, from investment advice to customized lending rates. This shift towards personalized services is part of a broader industry-wide emphasis on customer centricity, acknowledging affluent clients' complex financial needs and high service expectations.

Sustainable Banking Practices and ESG Commitment

Sustainability is increasingly integral to modern banking practices. European banks are integrating Environmental, Social, and Governance (ESG) commitments into their operations, recognizing their role in addressing climate change and promoting social equity. Products like green mortgages and investments in sustainable projects allow customers to align their financial activities with their environmental values, attracting a demographic of socially conscious consumers.

Hybrid Customer Engagement Models

The pandemic has accelerated the digital transformation of banking services, but the value of human interaction remains significant. European banks are adopting hybrid models that blend the efficiency of digital channels with the personal touch of face-to-face interactions. This approach offers flexibility, allowing customers to choose their preferred mode of engagement based on their needs at any given time, enhancing convenience and trust.

The Future of European Retail Banking

Looking ahead, the future of European retail banking appears robust. Banks that prioritize digital agility, strong cybersecurity, customer-centric approaches, and sustainable practices are setting new industry standards and fostering deeper relationships with their clients. This movement towards an integrated, ethical, and customer-focused banking experience promises a future where finance catalyses positive societal change.

In conclusion, as retail banking evolves, its journey remains a testament to the power of innovation and the enduring value of prioritizing people and the planet. Through digitalization, personalized services, and a commitment to sustainability, European banks are not just adapting but thriving, paving the way for a future that meets the changing demands of their customers.





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Is Traditional Banking Dead?

The Rise of Blended and Embedded Finance

Blended finance and embedded finance are two powerful tools that are reshaping the landscape of financial services. Both concepts drive greater financial inclusion and innovation but operate in distinct ways. Blended finance leverages public and philanthropic funds to attract private capital for development projects, while embedded finance integrates financial services into non-financial platforms, providing seamless user experiences. The convergence of these two approaches holds immense potential for creating more inclusive and efficient financial ecosystems.

Blended Finance: Bridging Gaps with Synergy

Blended finance is a strategic approach that combines different forms of capital—public, private, and philanthropic—to fund projects that have a significant social impact but are often considered too risky for traditional investors. According to the [OECD](#), the blended finance market mobilized over \$152 billion in private finance from 2012 to 2018 for sustainable development goals (SDGs). This approach is particularly effective in emerging markets where investment is needed to address critical infrastructure gaps, healthcare, and education.

Example: The Global Infrastructure Facility

One notable example of blended finance is the [Global Infrastructure Facility](#) (GIF), which brings together governments, multilateral development banks, and private investors to fund large-scale infrastructure projects in developing countries. The GIF has successfully mobilized over \$75 billion in private capital for projects like renewable energy, transportation, and water supply.



By leveraging the strengths of both approaches, financial institutions, and tech companies can create more comprehensive solutions.

By: Mona Zoet

Embodied Finance: Seamless Integration

Embedded finance, on the other hand, refers to the integration of financial services into non-financial platforms, enabling companies to offer banking, lending, insurance, and payment services within their existing products. This seamless integration simplifies the user experience and expands access to financial services. According to a study by [Lightyear Capital](#), embedded finance is projected to generate \$230 billion in revenue by 2025.

Example: Shopify and Stripe

A prime example of embedded finance is the partnership between [Shopify](#) and Stripe. Shopify, a leading e-commerce platform, offers its merchants integrated payment processing through Stripe. This allows merchants to accept payments without needing a separate payment gateway, streamlining the checkout process and enhancing the customer experience. As a result, small businesses can easily access sophisticated financial tools that were once the domain of larger enterprises.

The Synergy of Blended and Embedded Finance

The intersection of blended and embedded finance can drive significant advancements in financial inclusion. By leveraging the strengths of both approaches, financial institutions, and tech companies can create more comprehensive solutions. For instance, a fintech platform focused on agriculture could use blended finance to secure funding for rural development projects and embedded finance to provide farmers with access to loans, insurance, and payment services directly through a mobile app.

