

Transformational Dynamics in Payments

Reimagining Competition in Global Markets

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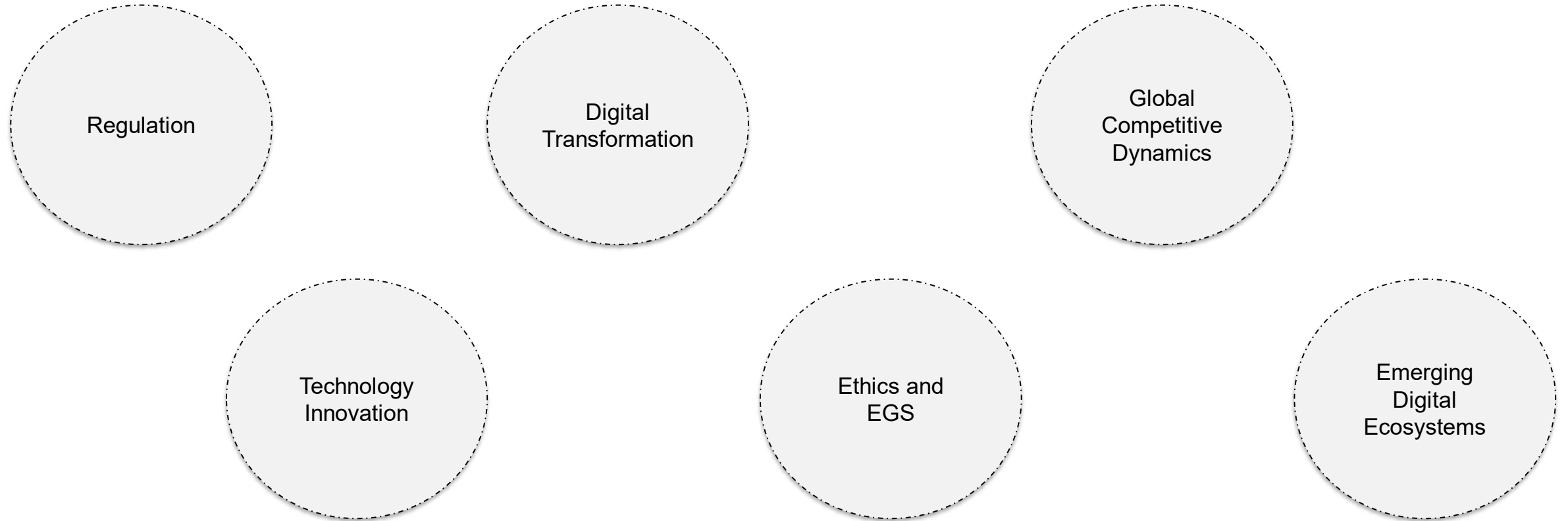
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Digital payments

Drivers of global change



State of the art

- New customer-centric business models, new operating models and new forms of collaboration.
- Financial institutions accelerate their move to the digital payments ecosystem and the innovation of payment solutions.
- Resources, skills and long-term strategies are being put in place for the new normal.
- Instant, mobile and contactless payments, digital wallets and open banking.
- Cryptocurrency payments, stablecoins and Central Bank Digital Currencies.

State of the art (cont.)

- Handling liquidity requirements stemming from instant payments and from regulation.
- Regulation as an accelerator and enabler for innovation.
- Request to pay: harnessing open banking to serve financial institutions, SMEs and consumers.
- User experience: seamless, interactive, frictionless and intuitive.
- Artificial intelligence, cloud computing and API monetization: satisfying ever-evolving customer needs.

State of the art (cont.)

