Glossary

This glossary is intended to assist readers in understanding commonly used terms and concepts when reading the Overview Paper and Technical Notes under the "Fintech and the Future of Finance" series of the World Bank Group (2022). These terms might have different meanings in other contexts.

Account-based payment instruments	Payment instruments that access funds held in accounts in contrast to some digital asset-based payment instruments where the funds are held in a de-centralized manner without need for any account holding institution. Account-based payment instruments can include account-based CBDCs and those linked to accounts held at banks and other deposit-taking institutions; and prepaid accounts—e-money and mobile money.
Advanced Economies (AEs)	Countries classified as 'Advanced Economies' by the IMF's **World Economic Outlook**.
Aggregate Fintech Activity Index	Indicator of fintech activity across countries developed in the **Fintech Activity note**, measured from 2014 to 2018, taking into consideration four activities: 1. Equity investments in fintech companies; 2. Use of fintech credit (facilitated by electronic/online) platforms); 3. Use of digital payment services by households and firms; 4. Downloads of finance smart phone apps.
Algorithmic decision-making	The use of data inputs and statistical models to make decisions, for example to approve a payment instruction, or approve a loan. Such algorithms often analyze large amounts of data (for example, big data—*see below*) to infer correlations or, more generally, to derive information deemed useful to make decisions. Humans may be "in the loop" to varying degrees, depending on how the decision is calculated, reviewed, and implemented in a given business process.
AML/CFT measures: Anti-Money Laundering/ Countering (or Combating) the Financing of Terrorism	Laws, regulations, and supervisory and enforcement actions to prevent, detect, investigate, or prosecute movements or deposits of funds that proceed from or fund crime. See also: **Financial Action Task Force (FATF)**.

Anti-tying rules	Legal provisions that prohibit a company (such as a bank) from offering a product or service on the condition that a customer either (i) obtain another product or service from the company or one of its affiliates or (ii) refrain from obtaining a tied product from the company's competitors.
Application Program Interface (API)	A set of rules and specifications for software programs to communicate with each other, that forms an interface between different programs to facilitate their interaction.
Artificial intelligence (AI)	Theory and development of computer systems able to perform tasks that traditionally have required human intelligence. As a field, AI has existed for many years. However, recent increases in computing power coupled with increases in the availability and quantity of data have resulted in a resurgence of interest in potential applications of artificial intelligence. These applications are already being used to diagnose diseases, translate languages, and drive cars; and they are increasingly being used in the financial sector as well. [*Source:* Financial Stability Board (**2017**)]
Asset-based lending (ABL)	Lending products that are secured by movable property assets. Such assets may be tangibles (such as plant/equipment and inventory, crops, livestock, invoices) or intangibles (such as trademarks and patents). Asset-based lending products include factoring, reverse factoring, secured revolving lines of credit, merchant cash advances secured by future receipts, and equipment/financial leasing.
Automated Clearing House (ACH)	An electronic clearing system in which payment orders are exchanged among financial institutions, primarily via magnetic media or telecommunications networks, and then cleared among the participants. All operations are handled by a data processing center. An ACH typically clears credit transfers and debit transfers, and in some cases also checks.
Bali Fintech Agenda (BFA)	A set of twelve policy elements developed by the IMF and the World Bank, aimed at helping member countries to harness the benefits and opportunities of fintech, while managing the inherent risks. See: **Bali Fintech Agenda: Background Policy Paper**.
Banking-as-a-service (BaaS)	Business model in which fintech firms and other third parties that meet a bank's security, legal, and compliance requirements integrate banking products into their own offerings without obtaining their own banking licenses, allowing them to leverage the bank's regulatory infrastructure. BaaS business models are often implemented by directly connecting to the bank's systems via APIs.

