

Examining the Future of Payments

April 20, 2021

COAFP

What is on the horizon for payments?

- **Current State in Payments**
 - Payments impact as a result of Pandemic
 - Global payment trends
 - Fintech activity
- **Acceleration of digital and real-time payments**
- **Future Innovations**



Current State

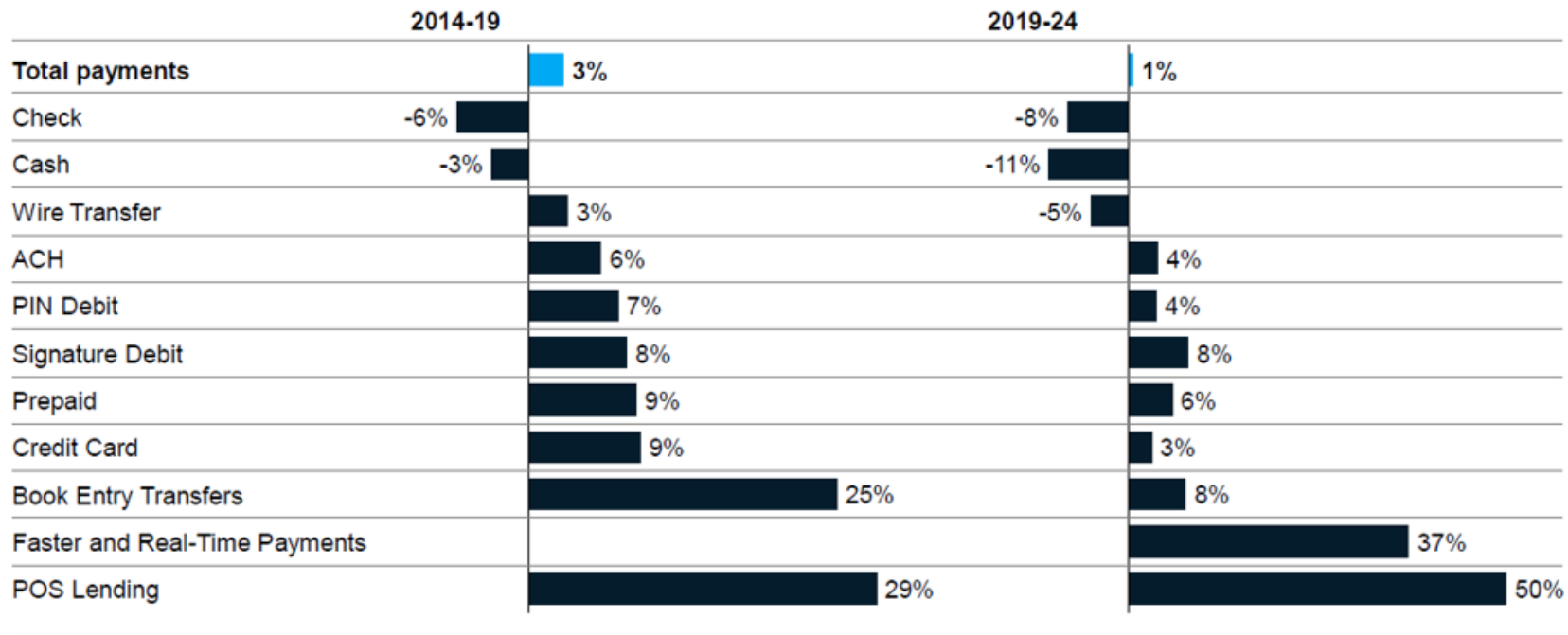


"I can't remember—do I work at home or do I live at work?"