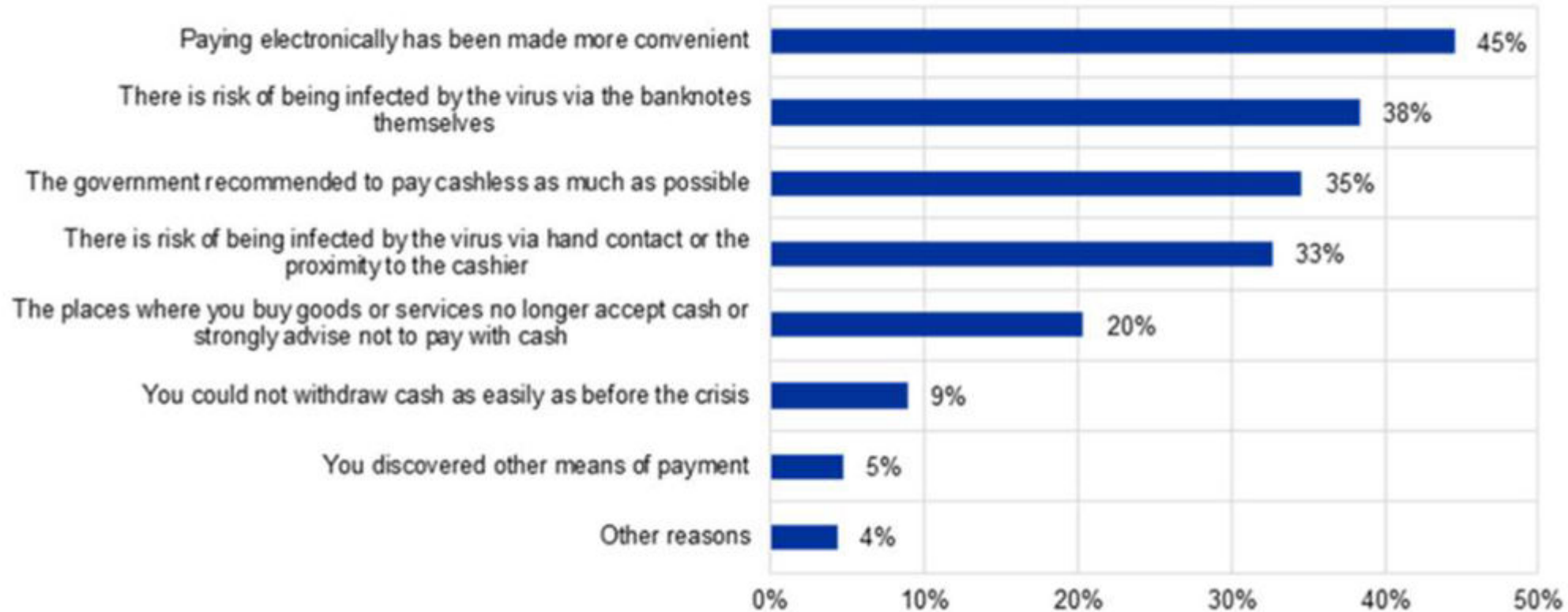
- Identity fraud losses: \$56 billion in 2020 (Javelin).
- Fraud growth: reputational damage, cost, time-consuming.
- Identity verification and authentication: fraud prevention technologies, systems and solutions-business model diversification (e.g. Stripe Identity).

Global Payments Revenue (McKinsey Global Payments Map)