Basel Core Principles (BCPs)	The 29 Core Principles for Effective Banking Supervision (Core Principles) are minimum global standards for the sound prudential regulation and supervision of banks, initially published by the Basel Committee for Banking Supervision in 1997 and updated in 2006 and 2012. See: **Core principles for effective banking supervision**.
Big Data	A generic term that designates the massive volume of data that is generated by the increasing use of digital tools and information systems. [*Source:* Financial Stability Board]
Big tech	A large company whose primary activity is in digital services and has a large digital services customer base. Examples of big techs include online search engines, social media platforms, e-commerce platforms, ride-hailing platforms, and mobile network operators. Numerous big techs have started to offer financial services, leveraging their large customer bases and the data they have on transactions and activities that give rise to payments or a need for credit, insurance or other financial services. Examples include Alibaba, Facebook, Grab and Safaricom.
Blockchain technologies	A form of distributed ledger in which details of transactions are held in the ledger in the form of blocks of information. A block of new information is attached into the chain of preexisting blocks via a computerized process by which transactions are validated. [*Source:* Financial Stability Board] See also: **Distributed Ledger Technology**.
Cash-in, cash-out (CICO) network	A network that enables the conversion of e-money into cash or vice versa. Mobile-money agent networks providing such services are sometimes referred to as "CICO networks."
Central bank digital currencies (CBDCs)	CBDC is not a well-defined term and is used to refer to a number of concepts. However, it is envisioned by most to be a new form of central bank money. That is, a central bank liability, denominated in an existing unit of account, which can serve both as a medium of exchange and a store of value. CBDC is a digital form of central bank money that is different from balances in traditional reserve or settlement accounts. [*Source:* Committee on Payment Market Infrastructures (CPMI) (**2018**)]

Challenger bank	Newly licensed bank competing with established financial institutions. “Challenger banks” emerged as a phrase in the U.K. market to denote greenfield banks built from scratch and unrelated to the dominant financial service providers in the market. The entry of challenger banks was encouraged in order to increase competition following the global financial crisis. Metro-Bank (the first new bank license issued in the U.K. in 100 years), Virgin Money, and others focused on improving the retail branch experience. Some challenger banks such as Starling, Oak North, and others rely more exclusively on digital channels.
Cloud computing	An innovation in computing that allows for the use of an online network (‘cloud’) of hosting processors so as to increase the scale and flexibility of computing capacity. [*Source:* Financial Stability Board]
Contextualized finance	The provision of a financial service in the context, or integrated into the workflow, of another activity (for example, integration of payments into the ride activity on a ride-hailing platform, taking out a loan on an e-commerce platform). See also: **Embedded Finance**.
Core banking systems	Systems used by commercial banks and other financial institutions to manage the operations of their "core" products like current and saving accounts and loans.
Correspondent banking	An arrangement under which one bank (correspondent) holds deposits owned by other banks (the respondents) and provides those banks with payment and other services. [*Source:* CPMI]
Countering (or Combating) Financing of Terrorism (CFT)	See: **AML/CFT measures**.
Credit-reporting system	Credit reporting systems comprise the institutions, individuals, rules, procedures, standards, and technology that enable information flows relevant to making decisions related to credit and loan agreements. At their core, credit-reporting systems consist of databases of information on debtors, together with the institutional, technological, and legal framework supporting the efficient functioning of such databases. The information stored in these systems can relate to individuals and/or businesses. [*Source:* **World Bank’s General Principles for Credit Reporting (2011)**]