Transactions are expected to grow at ~1%, considerably below than recent years; digital transactions will gain higher share of wallet

US Payment transaction growth, CAGR



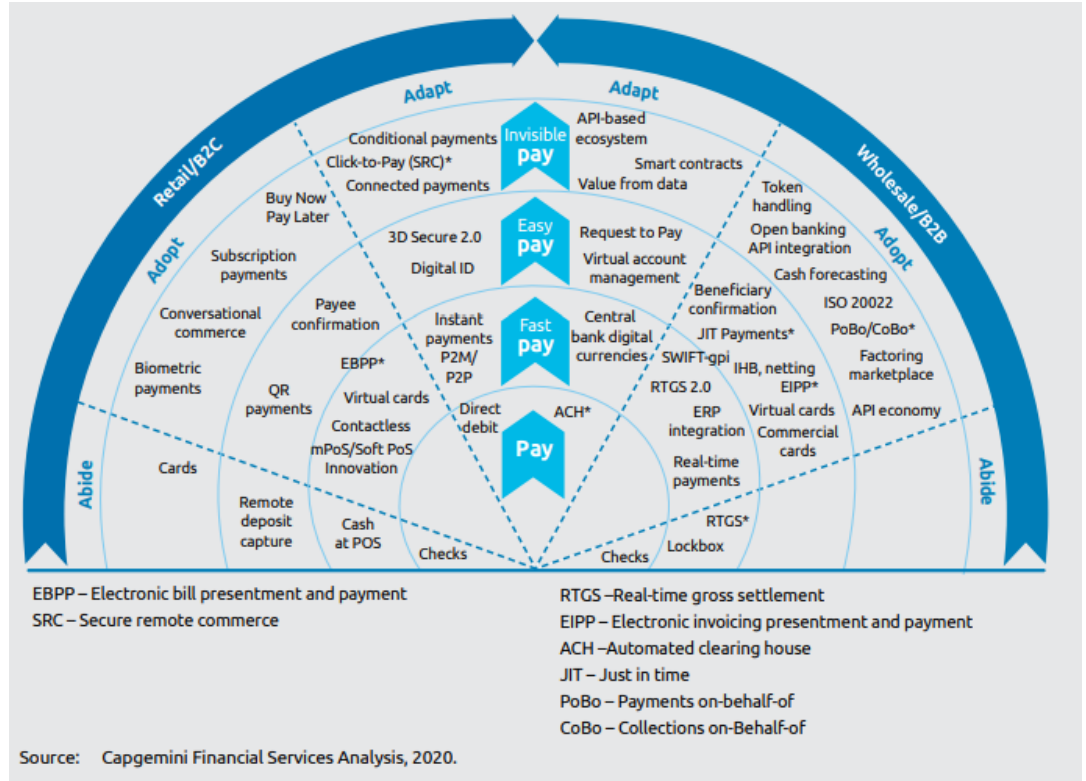
US Payments Map Q2 2020 release (McKinsey & Company)



A New Take on the Payments Landscape

“Convenience, speed, and seamlessness define the requirements of today’s digital end users.”

“... the payment enables a bigger agenda for both retail and wholesale customers.”

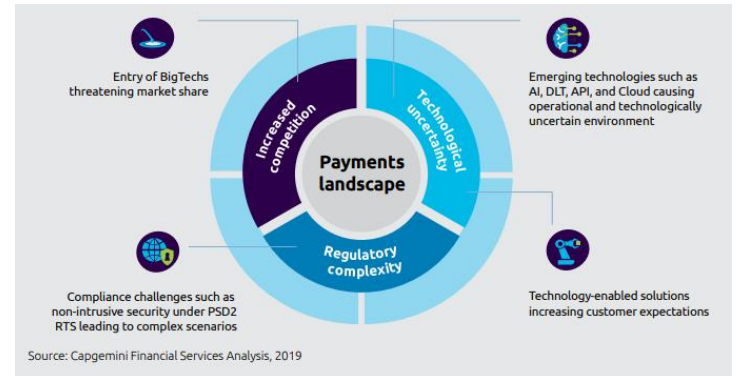
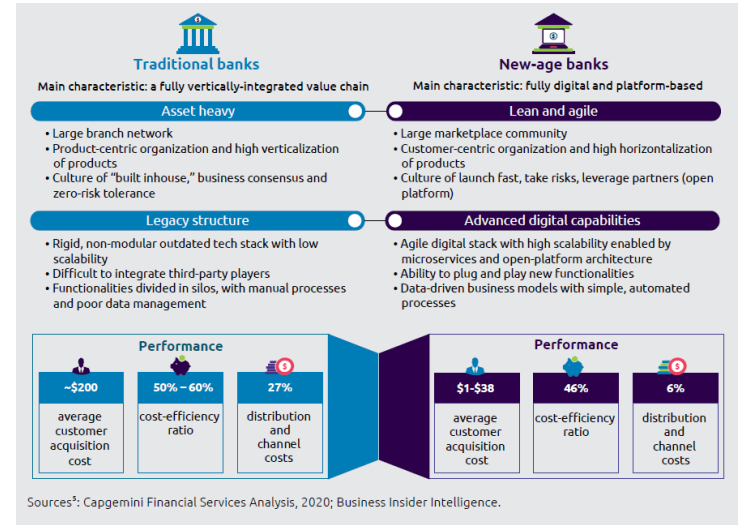