A Transformative Future

The future of finance lies in the innovative blending of different financial models to address global challenges. Blended finance can de-risk investments and attract private capital to high-impact projects, while embedded finance can democratize access to financial services by integrating them into everyday platforms. Together, they hold the promise of a more inclusive, efficient, and resilient financial system.

As we look ahead, the collaboration between public and private sectors will be crucial in harnessing the full potential of blended and embedded finance. By aligning resources and expertise, we can drive sustainable development and financial inclusion on an unprecedented scale. The question now is: how can your organization leverage these powerful tools to make a difference?



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By: Koen Vanderhoydonk

SPECIAL



EXPLORING THE VIBRANT FINTECH ECOSYSTEM IN HONG KONG:

AN INTERVIEW WITH PROMINENT
FIGURES FROM HONG KONG SAR
GOVERNMENT



In a recent interview at Money 20/20 in Amsterdam, prominent figures of the Hong Kong Special Administrative Region Government, including Mr. Christopher Hui, the Secretary for Financial Services and the Treasury, and Mr. King Leung, Global Head of Financial Services and Fintech at InvestHK, shared their insights on the dynamic FinTech ecosystems in Europe and Hong Kong. This discussion provided a unique perspective on the current trends, challenges, and opportunities within the FinTech landscape, highlighting the importance of collaboration and innovation in this rapidly evolving sector.

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A Vibrant and Robust FinTech Ecosystem

The conversation started with an exploration of the European FinTech scene. Mr. Hui and Mr. Leung emphasized the vibrant and robust nature of the FinTech ecosystem in Europe. "As you can see from the booths here today, it represents different segments of FinTech – payment, legal, AML compliance, RegTech – creating a very robust and vibrant ecosystem," Mr. Hui noted. This diversity and vibrancy are crucial for fostering innovation and addressing common challenges such as climate risk and compliance issues.

Collaboration Between Europe and Hong Kong

A significant theme throughout the interview was the strong desire for collaboration between FinTech players in Europe and Hong Kong. Mr Hui highlighted that despite being in different time zones, there are many similarities in the challenges faced by both regions.

"We encounter similar challenges in climate risk, compliance issues around AML, and the need to upgrade our financial systems to be more tech-driven," he said. This common ground creates a strong foundation for potential partnerships and collaborations.

Mr Leung echoed this sentiment, pointing out that many of the tech solutions developed in Europe are at the forefront of innovation and could significantly contribute to revamping financial systems in Hong Kong. "The potential for both sides to work together is enormous," he added, emphasizing the importance of exchange and collaboration to spur new ideas and innovations.

Christopher Hui, Secretary for Financial Services and the Treasury

Mr Hui has been the secretary for Financial Services and the Treasury since 2020. He serves on the boards of Mass Transit Railway Corporation Limited, Hong Kong Airport Authority and also as the Chairman of the Kowloon-Canton Railway Corporation.

He was an Administrative Officer in the Government from 1999 to 2003. He served in the Economic Development Branch, the Office of the Government of the Hong Kong Special Administrative Region in Beijing and the Home Affairs Department. After leaving the Government, Mr Hui spent 13 years at the Hong Kong Exchanges and Clearing Limited, having been the Managing Director for Market Development and Head of Project Management and various senior roles in Listing and Market Development. He worked for several multinational companies in the private sector as well. He was appointed the Executive Director of the Hong Kong Financial Services Development Council from 2019 to 2020.

Mr Hui previously held several public roles, including Councillor of the City University of Hong Kong and a member of the Mandatory Provident Fund Authority Process Review Panel, Hong Kong Stock Exchange Listing Review Committee, and Hong Kong Institute of Certified Public Accountants Disciplinary Panel.

Mr Hui holds Bachelor's and Master's (Hon) Degrees in Philosophy, Politics, and Economics from the University of Oxford and a Master of Business Administration Degree from INSEAD. He also attended the Stanford Executive Programme (SEP).

