

# Trends in cross border peer-to-peer transfers with the rise of FinTech

by Ambar Sur, Founder and CEO, TerraPay

The power of technology is limited by the identity gap of citizens in emerging economies. According to World Bank, an estimated 1.5 Billion people in the world are unable to prove their identity with majority living in Asia and Africa. This impedes their access to financial services, social benefits, etc. With 8 Billion mobile connections in the world currently which is expected to grow over nine billion by 2020, mobile number can be used as an international identity for financial transactions.



Ambar Sur is the Founder and CEO of TerraPay. TerraPay is a B2B company incubated by Mahindra Comviva, a global leader in delivering mobile financial solutions and is part of the USD 18 billion Mahindra Group. Ambar combines his deep knowledge of technology with an appreciation of market and business drivers – skills that have enabled him to lead teams that develop winning propositions, delivered in a customer-focused manner. With a strong strategic vision and a keen focus on processes, people, and fault-free product delivery, Ambar has been able to win customer loyalty with leading operators, globally. He has handled various roles within Mahindra Comviva, including Chief Marketing Officer, Director- EMEA and Vice President – Airtel market unit. Ambar began his 19 year career in Washington DC as a project manager with LCC, a pioneer in wireless voice and data services for the telecom industry, where he set up various networks around the world. Having gained experience of the wireless world, Ambar moved to India to work with BPL Mobile, where he oversaw Network Performance & RF Planning for the company. He later moved to BPL Innovation to establish OyeIndia, the group's web technology company.

In 2001, Ambar co-founded CellCloud Technologies, where he was a key driver of business growth, building sales of the company's innovative prepaid solution in India, and helping ensure the company became profitable within a short period. CellCloud merged with Mahindra Comviva in 2002.

Ambar Sur has a BS in Electrical Engineering from Virginia Tech in the USA and an MS in Telecom from Brooklyn Polytechnic, USA.

FinTech has the power to revolutionize the international peer-to-peer transfers and has already caused a seismic shift in this sector. Globally 300M people work outside their homes and contribute to the GDP of their country by sending remittances. The confluence of technology with emerging business models can accelerate the growth of the cross-border P2P payments, a USD 600B market.

### Cross border micro-payments becomes a reality

FinTech in developed economies such as UK is disrupting the financial institutions and banks' legacy systems. However, in most of the emerging economies, the need is to establish a network of financial institu-

and banks' legacy systems. However, in most of the emerging economies, the need is to establish a network of financial institutions rather than disrupting an existing infrastructure. The last-mile financial services are not available in many emerging markets. Mobile wallets have bridged this gap by providing access to financial services, loans and insurance products. FinTech start-ups are building a payment network to interconnect Mobile wallets, Money transfer operators, banks and other financial institutions to enable cross-border and cross-currency transfers.

In emerging markets like Africa, Asia and Latin America, a small amount of USD 50 can cover essential household expenditures such as rent, bill payments, school

fees etc. Telco-led mobile wallet services have the appropriate distribution network to meet this underserved need of small value remittances. Through an aggregation model, connecting these wallets to financial instruments in developed economies can change the dynamics of cross border transfers from high value- low frequency to low value-high frequency transfers.

### Open ecosystems, standardized APIs and interoperability

Open ecosystems brings us to the debate of disruption versus collaboration. Collaborative schemes would steer the commercial sector towards a wider digital ecosystem. Recently, many banks and mobile network operators have started offering open APIs

which enables collaboration with developers to innovate and build better products for consumers.

According to a GSMA report, access to open APIs has a socio-economic impact on four Billion unique mobile end users in emerging markets. The mobile money sector is also progressing towards standardized APIs which would reduce bottlenecks in partner on-boarding through seamless integration between various instruments and reduced time-to-market. The coming years would witness the emergence of platforms that support marketplace models in the financial world.

Interoperability allows the different financial instruments to connect to each other and hence it is an essential tool to achieve the long term goal of financial inclusion. In Tanzania, where mobile money systems can interoperate, instead of four mobile money networks there is one interconnected network and consumers can do away with multiple SIMs to send cross network transactions. The rise of aggregator platforms could further leverage the value of interoperability by providing scale advantages. The aggregator model not only provides scale efficiencies but also optimizes cost through a centralized back-end operational process and prefunding mechanism.

### Robust KYC engine and mobile number as an identity

A robust system is essential to track transactions since fraudsters are using sophisticated methods to circumvent the compliance checks in place. Machine learning and advanced algorithms have to be deployed to make accurate fraud predictions. With financial instruments processing near real time cross border transactions, it's imperative to have a KYC and compliance engine capable of detecting suspicious transactions in real time with high accuracy. This is a huge opportunity for FinTech firms to innovate and build a powerful system to limit fraudulent transactions while keeping a low cost of compliance.

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world currently which is expected to grow over nine billion by 2020, mobile number can be used as an international identity for financial transactions.

### Near real-time cross border payments

Rapid technological advances have led to a rise of Fintech start-ups offering instant payment through mobile. New business models have come up to facilitate real time Peer-to-peer cross border transfers. Emerging operational models optimize the clearing and settlement mechanism and costs associated with it. There is a trend towards developing an omni-channel, secure and fast payment solution which thrives on economical clearing and settlement network which settles the obligations quickly. The consumer expectations have risen due to these advances in P2P transfer mechanisms and adoption of smartphones. Nowadays, the consumer expects instant access to funds.

Instant payment service providers maintain prefunded accounts in the receiving country. The account gets credited instantly with settlement occurring at a later stage. Although the challenge is to achieve instant payments at an optimum cost to make micro-transfers feasible since pre-funding has a credit exposure and entails a higher cost. The aggregator model mitigates this risk by centralizing the liquidity requirements and limiting the overnight credit exposure through multiple settlements.

### Improved customer journey

To stay ahead of the competition and after the PSD 2 directive, banks in UK have opened their APIs for developers to build on their systems and provide applications and user interfaces which are customer-centric. The KYC validation process has undergone a digital transformation and the customer expects instant authorisation at acceptable security thresholds. UI-UX design has been the forefront of the innovation. Instant payments, both P2P and bill payments where the UI design takes into account ease of making a transfer looks at selecting any attribute of the recipient such as name, mobile number, email address, etc. to make a transfer. In India, Unified payments interface has been a game-changer in this regard. You can select the virtual private address, instead of the lengthy account number of the beneficiary to make an instant bank transfer.

Fintech will touch the lives of migrant

workers by delivering value-centric propositions. Payment service providers can bring a significant change in the life of a migrant worker who currently travels to the agent location, queues up to send money home. Digitisation allows incumbent service providers to develop complementary service to enhance the customer journey in the remittance sector and cross-sell their product portfolio. It's an opportunity to advance the customer interaction at all customer touch points by creating a self-service app to send money through simplified steps prior to the transaction. Furthermore, FinTech can enhance customer service across the transaction lifecycle though digital KYC verification, currency conversion and instant transfers.



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