Global payments revenue, \$ trillion¹



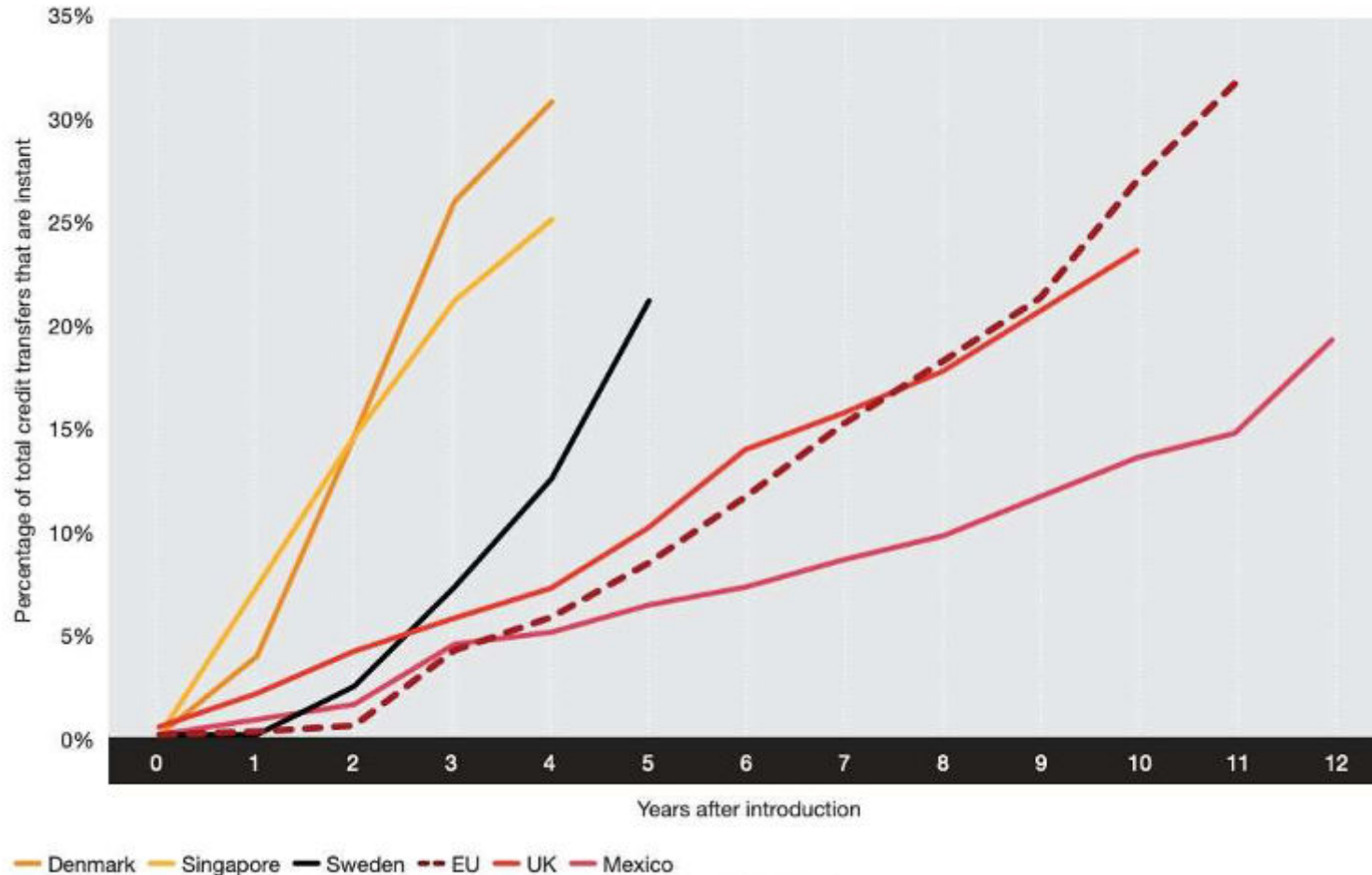
Main reasons for changing payment behaviour during the pandemic



Source: ECB.