Regulatory Frameworks and Innovation

The conversation then shifted to the regulatory landscape, mainly focusing on Hong Kong's approach to regulating virtual asset platforms. Mr Hui explained that the regulatory framework for virtual assets in Hong Kong is designed to balance innovation with risk management. "We believe it is better to regulate well rather than subject the sector to various risks," he said. The framework includes measures to mitigate money laundering risks and ensure investor protection, reflecting Hong Kong's commitment to creating a secure and transparent environment for financial innovation.

Sustainability Initiatives in Hong Kong

Sustainability is another critical area in which Hong Kong is making significant strides. Mr Hui outlined various initiatives to address global climate risks and promote green finance. "Sustainability or climate risk is a global issue, and Hong Kong is well-positioned to play a pivotal role in addressing these challenges," he stated. Hong Kong has issued HK\$25 billion worth of green bonds and introduced a subsidy programme to encourage the private sector to issue green bonds and loans. These efforts are part of a broader strategy to channel private capital into climate-related projects, leveraging Hong Kong's strengths as a financial centre.

FinTech Week and the Global Fast Track Programme

Looking ahead, Mr Leung highlighted the upcoming Hong Kong FinTech Week and the Global Fast Track Programme as key events for fostering innovation and collaboration. Scheduled from October 28 to November 1, 2024, FinTech Week is expected to attract over 35,000 attendees from more than 100 economies. "It's about connectivity, use cases of AI, and the practical applications of these technologies in financial services," Mr. Leung explained.

The Global Fast Track Programme, which has supported over 800 startups across 49 countries, provides a platform for FinTech companies to showcase their solutions and connect with investors and corporates. This programme exemplifies Hong Kong's commitment to nurturing a dynamic FinTech ecosystem and supporting the growth of innovative financial technologies.



King Leung, Global Head of Financial Services and Fintech at InvestHK

As the Head of Financial Services and Fintech at InvestHK, the department of the Hong Kong SAR Government responsible for attracting Foreign Direct Investment, King's mission is to enrich the ecosystem and contribute to raising the long-term competitiveness and innovation of the financial services sector in Hong Kong. King achieves this goal through collaboration with a broad range of stakeholders – regulators, financial institutions, investors, fintech companies, associations, etc. in Hong Kong, the Greater Bay Area, and other major international fintech hubs.

Prior to joining the government, King had a diverse private sector background as a serial tech entrepreneur, angel investor, and fintech lecturer in Asia where his first data-related startup was established through seed investment from Credit Suisse. His startup served numerous world-renowned financial institutions in wealth management, insurance, personal finance, etc. King was a management consultant at Booz Allen & Hamilton and KPMG in the US, as well as a venture capitalist at Innovate@, a technology fund jointly run by Booz Allen & Hamilton and Lehman Brothers.

King received his MBA (honors) from the University of Chicago and BSc (honors) from the University of Wisconsin – Madison.



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EMBRACING INNOVATION AND HUMANITY: **REFLECTIONS FROM** **MONEY20/20** **AMSTERDAM**



Money2020 Amsterdam has always been a beacon for financial innovation and industry insights, and this year's event was no exception. Set against the backdrop of one of Europe's most picturesque cities, the conference provided a fertile ground for discussions that intertwined technological advancements with the undiminished value of human connections. Here are some key takeaways and moments that defined Money2020 this year.

Human Connections at the Heart of Financial Innovation

Despite the rapid evolution of technology and the increasing reliance on artificial intelligence in the finance industry, one of the resonating themes at Money2020 was the irreplaceable value of human connections. This emphasis on human interactions underscores a fundamental industry truth: technology should enhance, not replace, the human elements of service and engagement.

These narratives were not just about future possibilities but real, tangible innovations already taking shape through the speakers and exhibitors at Money2020, showcasing how they blend technology with a human touch to solve complex challenges.