Global Payment Trends

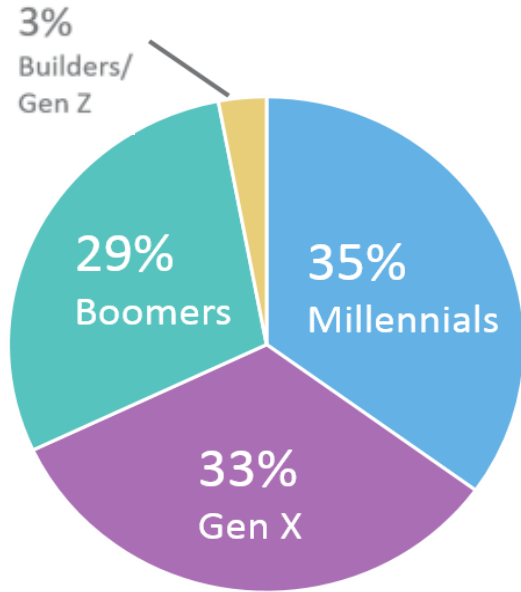
- **Competition** between closed and open payments platforms
- **Evolving payments economics**
- Development of **new standards** to govern the flow of money
- **Noncommercial entities’ role** in shaping the ecosystem
- The future of payments organizations and **talent implications**

Sources:

Deloitte Payment trends 2020 | Infocus: Strategies to prepare for the future of payments
 Capgemini World Retail Banking Report 2020



The generational makeup in the workforce is changing rapidly



Today's Workforce

Millennials Change the Game (Technology)

- Tech dependent not tech savvy
- More likely to start their own business
- Tech dependent generation will not leverage processes using paper process or unintuitive applications
- Becoming the influencers in larger organizations and decision makers in smaller organization
- Looking for tech first companies that make the integration process simple



Fintechs are becoming financial institutions

Q Search

Bloomberg

Future Finance

Varo Becomes First Consumer Fintech to Land a National Charter

By [Payne Lubbers](#)

July 31, 2020, 7:00 AM EDT

- ▶ CEO calls it 'a very exciting moment' in the banking industry
- ▶ Fintechs' entry into the system has met with push-back



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www.bloomberg.com/news/articles/2020-07-31/varo-becomes-first-consumer-fintech-to-land-a-national-charter
www.businessinsider.com/square-gained-fdic-approval-for-bank-charter-application-2020-3

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Square finally gained FDIC approval for a banking license, and it will likely focus on SMB offerings

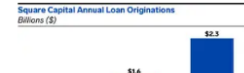
Jaime Toplin Mar 20, 2020, 10:16 AM

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The application enables the mobile point-of-sale (mPOS) giant to form a Utah-based bank, per PYMNTS. The approval, which was conditional and will mandate Square to maintain capital at a higher rate than other FDIC-insured banks, will enable the brand to begin developing the bank in earnest. The bank is expected to launch in 2021, and will focus primarily on issuing loans to small- and medium-sized businesses (SMBs) as well as deposit products.

Square's process to become a bank has been a long road. The firm initially filed for an



Financial Institutions are partnering with fintechs

bankinnovation

PREMIUM

BMO leans into Google partnership to stretch customer reach



By Bianca Chan, News Editor | August 10, 2020
Innovation Strategy, Premium, Retail Banking

Share



BMO Financial Group is betting on its partnership with **Google** to be a “growth engine” for the company from a U.S. geographic perspective, Chief Digital Officer Brett Pitts told *Bank Innovation*.