Credit scoring	A statistical method for evaluating the probability of a prospective borrower fulfilling its financial obligations associated with a loan. [*Source:* **World Bank's General Principles for Credit Reporting (2011)**]
Cross-border payments	Funds transfers for which the senders' and the recipients' payment-service providers are located in different jurisdictions. Cross-border payments may or may not involve a currency conversion. [*Source:* Financial Stability Board / G20 (**2020** and **2021**)]
Crowdfunding	The practice of matching people and companies raising funds with those seeking to invest for a financial return without the involvement of traditional financial intermediaries. The matching process is performed by a web-based platform that solicits funds for specific purposes from the public. Depending on the type of funding provided, we distinguish between loan crowdfunding and equity crowdfunding. In either case, individual contracts are established between those in need of funding and those seeking to invest or lend, so that the platform itself does not undertake any risk transformation. [*Source:* Financial Stability Institute (**2020**)]
Crypto-assets	A type of private digital asset that depends primarily on cryptography and distributed ledger or similar technology. [*Source:* Financial Stability Board]
Crypto-exchange	A platform that typically provides customers with buying, selling, transfer, and custody services related to crypto-assets. A crypto-exchange is an example of a virtual-asset service provider (VASP).
Customer due diligence (CDD)	Processes used by financial institutions to collect and evaluate relevant information about a customer or potential customer.
Cyber risk or cyber-risk	The potential for an online attack, system failure, data breach, or other event impacting an organization's information technology (IT) systems, and the potential consequences of that event, such as operational disruption, financial loss, or reputational damage. See: **Financial Stability Board's Cyber Lexicon**.
Data localization laws	Laws that restrict data flows across borders.

Decentralized finance (DeFi)	A set of alternative financial markets, products and systems that operate using crypto-assets and 'smart contracts' (software) built using distributed ledger or similar technology. [*Source:* Financial Stability Board]
Deposit insurance	A system established to protect depositors against the loss of their Insured Deposits in the event that a Bank is unable to meet its obligations to the depositors. [*Source:* International Association of Deposit Insurers]
Digital asset	A digital instrument that is issued or represented through the use of distributed ledger or similar technology. This does not include digital representations of fiat currencies. [*Source:* Financial Stability Board]
Digital bank	Deposit-taking institutions that deliver banking services primarily through electronic channels instead of physical branches. They engage in risk transformation like traditional banks, but have a technology-enabled business model and provide their services remotely with limited or no branch infrastructure. Digital banks are subject to all the typical prudential and regulatory frameworks applicable to traditional banks, but might have some exemptions to account for their digital business model—for example, exemption from requirements related to minimum number of physical bank branches or ATMs. [*Source:* Adapted from Financial Stability Institute (**2020**)]
Digital financial services (DFS)	Financial products and services, including payments, transfers, savings, credit, insurance, securities, financial planning, and account statements that are delivered via digital/electronic technology such as e-money (initiated either online or on a mobile phone), payment cards, and a regular bank account.
Digital ID	A set of electronically captured and stored attributes and/or credentials that uniquely identify a person. Often also used to refer to digital ID system, which is an identification system that uses digital technology throughout the identity lifecycle, including for data capture, validation, storage, and transfer; credential management; and identity verification and authentication.
Digital literacy	Digital literacy is the ability to define, access, manage, integrate, communicate, evaluate and create information safely and appropriately through digital technologies and networked devices for participation in economic and social life. [*Source:* UNESCO]

Digital payments	Payment instructions that enter a payments system via the Internet or other telecommunications network. The device used to initiate the payment could be a computer, mobile phone, POS device, or any other device. The payment instrument used could be an e-money product, payment-card product, credit/debit transfer, or other innovative payment products.
Distributed Ledger Technology (DLT)	A means of saving information through a distributed ledger, that is, a repeated digital copy of data available at multiple locations. [*Source:* Financial Stability Board]
E-commerce	Buying and selling of goods or services using the Internet.
E-KYC	Electronic know your customer. See also: **Know your customer** or **KYC**.
Electronic money institution	A legal person that has been granted authorization to issue electronic money.
Electronic signature or e-signature	An electronic sound, symbol, or process attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record.
Embedded finance	The seamless incorporation of financial products or services into non-financial products or services. See also: **Contextualized finance**.
Emerging Market and Developing Economies (EMDEs)	Countries classified as 'Emerging Markets and Developing Economies' by the IMF's **World Economic Outlook**.
E-money or electronic money	Prepaid instrument that can be offered by banks and other authorized deposit-taking financial institutions, as well as by non-deposit-taking payment-service providers, such as mobile-network operators. Depending on how these accounts are accessed, these could be further categorized as card-based e-money, mobile money, and online e-money. [*Source:* Adapted from CPMI-World Bank (**2016**)]