Data and analytics for payment interactions and smarter customer experiences

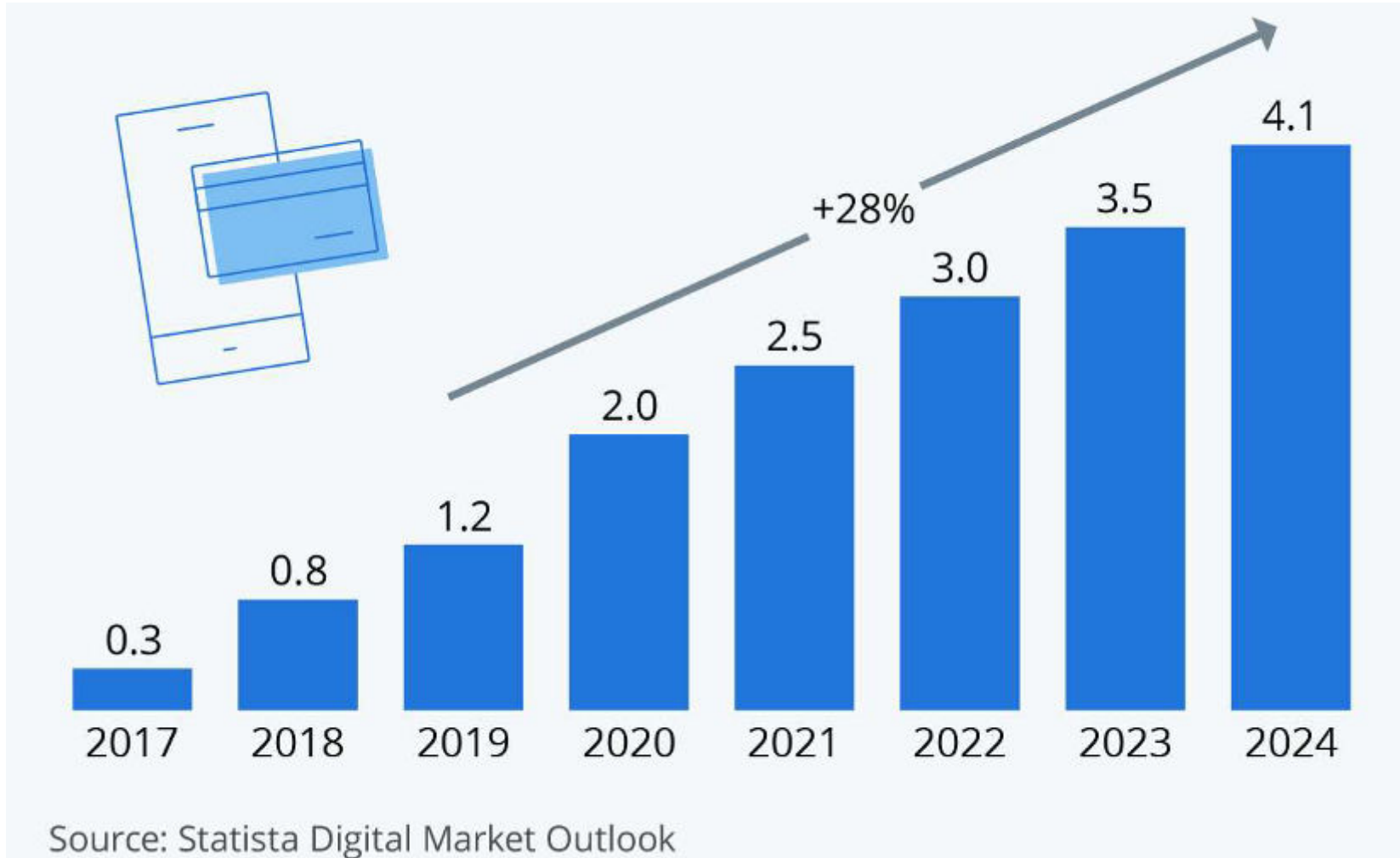
Instant payments will increase across territories



