



BANKS WITH A FINTECH ON TOP?

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Ioana Guiman has been active in Fintech since 2003, and has a technical background in computer science. She has been on the board of Allevo since 2016, and focuses on strategy and finding new business opportunities. She looks for customized solutions for very specific customer problems. She also ensures that excellence is what the customers receive, in terms of both products and services. She describes herself as a “geek with social skills”



This time last year, everyone was talking about big projects around PSD2, GDPR and instant payments even, either seeing 2018 as a game changer or as the big bad wolf in flesh and bones, depending on the level of preparedness and implication of whom you asked.

Now, in mid-2018, GDPR starts showing up in the inbox or notification center of every digital person out there, with a request to re-confirm what they have already confirmed before; it is just that this time they ought to do it in a more compliant way. As annoying as this is for people, it is even more of a hassle for companies who needed to prepare and align internal policies, procedures and the way they manage their business to ensure the most rigorous level of protection of personal data. All this involves high costs and happens even though the companies are not data processors.

European banks are implementing solutions for PSD2 compliance, while trying to look further into the future for opportunities brought by the open API structure laid out by PSD2. Some have started early, some bit later, but all headed into one direction and that is allowing PISPs or AISPs to access customer data.

Some countries are following the lead of those more advanced in creating a seamless framework for instant payments. This will bring new services and enable some companies to catch up with Fintechs in terms of speed. Luckily PSD2 sets the scene for collaboration opportunities between banks and Fintechs, which will eventually help Financial Services keep pace with expectations of their digital customers.

PSD2 – What’s in It for You?

As a bank, you can choose to merely comply with the Directive and give third parties access to data, as required by law, or you can step up the game and become an AISP / PISP yourself, heading towards a broader ecosystem with aggregated value. As far as open APIs are concerned, it is up to each bank whether to simply provide a free basic-level, or to develop a more advanced API platform in order to monetize access to raw data and new unconventional banking services.

So, what is Allevo’s role in this story? Allevo developed a PSD2 compliance solution, FinTP-Connect. It provides centralized management of requests initiated by a PISP/AISP on behalf of the

final customer, by retrieving and processing these requests, transferring them to the Core Banking system, and then returning the responses back to the PISP/AISP (JSON/XML, ISO 20022, or other native formats).

FinTP-Connect functionalities include API management, TPP identification and validation for access to services, rules management for applying Strong Customer Authentication (SCA), user activity tracking (TPP management and fraud risk management), log of services run by users, content or rules-based routing, as well as native format configuration.

A sneak peek into the components of this PSD2 compliance solution reveals the API Gateway, the API Integration & Services component, and the Reporting & Monitoring Interface. As far as FinTP-Connect flows are concerned, the API Gateway receives API requests (from the PISP/AISP) in compliance with the security policies in place (authentication, authorization, audit and regulatory compliance), passes the requests to the API Integration & Services component, retrieves the response and sends it back to the initiator (PISP/AISP). It also collects analytics data and provides it to the Reporting & Monitoring Interface.

When Fast Is Not Good Enough

Instant payments are no longer a fad, but a requirement, driven by consumers being anchored more and more in “real-time” everything. Consumers want their orders processed un-intrusively and instantaneously. This means that merchants could implement an instant payments solution, passing the demand to suppliers immediately, extending the B2C real-time need towards B2B.

Banks play the role of providing a relevant service to their corporate customers, gaining new business, while corporates address the current needs of modern people. In fact, businesses stand a lot to benefit from this, not only in terms of improved payment reconciliation process and increased efficiency of e-invoicing, but also from fewer late payments, enhanced e-commerce, predictability and reduced financial risk, not to mention the improved liquidity and cash management capabilities, optimized working capital and minimized external financing.

These being said, Allevo developed FinTP-Instant, a new functionality of its financial transactions processing application, FinTP, fit for using the Instant Payments service

(IPS) of the Romanian Automated Clearing House – TransFonD, as well as for processing messages according to this service’s technical requirements.

One of requirements of the IPS is for the bank application to be STP- and FinTP successfully meets this requirement, interfacing with the low value payments service through web services. The timestamp is set by FinTP-Instant, as timing is an essential part of this service .

FinTP-Instant supports all types of messages for the instant payments scheme. Besides the instant payment initiation, confirmation, reject messages, as well as recall and negative/positive answer to recall, this functionality also processes new messages pertaining to this scheme: SCT Inst transaction status investigation, overdraft message for configuring the guarantee ceiling, and reconciliation messages (automatically sent by IPS after completing each settlement process).

We firmly believe that as instant payments are widely made available throughout Europe, they will become the premier replacement for more expensive payment methods, such as credit cards, both online and at the point of sale. So, the sooner you tackle this issue, the better.

A bridge between Banks and SMEs

Allevo’s focus on companies is based on the idea of replicating the success of FinTP for banks at corporate treasury level. The shift is reinforced by EU funding for developing a software suite dedicated to SMEs and corporate treasuries, marketed as **FinOps Suite** – Making financial operations easy*.

Having FinTP as a starting point, FinOps Suite follows the same high-level architecture, but features a new user interface and reworked functionalities and workflows. As its tagline suggests, this solution is aimed at automating a company’s processes and flows in treasury departments.

It is positioned in the center of financial flows within a company, integrating core systems that process financial transactions (Human Resources Application, ERP, EDI, Accounting) and applications connecting to banks, either directly (Internet Banking / Cash Management application) or via market infrastructures such as SWIFT or local CSMs.

In short, FinOps Suite addresses flows pertaining to SMEs or corporations, ensuring consolidation of treasury and financial

business to optimize resource allocation and efficiency, and providing a single view over financial operations, cash reporting and forecasting, accounting reconciliation, transaction filtering, all customized for company usage.

FinOps Suite can be used in a wider setup, serving not only treasuries of large retailers, but also their suppliers and these parties’ relationship with banks. How? FinOps Suite processes invoice based payments going to banks the retailer works with. Suppliers often face liquidity issues, driven by long due dates of invoices. It would make sense for banks to offer automated short term financing for these invoices, especially as they are already approved for payment by the big customer of the supplier. FinOps Suite has access to this type of data and can therefore work seamlessly with the factoring solution of the bank, the internet banking application of the bank, the EDI the supplier and retailer work with, with the accounting systems of both the supplier and the retailer.

And this cumbersome and somewhat bureaucratic process can be then easily turned into a seamless business operation. A fully automated process for the plumbing system and interconnections of these players. It also reduces the risk of financing for the banks. As factoring is an easier method to access than the usual credit line, it is also a riskier one. Oversight of invoices and payment details sets the premises for financial advisory, predictive cash flow analysis, reconciliation and the automation of these flows in between all parties involved – supplier, buyer, bank. And as new beginnings are a good opportunity to be generous, here’s a perk: want to be one of the privileged super early adopters and have a hands-on chance to take a look behind the scenes at the requirements, code, and business flows? If so, please reach out and we’ll be more than happy to run a lean proof of concept to show how our solution can help you optimize your financial operations.

* **FinOps Suite** is the business name of the software solution being developed within our *Treasure Open Source Software (TOSS)* project. This project is co-financed by the *European Regional Development Fund under the Competitiveness Operational Programme 2014-2020, Priority Axis 2 "Information and Communications Technology (ICT) for a competitive digital economy"*.