Equity crowdfunding	Crowdfunding focused on equity instruments, without necessitating the traditional equity registration and listing process. [*Source:* Adapted from Financial Stability Institute (**2020**)] See also: **Crowdfunding**.
Factoring	A form of asset-based finance where the credit extended is based on the value of the borrower's accounts receivable—that is, the payments owed by the borrower's customers. In the SME context, factoring is a financing product that allows a financial institution to provide financing to an SME supplier through the purchase of its accounts receivable or invoices. See also: **Reverse factoring**.
Fast payments	Fast payments are defined as payments in which the transmission of the payment message and the availability of final funds to the payee occur in real time or near-real time and on as near to a 24-hour and 7-day (24/7) basis as possible. [*Source:* CPMI]
Financial Action Task Force (FATF)	An inter-governmental body that sets international standards that aim to prevent and sanction money laundering, terrorism financing, and proliferation financing. As a policy-making body, the FATF works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas. [*Source:* **Financial Action Task Force's homepage**]
Financial consumer protection (FCP)	The laws, regulations, and institutional arrangements that safeguard consumers in the financial marketplace of a given jurisdiction.
Financial inclusion	Individuals and businesses having access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit, and insurance—delivered in a responsible and sustainable way.

Financial intermediary	Entities that come between two parties in a financial transaction, allowing transactions between parties without those parties having any direct relationship. Financial intermediaries channel funds between individuals or entities with surplus capital and those needing funds, and may provide services such as maturity transformation, liquidity, risk diversification or redistribution, and monitoring. An example is a commercial bank, which contracts separately with savers to obtain funds and with borrowers to lend those funds, often at a different maturity. Financial intermediaries include banks, investment banks, mutual and pension funds, broker-dealers, and insurance and leasing companies.
Financial service provider (FSP)	Any entity or individual involved in providing financial services including banks, NBFIs, insurance companies, e-money issuers, and payments providers.
Financial Stability Board (FSB)	The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system.
Fintech	Advances in technology that have the potential to transform the provision of financial services spurring the development of new business models, applications, processes, and products. Examples include e-money, peer-to-peer lending, credit scoring and decisioning, robo-advisory services, and distributed ledger technology. [*Source:* International Monetary Fund and World Bank Group]
Fintech firm (or a fintech)	A company which specializes in offering digital financial services. Fintech firms are also referred to as 'fintechs' or 'a fintech'.
G7 Fundamental Elements of Cybersecurity for the Financial Sector	A statement outlining fundamental principles for good cyber security in the financial services sector. The elements serve as the building blocks upon which an entity can design and implement its cybersecurity strategy and operating framework, informed by its approach to risk management and culture. The elements also provide steps in a dynamic process through which the entity can systematically re-evaluate its cybersecurity strategy and framework as the operational and threat environment evolves. Public authorities within and across jurisdictions can use the elements as well to guide their public policy, regulatory, and supervisory efforts. Working together, informed by these elements, private and public entities and public authorities can help bolster the overall cybersecurity and resiliency of the international financial system.
Global stablecoins	A stablecoin with a potential reach and adoption across multiple jurisdictions and the potential to achieve substantial volume.