Source: Hartmann et al., ECB Working papers 2017–19, analysed and adapted by PwC Strategy&

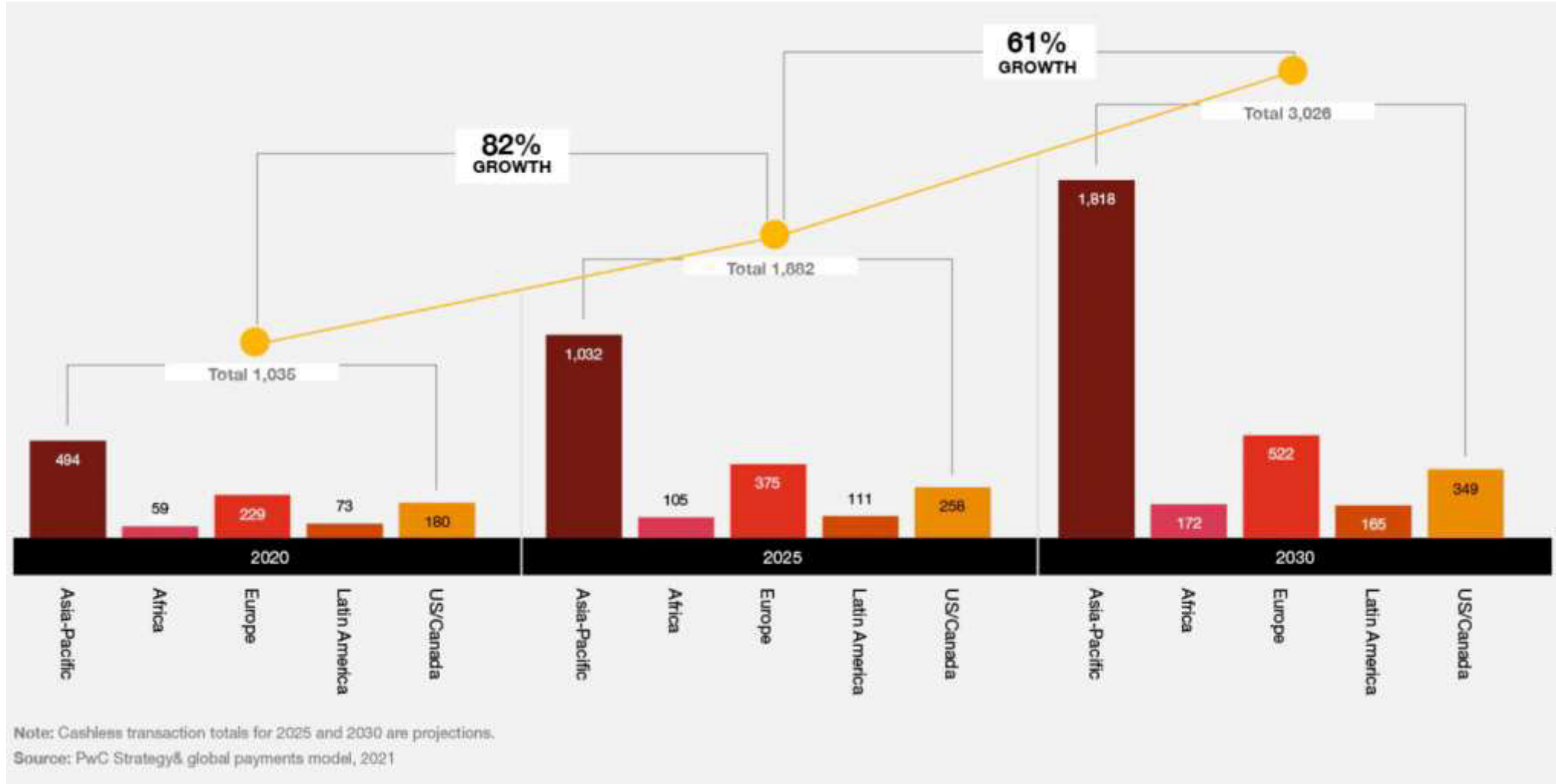
Smartphone Mobile Payments

Global transaction value forecast of (in billion US dollars)



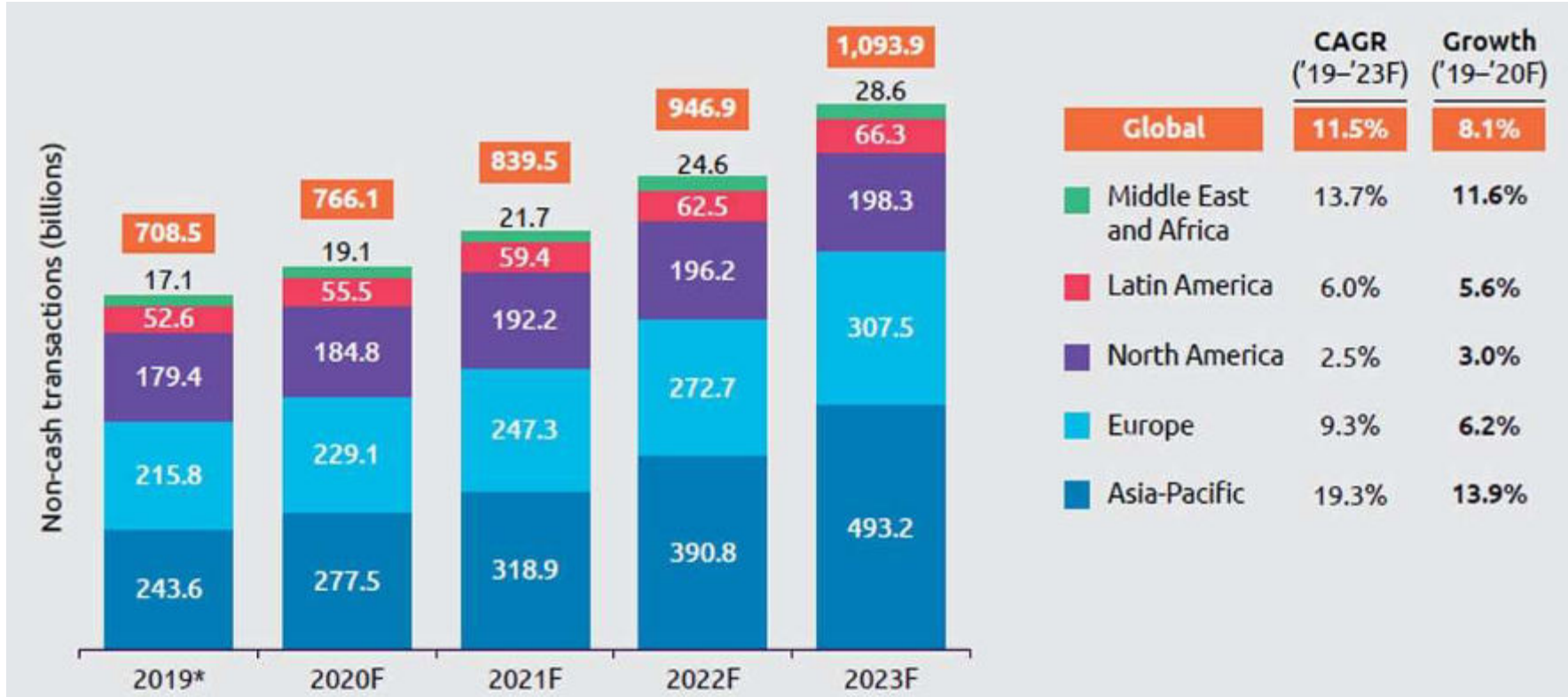
Cashless transaction volume will more than double by 2030

