

# Editorial

## Payments & Business Technology



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“Every form of payment has some risk associated with it”, Frank Abagnale once said, an infamous, former con artist who is now associated with the FBI.

In this *Compact* edition on payments we will look at the rapid development of many aspects within the payment ecosystem. Financial technology is nothing new; however, as with all technology, the technological developments in payments have accelerated over the last two decades. This has resulted in new entrants and scale-ups that enter the traditional banking market to compete with banks. Non-traditional players like BigTech platforms have also entered the market, with an entirely different approach to financial services.

These market developments both lead to, and are spurred by, significant regulatory developments, increasing the importance of the aforementioned quote; we all need to keep a critical eye on the associated risks. As the global payment ecosystem keeps evolving, financial infrastructure fundamentals such as availability, integrity, safety, efficiency need to be ensured. The COVID-19 pandemic and Wirecard implosion have shown us the importance of key payment infrastructures and strong controls.

Standards and technical requirements are crucial for the proper functioning of the entire payment system. In addition, European regulators are adapting their supervision by, for example, fostering and facilitating innovation and competition through the Payment Services Directive 2 (PSD2). PSD2 will be addressed in multiple articles, such as in relationship to market developments, BigTechs and IT Risks.

Finally, the changing payments landscape poses challenges and opportunities for all market participants. Strategies and propositions need to be adapted to face changed market demand and operating models need to be implemented to ensure an efficient and effective operational environment in which risks are controlled. This all leads to a highly dynamic payments industry.

This edition covers these aspects. Due to the international nature, all articles are in English. In this edition, we invite you to read about:

- Key drivers for entrants to the European payment landscape
- The direct and indirect influence of BigTechs
- Standardization of payment messaging between correspondent banks (ISO 20022)
- The potential security risks to the payment landscape due to two-factor authentication
- Approaches for model validation regarding transaction monitoring
- The importance of outsourcing requirements for financial institutions and service providers
- PSD2 risks and IT controls to mitigate these risks.

We hope that you, the readers, are healthy and safe, and that this will be an enjoyable read for you. If you would like to further explore any of these visions on payment, we encourage you to contact our editors or the individual authors.