Innovation facilitator	Public sector initiative to engage with the fintech sector; they include regulatory sandboxes, innovation hubs, and innovation accelerators. [*Source:* Financial Stability Board]
Internet of things (IoT)	A system involving connected devices that gather data, connect with the Internet or local networks, generate analytics, and (in some cases) adapt behavior/responses based on the data/analytics in the network. In the context of trade finance, for example, IoT could track a shipment and automatically issue an invoice when the goods reach their destination. In the SME context, it can help monitor maintenance, sale, and restocking/replacement of collateral, and automate settlement of agreements, and make asset-based financial products more affordable to both SMEs and financiers.
Interoperability	Technical or legal compatibility that enables a system or mechanism to be used in conjunction with other systems or mechanisms. In the context of payments systems, interoperability allows customers of different payment-service providers (PSPs) to be able to transact seamlessly as if they were customers of the same PSP. [*Source:* Adapted from CPMI (**2016**)]
Know your customer (KYC)	Industry term for certain elements of the customer due diligence (CDD) requirements established by the Financial Action Task Force (FATF) and effectively implemented by countries' AML/CFT regimes. KYC is commonly used by industry to refer to a financial institution's process of identifying a customer and verifying the customer's identity at onboarding. It may be used more broadly to also include identifying the beneficial owners of customers that are "legal persons" (for example, corporations); understanding and obtaining information on the purpose and intended nature of the business relationship; conducting ongoing due diligence on that relationship; and monitoring the customer's transactions to ensure consistency with the financial institution's knowledge of the customer and risk profile.
Machine learning (ML)	A sub-category of artificial intelligence. Method of designing a sequence of actions to solve a problem, known as algorithms, which optimize automatically through experience and with limited or no human intervention. [*Source:* Financial Stability Board (**2017**)] See also: **Artificial intelligence**.
Mobile banking	Service provided by a bank or other financial-service provider that allows their customers to access a set of inquiry, transactional, and other customer services through their mobile devices. The range of services available could vary by jurisdiction and within a jurisdiction by provider.

Mobile money	E-money product where the record of funds is stored on the mobile phone or a central computer system, and which can be drawn down through specific payment instructions to be issued from the bearers' mobile phone.
Mobile payment	A type of e-payment, where the payment instrument used is a mobile-money product. See also: **Mobile money**.
Mobile wallet	Service/product enabling a customer to access different bank and e-money accounts through a common interface on a mobile device. These services can be provided by a third-party distinct from the institution holding the underlying accounts and leverage different technologies, *inter alia* APIs and tokenization.
Money transfer operator (MTO)	A non-deposit taking payment-service provider where the service involves payment per transfer (or possibly payment for a set or series of transfers) by the sender to the payment-service provider (for example by cash or bank transfer) —that is, as opposed to a situation where the payment-service providers debits an account held by the sender at the payment-service provider.
National payment system (NPS)	The configuration of diverse institutional arrangements and infrastructures that facilitates the transfer of monetary value between the parties in a transaction. An NPS can also be seen as the sum total of all the payment systems, payment instruments, and payment-service providers in a given jurisdiction. [*Source:* Adapted from CPMI (**2006**)]
Neo-bank	A technology company offering banking or bank-like services. Use of "neo" denotes that these represent a new way to provide bank-like services without necessarily being licensed banks. In practice, some neo-banks are licensed as PSPs, some as NBFIs, and others use a traditional bank or another PSP behind the scenes. Some notable fintech firms launched as neo-banks and later obtained banking licenses, bringing them into the ranks of "challenger banks." See also: **Digital bank**.
Non-bank financial institution (NBFI)	A financial institution that does not have a full banking license and cannot accept deposits from the public. NBFIs facilitate financial services such as investment (both collective and individual), leasing, consumer finance, risk pooling, financial consulting, brokering, money transmission, and check cashing.

Open banking	Set of services that enables consumers and small and medium-sized enterprises (SMEs) to share their bank and credit card transaction data securely with trusted third parties, who are then able to provide them with applications and services that save time and money. It also enables consumers and SMEs to initiate payments directly from their payment accounts to the bank account of their payee, from interfaces and instruments provided by a third party and not the institution maintaining the account. Open banking makes extensive use of APIs. [*Source:* Adapted from U.K.'s Financial Conduct Authority]
Payment aggregator	Third-party institutions that enable acquiring institutions to reach smaller merchants. The third-party maintains the direct relationship with the smaller merchants and handles much of the operations and servicing aspects. [*Source:* World Bank's Electronic Payments Acceptance Toolkit]
Payments-service provider (PSP)	An entity that provides payment services to end-users—payers and payees. Payment-service providers include banks and other deposit-taking institutions, as well as specialized entities such as money-transfer operators, e-money issuers, payment aggregators, and payment gateways.
Peer-to-peer lending (P2PL)	A lending business model that uses online platforms to match potential lenders with borrowers. See also: **Crowdfunding**.
Principles for Financial Market Infrastructures (PFMI)	International standards for financial market infrastructures, that is, payment systems that are systemically important, central securities depositories, securities settlement systems, central counterparties, and trade repositories.
Real-time gross settlement (RTGS)	The real-time settlement of payments, transfer instructions, or other obligations individually on a transaction-by-transaction basis.
Regtech	Short form for 'regulatory technology,' which involves the use of new technologies to solve regulatory and compliance requirements more effectively and efficiently.
Regulatory arbitrage	A practice whereby firms capitalize on loopholes in regulatory systems in order to circumvent unfavorable regulations.