Last week, Google announced partnerships with eight U.S. financial institutions to launch digital bank accounts in 2021 that can be managed through Google Pay. In addition to BMO, Google is partnering with **BankMobile**, **BBVA USA**, **Citi**, **Coastal Community Bank**, First Independence Bank, as well as Stanford Federal Credit Union and SEFCU.



A pedestrian walks past a BMO Harris Bank NA branch on the ground floor of the company's headquarters in Chicago, Illinois, U.S.
Photographer: Daniel Acker/Bloomberg

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Amex in advanced talks to buy Kabbage

August 11, 2020, 11:01 a.m. EDT 2 Min Read



American Express's small-business aspirations just took another step forward.

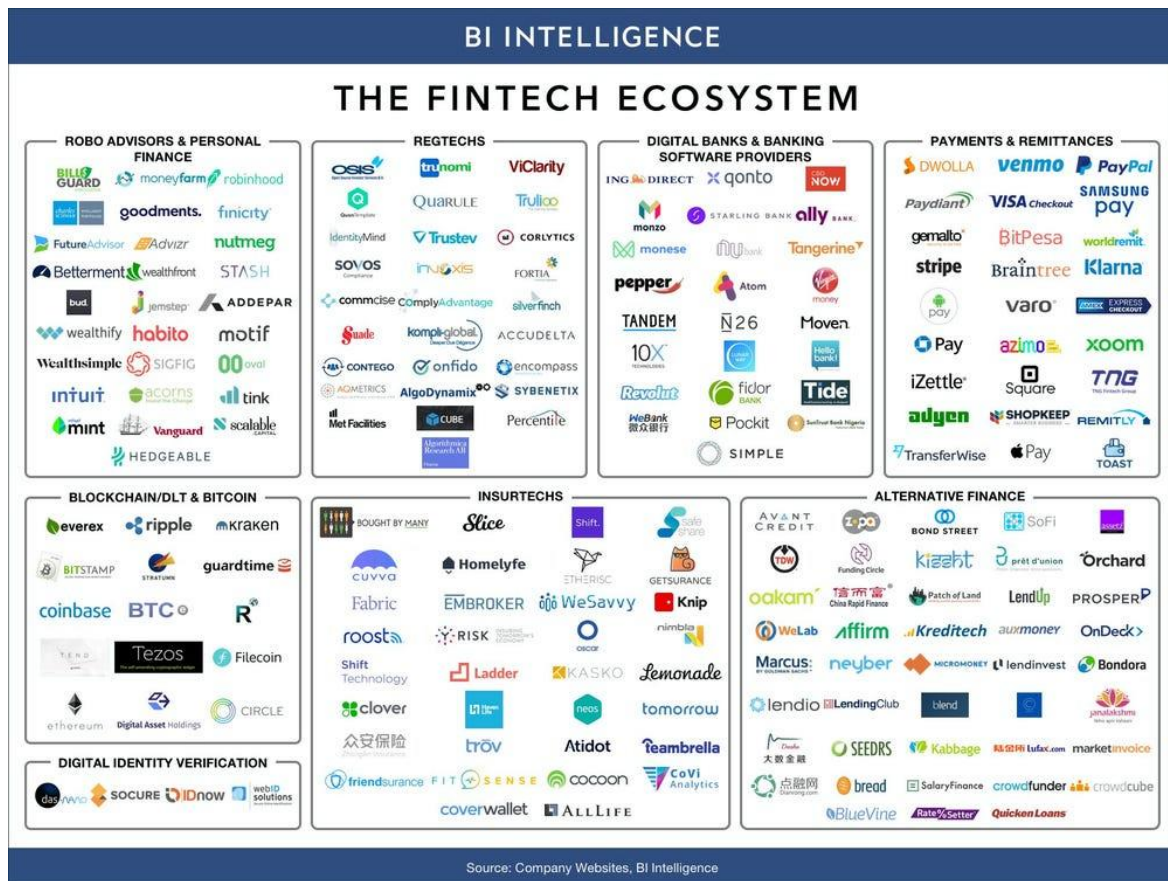
The credit card giant is in advanced talks to buy Kabbage, a person familiar with the matter said, a deal that would make Amex a bigger lender to mom and pop shops. The company is already the largest U.S. provider of credit cards to those types of operations.

