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ПРОБЛЕМИ І ПЕРСПЕКТИВИ РОЗВИТКУ ФІНАНСОВО-КРЕДИТНОЇ СИСТЕМИ УКРАЇНИ

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THE ROLE OF FINTECH START-UPS IN THE INTERNATIONAL MONEY TRANSFERS SYSTEM

Today Ukrainian market of payment systems and remittances includes both Ukrainian and international players. However, there are a very few number of high-tech participants, which are able to compete here. That is why the in-depth study of the technological perspectives in this sector is very important nowadays.

As it is mentioned in the PwC's research [1] about the future of the fintech, new digital technologies will definitely

reshape the proposition of existing financial services. And such sectors like consumer banking and payments will be the most exposed and disrupting in the nearest future, followed by insurance and asset management.

There is a strong global trend of changing in the payments sector as far as financial technology's potential to determine where, how and when payments will be made – and also who will facilitate them – is further exploring and leveraging. Today fintechs are already shaping the course of the whole payments industry [2].

Banking becomes plug and play app in our business or lifestyle. Banking-as-a-platform is a value ecosystem. It's not even necessary for a bank to provision every product or service that a customer may need, but it could become the channel through which the products are provided by another party [7].

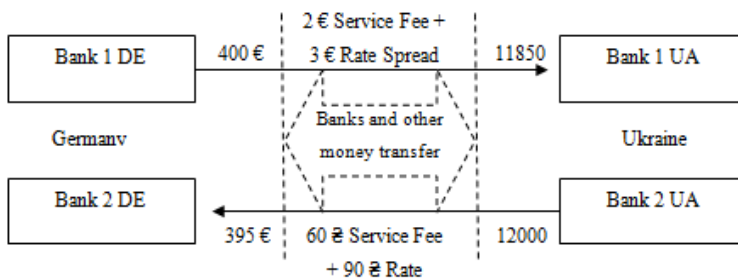
It is worth to admit, that digital payments is one of the most important fields in worldwide business nowadays. Global digital P2P payments industry today is on the way of crucial development, caused by a number of key factors. First, consumers want omni-channel solutions for making payments (that means one streamlined and holistic funnel, that is irrespective of location or device), enhanced security and additional services that contain more than just basic convenience. From the technological point of view, biometrics and tokenization are at its peak in security and convenient payments [13].

Cross-border transfers nowadays are expensive and too complex. Moreover, such services are not transparent in most cases – it is hard to identify the real price and time. Also, transferring money across borders is too slow. They can be routed from bank to bank before they reach destination place, so it causes delays and additional fees. Settlement period for cross-border transfers can take up to five days for the most common currency pairings. Individuals lack the technologies to

transfer funds directly, and it causes information asymmetry [20]. Intermediaries could address such challenges, as they own the special know-how, and are able to verify the parties' identities of a transaction, and the real availability of funds.

After reviewing different lists of fintechs in cross-border payments sector, we can conclude that there are a lot of them in the modern payments sector. Some provide more security, some allow to cover wide geographical zones, the others provide omnichannel solutions etc. As an example, we could name successful fintech TransferWise. It is one of the biggest London-based fintech start-ups. TransferWise facilitates payments not by sending money directly to the recipient, but by redirecting them to the recipient of an equivalent transfer going in the opposite direction. This process avoids conversion of the currencies and money borders crossing [21].

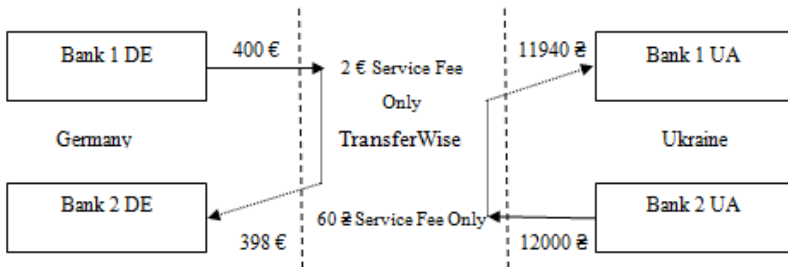
TransferWise is a great example to understand the difference between regular crossborder money transfers and peer-to-peer (P2P) money transfers.



Picture 1 – Regular cross-border money transfers (1€ = 30₴), developed by the author based on [22]

Ukraine was not excluded from the fintech development process in the world. PrivatBank has become a Ukrainian partner of the revolutionary company in the field of money transfer and international payments – TransferWise since 2015

[23]. It made transfers to Ukraine available for people from abroad.



Picture 2 – P2P cross-border money transfers with TransferWise (1€ = 30₴), developed by the author based on [22]

Further implementation of such disruptive financial technologies into national payments system can create a lot of perspectives:

- Changes to existing core banking systems enabling exercising cross-border payments in an instant way.
- Implementation of gateways enabling cross-border payments processing online (e.g., transaction validation, transformation etc.).
- Upgrading of IT infrastructure.
- Improvement in electronic banking systems (new functions for customers in mobile banking systems and in the internet).
- Other IT infrastructure investments (e.g., cryptography).

Rapid growth in fintech industry raises important questions which have not only national but also global character. Nowadays it is important to make sure that regulatory frameworks are effective and developed to meet the challenges introduced by fintechs. International cooperation is quite essential here. Every country that implements new

technological solutions into the payments sector will be engaged into the process of experience perception. For Ukraine it is very important to improve existing cross-border payments system with fintechs, that is why it is important to be focused on the best start-ups and practices of its implementation.

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