Humans and our increasingly intelligent machine counterparts are combining to create a whole new world. We must prepare to witness a metamorphosis, where the interplay of consumer and business interactions ascend to new heights, redefining not only what we experience but how we experience it. In this age of transformation, efficiency will increase in ways we can't comprehend and there's no portion of our ecosystem that will remain untouched by the collaboration between humans and machines. We unveiled the stories of those exceptional beings, the superhumans, who dare to navigate this uncharted territory.

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K ey Insights from the Sessions

Several sessions at Money2020 delved deep into the integration of AI and human insights to foster innovation in banking and payments:

- **AI and Fraud Detection:** A session sponsored by AWS and NVIDIA explored how AI significantly enhances fraud detection capabilities, emphasizing the blend of AI efficiency with crucial human oversight.
- **Wealthtech's New Horizons:** Discussions on wealthtech revealed a market ripe for disruption, where technology seeks to democratize access to investment tools yet still requires a blend of human touch to cater effectively to customer needs.
- **Innovations in Payment Technologies:** The conference also highlighted innovative payment solutions like Zing, which offers a fresh take on international payments without needing a traditional bank account.

T he Role of 'Super Apps' and Integrated Experiences

Another hot topic was the potential of 'super apps' to consolidate various financial services into a single platform. While the integration promises convenience, the discussions also acknowledged the challenges in maintaining security and user trust. The key takeaway was that while the technology to streamline services exists, the execution must be handled carefully to ensure user acceptance and regulatory compliance.

