



ROUNDTABLE:

**STREAMLINING PAYMENTS
BY PRE-VALIDATION**

MEETING SUMMARY

AUGUST 2023

On Thursday 31st August, the EPAA convened a roundtable of experts in Singapore. The room included experts from financial institutions, payment service providers and fintechs, a representative of the Bank of International Settlements, a well-known merchant marketplace, and an organisation that has developed and is promoting a solution that enables pre-validation.



The conversation started with an effort to frame the problem that pre-validation is looking to address. To try to determine the cost to financial institutions, whether it be reputational damage, monetary loss, or attrition. Very quickly it was clear that while pre-validation may be the initial target, the problem was, is, multi-faceted.

The discussion expanded to include everything:

- from the problem with incorrect and missing primary data like names, addresses, and recipient information
- Formatting errors
- the diverse set of purpose codes that appear to be, at best, inconsistent market-to-market bank identifier codes, branch codes, and international bank account numbers
- and the difficulty in gaining consensus amongst financial institutions and value-chain participants, regarding a set of common standards.

It was also abundantly clear that while the problem may be large, SWIFT estimates that it costs the payments industry more than \$2bn every year, affecting over 700 million transactions, that there is very little inclination on the part of financial institutions to solve the problem holistically. They seem comfortable, at least for now, to just continue to refine their people driven workflows, rather than search for a fully automated solution.

We touched very briefly on the role of standards bodies and regulators and whether they could, progressively have an impact. The consensus was that it would require a combined, multi-market regulatory framework to move the needle. In fact, to date, only the United Kingdom and the Netherlands have enacted regulator backed pre-validation (or confirmation of payee) schemes. The UK's payment system regulator has progressively increased the use of these schemes, forcing fraud to unprotected markets. Additionally, The European Commission is proposing to add similar obligations for instant payments, through the applicable legislation.

The session ended without consensus on whether there should be a consolidated, global set of standards, who could/would own these standards, and whether it was realistic to expect industry bodies to work together to solve the problem. If anything, it was clear that there was no driving force or commercial imperative that would address the problem of pre-validation, without regulators leading the charge.



EPAA will continue to advance this conversation and will create further roundtables in the APAC market focussing on the following questions:

1. Can and should regulators mandate pre-validation (confirmation of payee), and consistent, global standards for payment transaction?
2. Could a universal set of data standards, requirements, and procedures be developed to mitigate the risk of failed payments transactions for faster payments, and who should develop, own, and enforce these standards?
3. Could a universal identifier, token, or alias solve for incomplete payments transaction data and formatting?

**About the moderator
Cary Horenfeldt**



Cary has lived and worked in Asia for the past fifteen years, having held senior leadership roles with companies like Global Payments, First Data (Fiserv), and Mastercard. As an independent consultant and advisor, he assists financial institutions and fintechs with prioritisation, consolidation, and rationalisation of their payment technologies, and helps enhance their existing platforms, to support cross border payments, newer initiatives like faster payments, and regional mandates, like ISO 20022. He has held several executive and non executive director board positions, speaks regularly, moderates industry as well as his own panel discussions, and he has contributed to payments and fraud related articles, in major publications.

Expert Participants

Moderator



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Speakers



Geertjan Van Bochove
iPiD



Kevin Tay
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