Small businesses bounced back faster during the COVID-19 pandemic than other customers in Amex's broader card portfolio, and Chief Executive Steve Squeri said last month that they were the “most resilient” through the crisis.



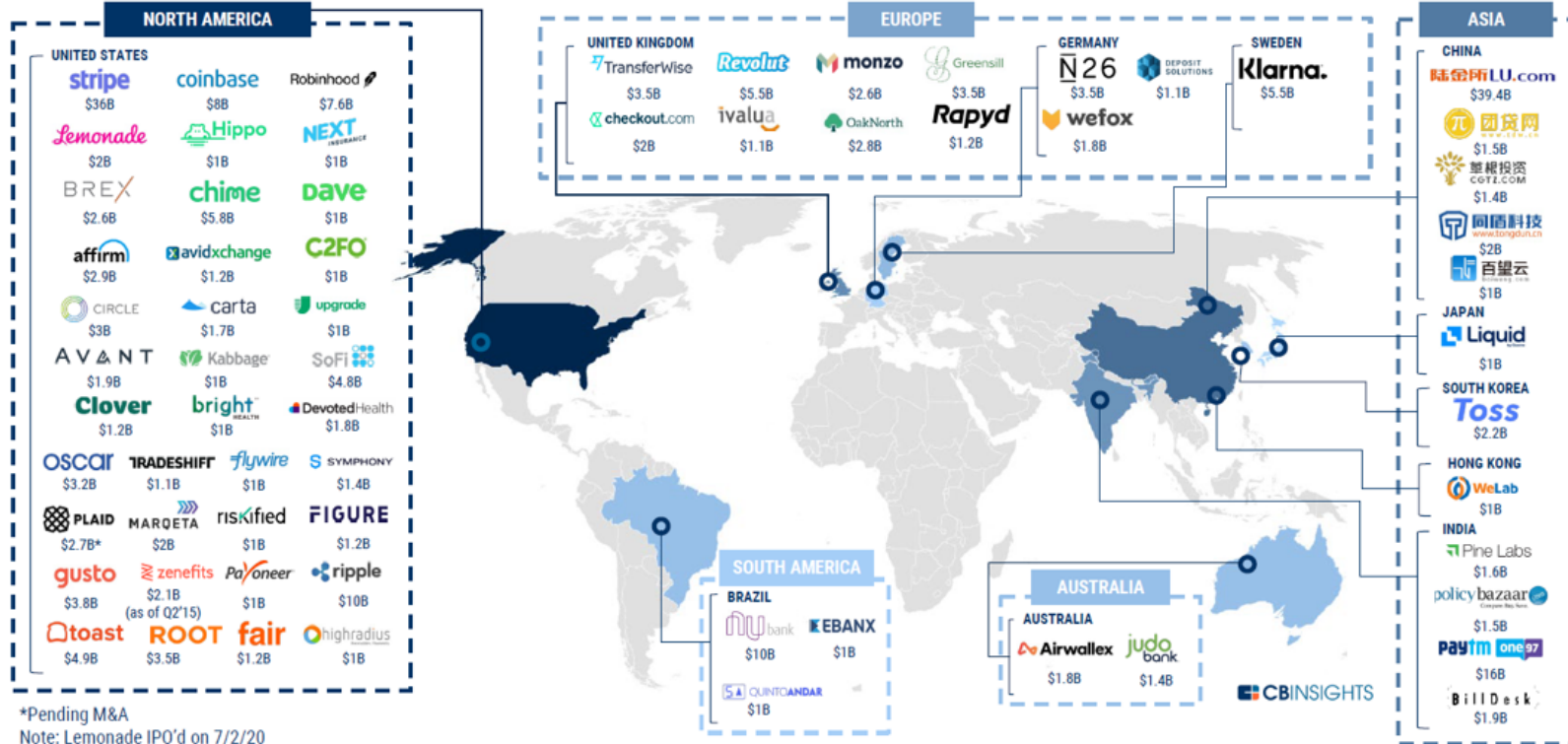
<https://bankinnovation.net/allposts/biz-lines/retail/bmo-leans-into-google-partnership-to-stretch-customer-reach/>
<https://www.americanbanker.com/articles/amex-in-advanced-talks-to-buy-kabbage>