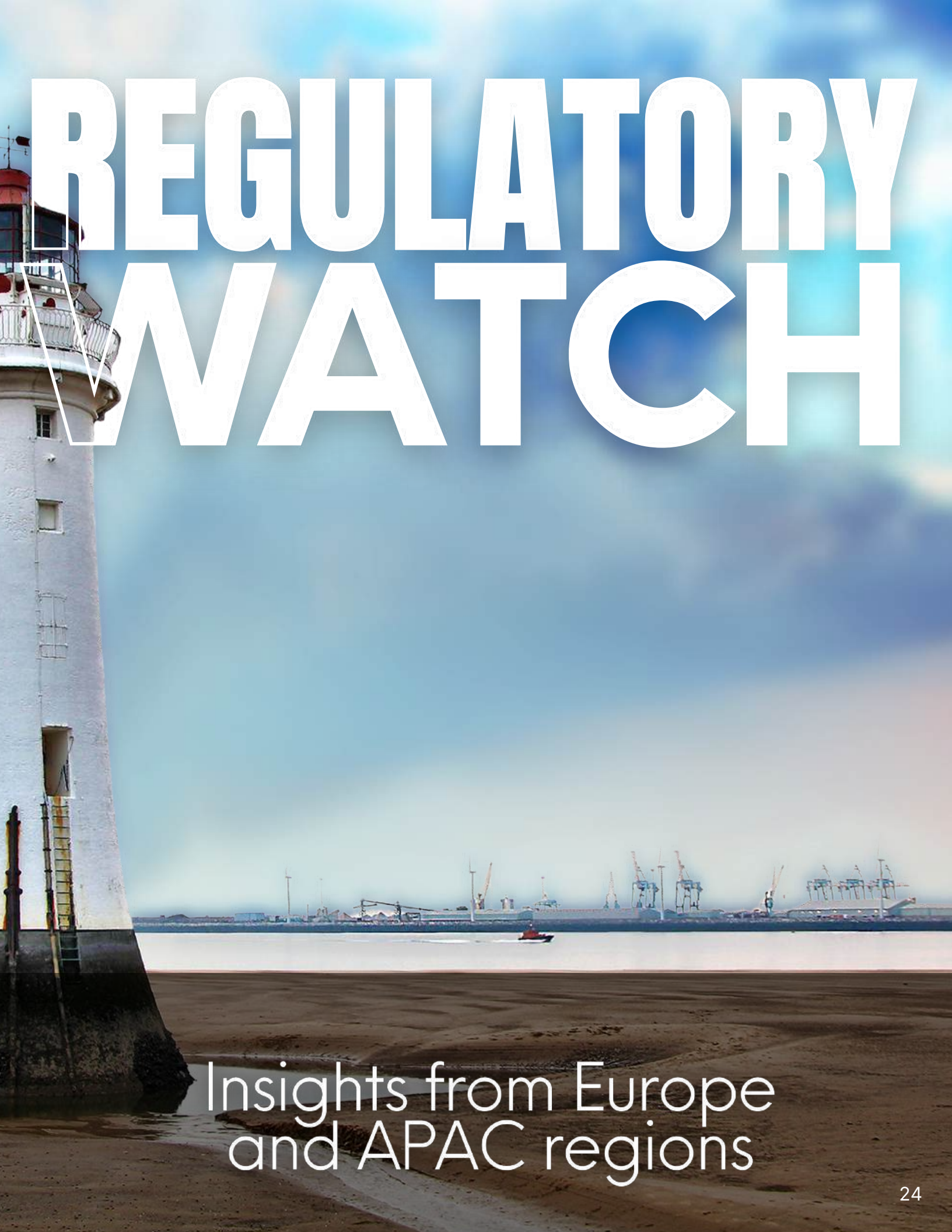




Money2020 Amsterdam showcased cutting-edge financial technologies and strategies and reiterated the importance of human interaction in an increasingly digital world. As we look forward to the innovations set to transform the finance sector, the conference has set the stage for a balanced approach where technology and human insights coexist to shape a more inclusive and efficient financial future.

This synthesis of Money2020's atmosphere and insights underlines that the path forward harmoniously integrates technological prowess with an understanding of human values and needs, whether addressing global payment challenges or exploring the depths of AI in finance.

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Insights from Europe
and APAC regions



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What is FIDA?

In 2015, the European Union (EU) introduced the Payment Services Directive 2 (PSD2), marking a significant step towards Open Banking and Strong Customer Authentication (SCA). The primary objective was to enhance competition, spur innovation, and expand the financial services market beyond traditional banking institutions. Although PSD2 revolutionized payment data sharing, its impact was limited to the realm of payments, leaving out data sharing for other financial products.

In June 2023, the European Commission introduced the Financial Data Access (FIDA) proposal, representing a substantial shift by expanding the scope of data sharing under Open Finance. This initiative aims to empower customers by giving them control and consent over their financial data sharing, promoting innovation and competition within the financial sector.

FIDA's Objectives

FIDA's core objectives are multifaceted. First, it aims to establish a robust legal framework for seamless customer data sharing among various entities in the financial services industry. Second, by laying the groundwork for new business models focused on processing and analyzing customer financial data, FIDA seeks to spur innovation, leading to the development of cutting-edge financial products and services tailored to consumers' diverse needs. Ultimately, this will drive economic transformation by encouraging digital innovation and data-driven business models within the financial industry.

Roles and Products in the Scope of FIDA Regulation

Central to FIDA is delineating roles between data holders and users. Data holders, typically financial institutions, collect, store, and process customer data. Data users leverage this data to provide value-added services to customers. FIDA imposes stringent obligations on both parties to ensure customer data's confidentiality, security, and responsible use.

Financial institutions that apply as data holders can also retrieve data as data users without a separate license. Various financial products such as savings, investments, mortgages, insurance, and pension products can exchange data. However, data that could increase the risk of financial exclusion, such as creditworthiness assessments and data on sickness, health, and life insurance, are out of scope.



Granting Access to Customers' Data

Customers have the right to request that data holders share their data with authorized data users. This data should be used exclusively for the purposes and under the conditions agreed upon with the customer. Personal data must be limited to what is necessary for its intended processing.

