



Payments Insights

Takeaways From Boston Fintech Week and Money 20/20 2022

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I had the opportunity to attend Boston Fintech Week (BFW) in September and Money 20/20 (M20/20) in October. This was the first fully in-person Boston Fintech Week since the COVID restrictions were lifted in most states and countries as BFW went with a hybrid model last year — so the excitement was palpable.

Both conferences had much to offer and accurately reflected where the industry stands today. Let's dive in...

Shared Interest

Fintechs are a driving force behind some of today's newest innovations in the banking industry. There was a fair amount of focus on helping fintechs navigate the venture capital (VC) community along with how financial institutions and fintechs could work more closely together. Amid ongoing global conflict, rising interest rates, and an impending recession, VCs are becoming more conservative about spending than they have been in the past five years. However, the mood at BFW seemed to be optimistic, with investors looking for opportunities on more mature fintechs while there were still many early-stage start-ups seeking funding.

Companies at both conferences concentrated on building mutually beneficial partnerships between financial institutions (FI) and fintechs. Embedded and open finance and Banking-as-a-Service (BaaS) were prevalent topics. At M20/20, Marqeta revealed new APIs that allow its customers to deliver banking products and features. Similarly, Adyen, a Dutch payments provider, announced two new banking features, including cash advances for small- and midsize businesses, and business bank accounts for platform and marketplace customers. These are both examples of how fintechs are beating traditional finance to the market with needed advancements.

Financial inclusion and wellness were also popular focus areas at the conference. The sentiment at BFW was that FIs need to do more to serve the unbanked and underbanked community especially in the small business space. While FIs have worked to bridge the gap, there is still much to be done to provide financial education and bring easy-to-use and understandable solutions to the marketplace.

Transparency in financial data and money movement continues to be important to consumers, small businesses, and corporations. The potential of open and connected finance is rooted in consumer ownership of and access to data. Firms like FDX and Akoya are starting to focus on standards and technology related to businesses. Ultimately, direct API integrations and the embedded nature of payments and data between businesses and financial institutions will be vital to unlocking the true value of real-time and instant payment systems. This will allow for easy-to-use solutions for small businesses and true business process automation for corporates.

Perspectives

I was invited as a panelist to BFW's session, "Going Off the Rails: Frictionless Commerce in a Period of New Payment Capabilities." I was joined by senior members from OV Loop, the Federal Reserve Bank of Boston, Flywire, and Akoya. Here are some highlights from the panel:

- With all the chatter around the FedNowSM Service and its launch date of 2023, it's easy to forget that the RTP® network, the real-time payments system from TCH, has been busy during the last five years growing market share, but it's not an either-or situation. While there are some redundancies between the two systems, increased access to instant payments and healthy competition will only boost developments for RTP.
- Identity and verification tools and capabilities must continue to evolve to develop a more frictionless payment experience. Still, it was great to see Akoya talk about solving some of these issues by creating secure linkages among FIs, and between FIs and fintechs for

more predicated and authenticated log-ons to exchange information and payment credentials.

Cross-border remittances remain a challenge, but with ISO20022 messaging as the basis for most global real-time payment systems we now have a common language for payments data. This is now allowing financial institutions and fintechs to work on true real-time cross-border transactions. TCH Is one of these parties helping to lead the way with our IXB initiative.

- The “Super-App” concept is still well and alive. While I personally am not bullish on an app to rule all apps, API connectivity to create embedded experiences will enable fintechs and financial institutions alike to provide more relevant and timely experiences for their customers.

Outliers

The crypto bubble is starting to burst, and it showed at M20/20, where there were far fewer crypto-focused companies than in years past. Many of the current companies have either transitioned into more blockchain/distributed ledger companies or recentered their focus on stablecoins, all of which will continue to be more relevant as the industry moves forward.

This year, Buy-Now-Pay-Later (BNPL) only got a fraction of the attention from last year. Within that time frame, BNPLs also had a make-under, from being the hot, new, disruptive thing to developing a palatable, cushioned-in-legacy identity that is short-term and alternative financing. While the BNPL concept stays intact, many more traditional financial institutions are now working through the short-term financing focus.

People continue to be split about the importance of the metaverse. I believe it is technology that's still looking for an opportunity. Some large financial institutions are doing a couple of test-and-learn projects, but there aren't a lot of commercial incentives for financial institutions to drive forward at the moment outside of the gaming and entertainment space.

Similarly, Web 3.0, a new name for blockchain/distributed ledger and payment technology coming together, is still very much in its infancy. While I don't disagree the technology components are there to start driving toward the vision of a more creator-based economy, the wider spread adoption, availability and business models still have quite some distance to go. e.

Final Thoughts

With the continued fast-pace of technology evolution, development of new capabilities and services by the financial community and new entrants into the marketplace it is difficult to say exactly what trends will stick in the next five years., In my opinion, the banking and fintech industries have done a pretty good job charting a fruitful course forward. Real-time/instant payments, financial inclusion and wellness, and the ongoing democratization of data will continue to be inspirations for invention and innovation.

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