Number of cashless transactions in billions



Mobile payments

Non-cash transaction growth-2019-2023F (billions)



	CAGR ('19-'23F)	Growth ('19-'20F)
Global	11.5%	8.1%
Middle East and Africa	13.7%	11.6%
Latin America	6.0%	5.6%
North America	2.5%	3.0%
Europe	9.3%	6.2%
Asia-Pacific	19.3%	13.9%

Note: *Non-cash transactions data for 2019 is sourced the from countries' central banks. In case of data unavailability, forecasted figures are used.

Sources: Capgemini Financial Services Analysis, 2020; ECB Statistical Data Warehouse, 2018 figures released November 2019; BIS Statistics Explorer, 2018 figures released December 2019; countries' central bank annual reports, 2019.

Planning for crypto

A number of banks begin to offer crypto-enabled services

● Yes ● No ● Considering

	Crypto products for wealth clients	Crypto futures trading	Crypto spot trading	Crypto custody accounts
JPMorgan Chase	●	●	●	●
Goldman Sachs	●	●	●	●
Morgan Stanley	●	●	●	●
Citigroup	●	●	●	●
Bank of America	●	●	●	●
Credit Suisse	●	●	●	●
Deutsche Bank	●	●	●	●
BNP Paribas	●	●	●	●
HSBC	●	●	●	●
UBS	●	●	●	●