Data holders must provide data promptly and in real-time upon request, without charge, seeking compensation only from data users if the data sharing follows set rules. Data holders must also offer customers a clear permission dashboard. Data users can access data only for approved purposes, ensuring confidentiality, protecting trade secrets, and upholding security. They must prevent unlawful data transfers and restrict access to authorized entities within a group.

Financial Data Sharing Schemes

FIDA introduces Financial Data Sharing Schemes similar to those in payment markets. These schemes play a pivotal role in standardizing data-sharing practices, defining contractual obligations, and providing mechanisms for dispute resolution. By promoting interoperability and market arrangements between data holders and users, these schemes facilitate the seamless exchange of financial data.

Both data users and holders must become members of one or more Financial Data Sharing Schemes within 18 months of FIDA's entry into force.

The EU Impact Assessment Report

The EU Impact Assessment Report, accompanying the FIDA legislative proposal, explains the proposed framework's reasons, advantages, and potential risks. The report highlights the growing trend of data use and sharing in the financial sector, emphasizing the potential of data-driven finance while identifying challenges such as lack of trust, legal ambiguities, data standardization issues, and misalignment of incentives.

The EU addresses these challenges by considering a preferred policy option bundle, which includes mandating open finance permission dashboards for customers, granting access to selected customer data sets for data users, developing common standards for data and interfaces, and requiring data holders to implement APIs in exchange for compensation. This policy option was deemed preferable due to its effectiveness, efficiency, and coherence with existing EU regulations.

Market Reception of the EU FIDA Proposal: A Pragmatic View

The market's feedback on the EU proposal has been cautiously optimistic. While the financial industry supports data sharing between users and holders, it recognizes the implementation challenges. The main obstacles include the lack of standardization in products, systems, and data, which makes it difficult for different technologies to work together and hinders innovation.

Opportunities & Challenges of FIDA

Opportunities

Financial experts recognize the substantial upside potential of FIDA. Data users can consolidate customer financial data to create a comprehensive view, enabling personalized recommendations and enhancing satisfaction. By leveraging internal and external data, they deliver tailored financial advice, optimizing investment portfolios and managing risks. External data insights help tailor products to specific needs. At the same time, collaboration with third-party providers, like fintech companies, enhances offerings and extends reach beyond traditional finance, driving innovation and improved customer experiences.

Challenges

The EU Commission places constraints on data usage to safeguard it, such as Purpose-Specific Access and Entity-Specific Access, which limit the potential for extensive data usage. Overcoming consumers' reluctance to share financial information is crucial. Concerns about privacy, security, and the potential misuse of sensitive financial information influence willingness to share data. Data users must demonstrate the added value to customers, highlighting tangible benefits or improvements in their financial lives through data sharing.

Implementation Challenges

Implementation challenges include the need for standardized data, technical challenges, and overly ambitious timelines. Data holders must share data upon customers' requests, creating operational and logistical difficulties for market participants and impacting their future operating models.



DIRTY MONEY

HOW ENVIRONMENTAL CRIMES ARE POLLUTING FINANCIAL SYSTEMS

Singapore has recently released its Environmental Crimes Money Laundering National Risk Assessment. This comprehensive report highlights the escalating threat that environmental crimes pose to financial systems and national security. The findings are alarming and demand immediate attention from regulators, financial institutions, and businesses alike.

The Gravity of Environmental Crimes

Environmental crimes, such as illegal logging, wildlife trafficking, and pollution, are not just ecological issues; they are significant economic threats. These crimes generate billions of dollars in illicit profits each year. According to INTERPOL, the illegal wildlife trade alone is worth up to \$23 billion annually. These vast sums of money are often funneled into the global financial system through sophisticated money laundering schemes.

In Singapore, the government is taking these threats seriously. The Monetary Authority of Singapore (MAS) has underscored the need for robust measures to combat the laundering of proceeds from environmental crimes. The recent National Risk Assessment report is a critical step in understanding and mitigating these risks.