Remittances	Small-value, cross-border, person-to-person transfers.
Request to pay (RTP)	A payment instrument, represented by a set of instructions and rules, through which a merchant or other payee sends a payment request to the payer and the payer can authorize payment. While the payee can initiate the request, the payer retains control over actual payment initiation and key aspects of transaction and account security. RTP is emerging in the context of open banking and faster payments systems as a way to provide the payer control required for security and finality in such systems, together with the convenience of merchant-initiated processing.
Retail fast-payment systems	Systems connecting payment-service providers that make funds available to the payee near instantaneously, can be used around-the-clock, on a 24/7 basis. Typically, such systems interconnect all the PSPs in a given jurisdiction and include various value-added services like alias-based payments, QR codes, and API based payment services.
Reverse factoring	A financing product by which a financial institution provides immediate liquidity to SMEs through the discounting of accounts payable of a large buyer, based on the credit risk of the buyer.
Robo-advisory services	Automated, algorithm-driven financial planning services.
Sandbox/Regulatory sandbox	In the regulatory context, a controlled, time-bound, live testing environment for a new technology or business model, which may feature regulatory waivers at regulators' discretion. The term originated in the IT industry to refer to a segregated, isolated environment for testing products or software, thus mitigating risks before products were brought to market. Developers used IT sandboxes to execute suspicious code, launch stealth attacks, or check security software for vulnerabilities without risking harm to the host device or network.
Software-as-a-service (SaaS)	A method of software delivery and licensing in which software is accessed online via a subscription, rather than bought and installed on individual computers (Oxford). A range of services such as data processing, credit scoring, electronic know-your-customer or e-KYC may be provided to banks or other FSPs via SaaS.
Stablecoin	A crypto-asset that aims to maintain a stable value relative to a specified asset, or a pool or basket of assets [*Source:* Financial Stability Board]

Super apps	Applications that encompass multiple different services and attempt to be a single point of entry and consolidation for a variety of user needs.
Suptech	Short form of 'supervisory technology,' the use of technology-enabled solutions to increase the efficiency and effectiveness of supervisory activities
Tokenization	This term is used in three different contexts: (i) Digital assets that are represented in a manner that allows peer-to-peer exchange without need for an intermediary institution maintaining record of ownership. See also: **Digital assets**. (ii) Digital representation of traditional assets—for example, financial instruments, a basket of collateral or real assets—using technologies that can enable a peer-to-peer transfer [*Source:* Adapted from Financial Stability Board (**2019**)]. The economic value and rights derived from these assets is embedded into the tokens. (iii) In the payment cards domain, to indicate provisioning of an alternate account identifier in a variety of devices that links back to the primary account identifier.
Virtual asset	A virtual asset is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. [*Source:* Financial Action Task Force] See also: **Crypto-assets**, **Digital assets**, and **Virtual-Asset Service Provider (VASP)**.
Virtual-asset service provider (VASP)	According to the Financial Action Task Force, a virtual-asset service provider is any natural or legal person, which as a business, conducts one or more of the following activities or operations for or on behalf of another natural or legal person: i. Exchange between virtual assets and fiat currencies ii. Exchange between one or more forms of virtual assets iii. Transfer of virtual assets iv. Safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets v. Participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.