Fintechs see lots of opportunity in Banking and Payments

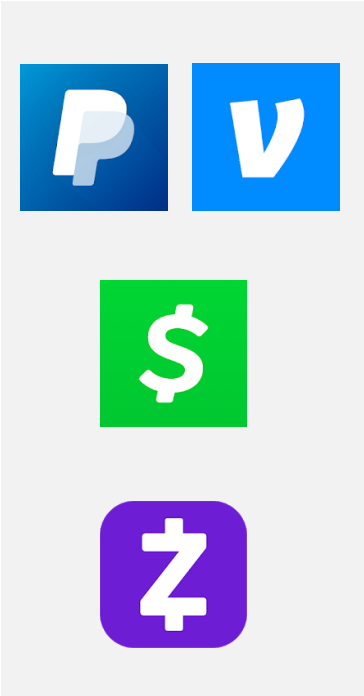


There are 66 fintechs unicorns valued at \$248B

Global VC-backed fintechs companies with a private market valuation of \$1B+ (as of 6/30/20)



Payment service and P2P apps have become a normal part of commerce



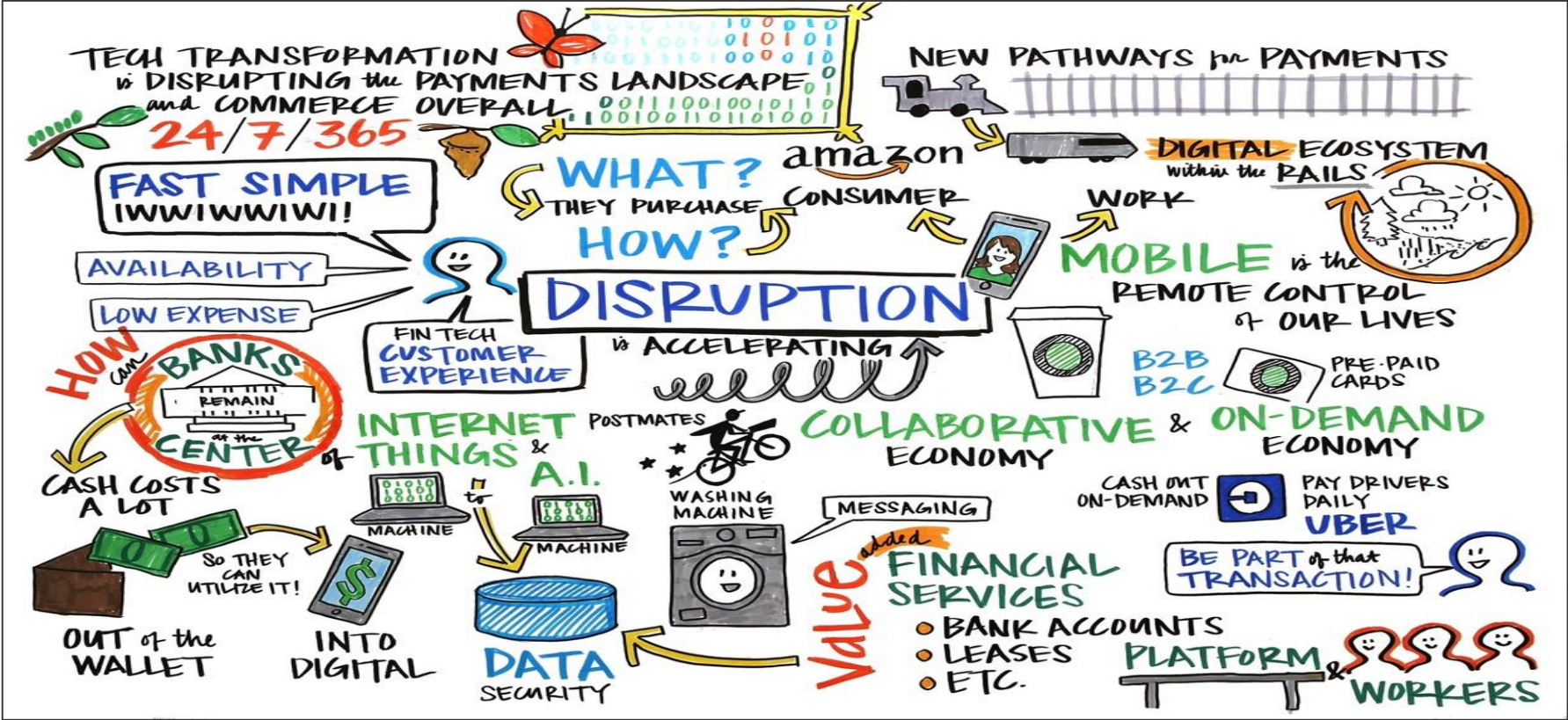
Use Cases Supported

Payment Types Supported

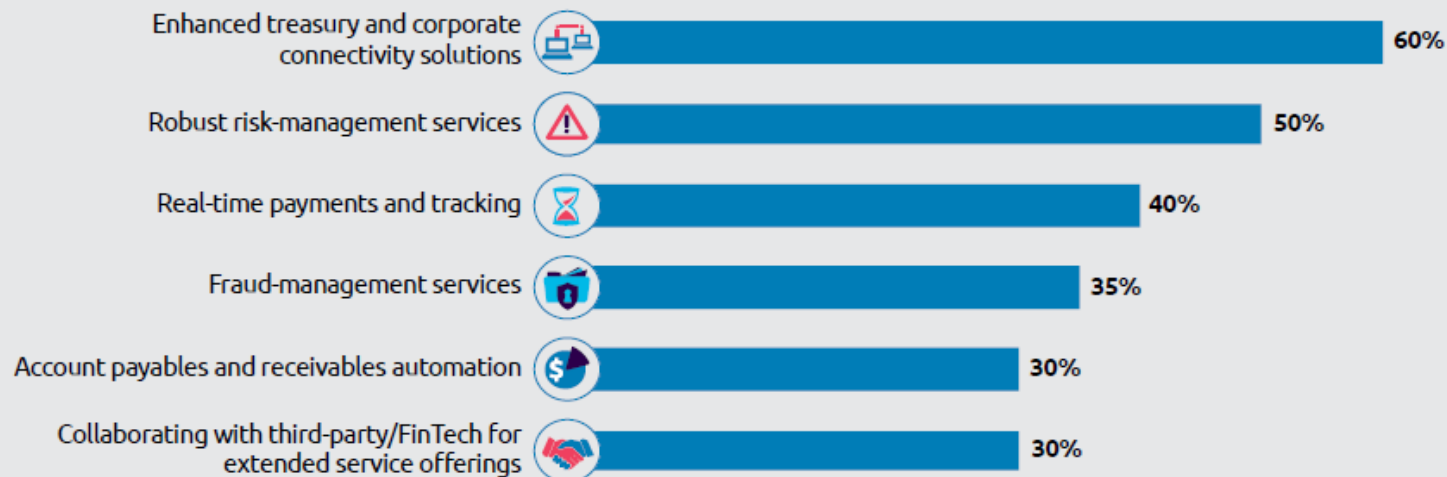
<ul style="list-style-type: none"> • Person <-> Person Payments • Business -> Consumer Disbursements/Payouts • Small Business <-> Consumer Payments • Merchant Processing 	<ul style="list-style-type: none"> • ACH • Visa Direct/mastercard Send via Debit • Credit Card • RTP • On-U's
<ul style="list-style-type: none"> • Person <-> Person Payments • Equities Trading • Business <-> Consumer Payments/Disbursements • Bitcoin Exchange 	<ul style="list-style-type: none"> • Visa Direct/mastercard Send via Debit • Credit Card • ACH
<ul style="list-style-type: none"> • Person <-> Person Payments • Business -> Consumer Disbursements/Payouts • Small Business <-> Consumer Payments 	<ul style="list-style-type: none"> • ACH • Visa Direct/mastercard Send via Debit • RTP (now live!)



Future innovations intertwined with payments



What do treasurers expect from their partner financial institutions?



Sources: Capgemini Financial Services Analysis, 2020; World Payments Report 2020 industry stakeholders survey, N=20 corporates.

Question asked: What do you expect your banks/payments provider as part of their service/product offerings? Rank your response on a scale of 1–7, with 7 being highly important and 1 being the least or not at all important. Responses above 5 have been provided in the figure. Percentages do not total 100.