Real-Life Examples of Environmental Crimes and Money Laundering

Illegal Logging in Southeast Asia

One prominent example is the illegal logging operations in Southeast Asia. These operations devastate forests, displace communities, and generate substantial illegal profits. The United Nations Environment Programme (UNEP) estimates that illegal logging accounts for up to 90% of all logging activities in major tropical countries. The illicit profits are then laundered through complex networks of shell companies, making it difficult to trace the money back to its source.

Wildlife Trafficking Networks

Wildlife trafficking is another significant environmental crime linked to money laundering. In a high-profile case, the United States Fish and Wildlife Service and Homeland Security Investigations dismantled a major trafficking ring smuggling elephant ivory and rhino horns worth millions of dollars. The profits were laundered through a series of bank accounts and legitimate businesses, highlighting the need for stringent financial controls and cross-border cooperation.

Pollution and Hazardous Waste

The illegal disposal of hazardous waste is also a growing concern. Companies involved in this illicit activity often falsify records and bribe officials to avoid detection. The profits from these illegal operations are laundered through legitimate businesses, posing a severe risk to financial systems and public health. A notable case involved a European waste management company that laundered millions of euros by illegally exporting hazardous waste to developing countries.

The Role of Financial Institutions

Financial institutions play a crucial role in detecting and preventing money laundering related to environmental crimes. The MAS report emphasizes the importance of enhanced due diligence and stronger regulatory frameworks. Banks must implement rigorous Know Your Customer (KYC) procedures and monitor transactions for signs of illicit activity. Collaboration between financial institutions, regulators, and law enforcement agencies is essential to identify and disrupt money laundering networks effectively.

The Way Forward

Singapore's proactive approach to addressing environmental crimes and their financial implications sets a benchmark for other nations. The National Risk Assessment report provides a clear roadmap for mitigating these risks through robust regulatory measures, enhanced cooperation, and increased awareness.

However, this is just the beginning. Continuous vigilance, innovation in financial monitoring, and international collaboration are necessary to combat the ever-evolving threats of environmental crimes and money laundering.

In conclusion, the fight against environmental crimes and their associated financial risks requires a collective effort. Governments, financial institutions, and businesses must work together to safeguard our ecosystems and financial systems. How prepared is your organization to tackle these emerging threats?

For more details on the National Risk Assessment report, visit the MAS website [here](#).

By: Mona Zoet

ON THE ROAD

THE CONNECTOR. **RegPac** Revolution

L to R: The Connector at the Money20/20 Europe, The Connector at FinTech Week London, The Connector at European Social Gathering, The Connector at the After Conference Networking, RegPac Revolution at Money20/20 Europe, RegPac Revolution at FinTech Week London.



CLOSING REMARK

As we close this vibrant summer edition of FinanceX Tech Magazine, we want to extend our heartfelt gratitude to all our readers, contributors, and the fintech community for their unwavering engagement and insights. This edition has been a thrilling exploration of the future of finance, deeply enriched by the pioneering discussions and innovations spotlighted at Money20/20 Europe.

Throughout these pages, we've delved into transformative technologies, navigated the evolving regulatory landscapes, and celebrated the powerful synergies between human ingenuity and digital advancement. These stories and analyses reflect the current fintech ecosystem's pulse and offer a window into its dynamic future. We are continually inspired by your curiosity and enthusiasm, which propel us to uncover and discuss the most impactful and relevant topics in the industry. Your feedback and contributions are crucial in shaping our content, ensuring we meet your needs and exceed your expectations.

As the summer season continues, we hope you find relaxation and inspiration, recharging for the exciting times ahead in the fintech sector. We look forward to returning with engaging content, groundbreaking innovations, and insightful discussions in our next edition.

Thank you for joining us on this journey through the intersecting worlds of finance and technology. Until next time, keep innovating, keep inspiring, and let's continue to drive the future of finance together.

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A person wearing a VR headset is shown from the chest up. The image is semi-transparent, allowing the background to be visible. Overlaid on the person's face is a black circle containing the letters 'FX' in a large, bold, black serif font.

FX

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