Source: Bloomberg News reporting
Note: As of June 18, 2021

Bloomberg

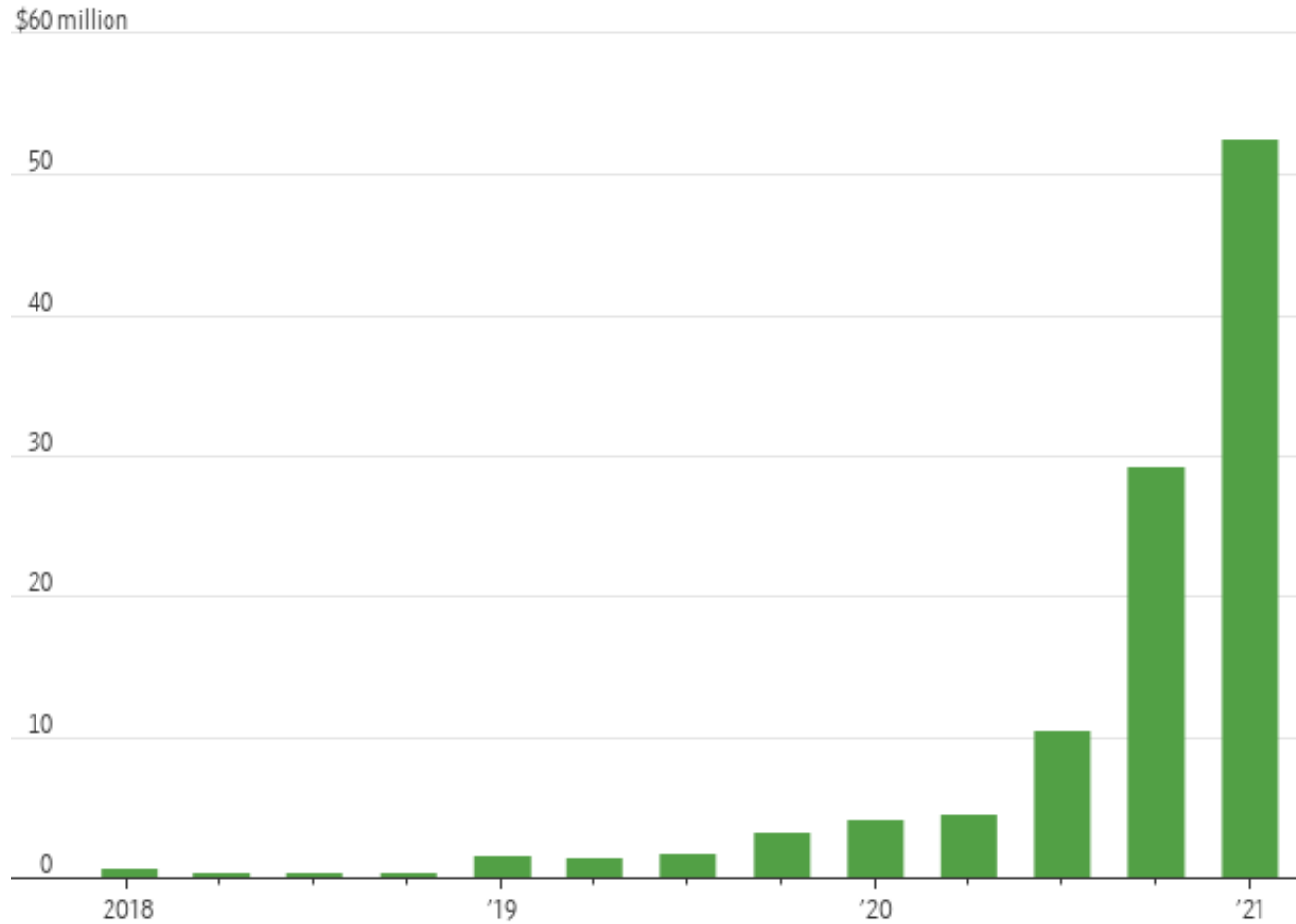
Price of Bitcoin



Source: CoinDesk

Crypto Frauds

Money lost in crypto scams (Federal Trade Commission)



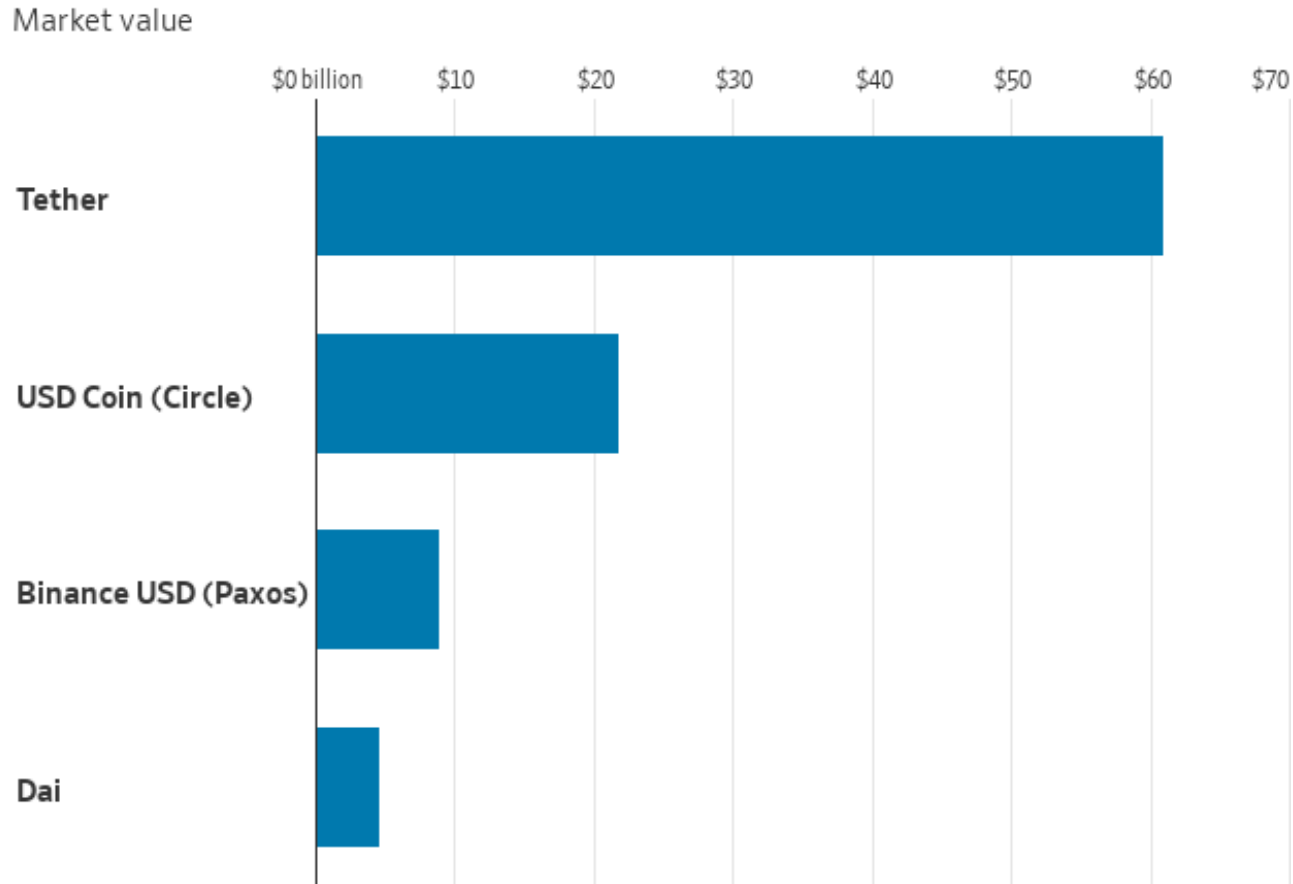
Source: FTC

Key global CBDC projects



The rise of stablecoins

Key stablecoins operating globally and their shares by market capitalisation



Note: As of Thursday 7am EST
Source: CoinMarketCap

The road to payments transformation

- Fraud and financial crime prevention: pivoting payments fraud strategy to a tech-driven approach.
- AI and machine learning: from unstructured data to structured insight and conclusions, along with, real-time screening techniques.
- Digital identity-as-a-service: Strong Customer Authentication (SCA).
- Open Banking, cloud-based infrastructure and APIs: global uptake and implementation.
- Personalization-as-a-service: strong customer segmentation.

The road to payments transformation (cont.)

- Payments, financial inclusion and digital financial exclusion.
- Growth of alternative payment channels: Decentralized Finance (DeFi).
- Continued reinvention of cash.
- Leveraging real-time data in building out digital overlay services.
- Real-time and instant in cross-border payments (replicated at international level): real-time correspondent networks and international interoperability between payment networks.

The road to payments transformation (cont.)

- Instant, mobile and contactless payments are set to dominate the global payments landscape and will become the new normal.
- Impact-driven payments: sustainable purchasing choices.
- Empowering consumers to understand, measure and manage the social and environmental impact by means of everyday spending: nurturing conscious consumers.
- Payment services for gig economy workers.

New value creation narratives

- Harnessing real-time data potentialities: data-driven value propositions.
- Managing real-time risk, real-time fraud monitoring, real-time financial crime monitoring, real-time financial position and real-time systems integrity.
- Importance of standardization and integration of systems and processes.
- Ecosystem-enabled payments entrepreneurship: lowering technical barriers to entry and API connectivity for launching payment products and services (disintegration of the payments value chain).

New value creation narratives (cont.)

- Embedded finance: point of online purchase-multiple payment options.
- Reconceptualising customer behaviour, expectations and preferences: best-in-class customer experience: utilization of big data analytics and intelligence.
- The staging of the API and platform economy is expected to enable new governance and architectural designs across all stakeholders of the digital payments ecosystem and beyond.
- 5G technologies: faster, safer, optimised mobile and contactless payments- utilization of biometrics and other types of data for KYC/AML and identification purposes.

Some questions seeking answers ...

- Open banking and the evolution to open finance: data-driven innovation and enhanced access and data sharing (future of PSD2 and Open Finance Framework).
- Decentralised global payments networks and finance ecosystems to facilitate transactions in digital currencies around the globe: modern payment infrastructures beyond legacy systems.
- Cash: a hedging vehicle against uncertainty; a guarantee for financial inclusion; striving towards reducing environmental footprint?
- Increased digitalization: stablecoins as a means of payment. What is the future of digital money?

Some questions seeking answers ... (cont.)

- FinTechs and the private sector can and should play a crucial role towards leading and driving international collaboration.
- Digital payments as a new means of supporting scalable revenue growth.
- Fraud-as-a-service: protecting ecosystem from sophisticated financial crime. Combination of technologies for effective monitoring of fraud typologies-biometric identity authentication adoption.
- True democratisation of payments: reforms for economic growth.



Thank you very much for your kind
attention!