

The role of payment disruptors

Moderator:

- Peter Jones, PSE Consulting

Speakers:

- Salvatore Borgese, ICBPI
- Mark Evans, HSBC
- Arjan van Os, ABN AMRO

The Role of Payment Disruptors – Partners or Competitors?



Peter Jones
Managing Director, PSE Consulting
Panel Chair

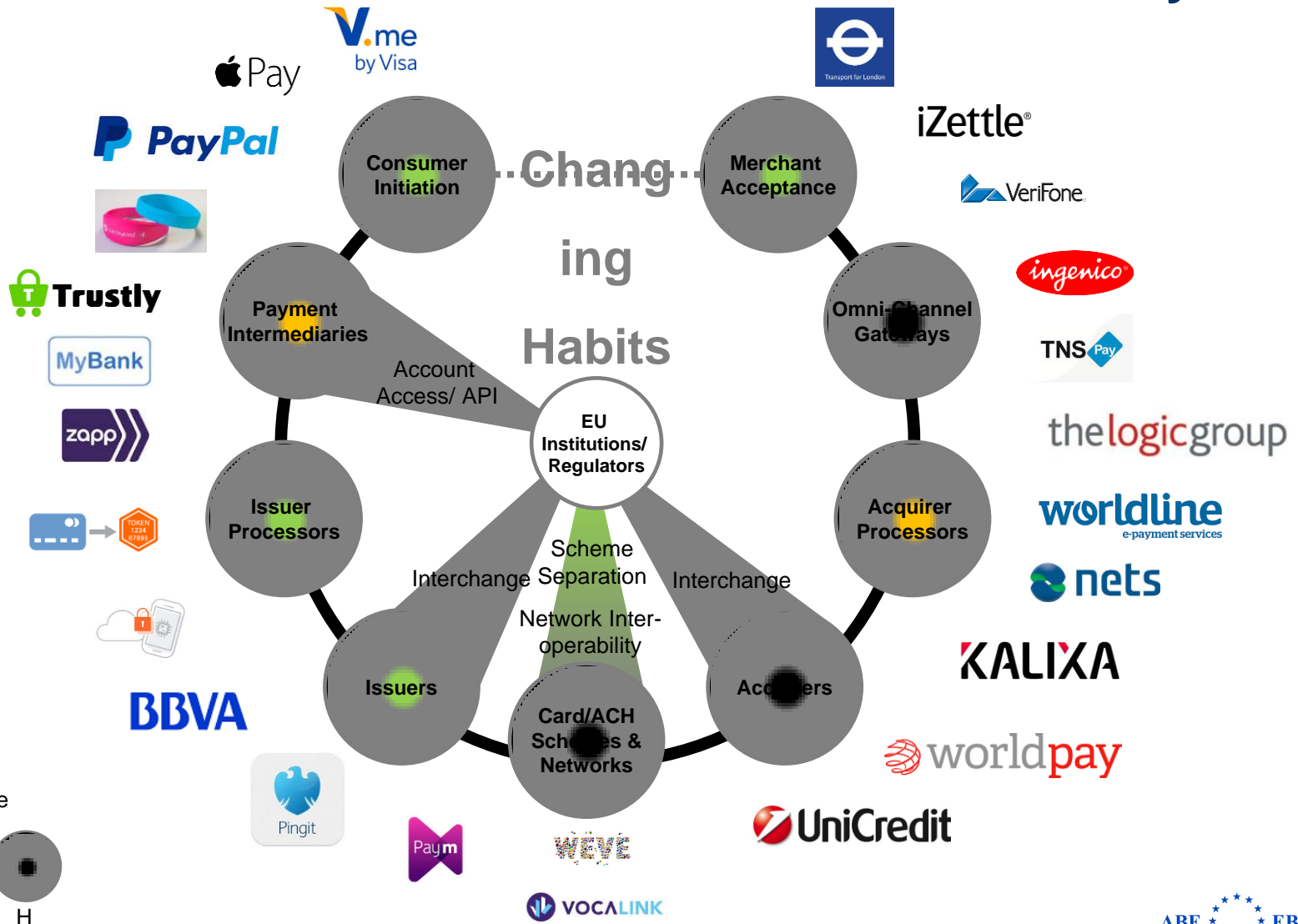
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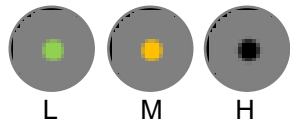
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“To explore how banks can cooperate or partner with unconventional market players to create winning payment propositions for end customers”

European Payment Landscape Change Dynamics



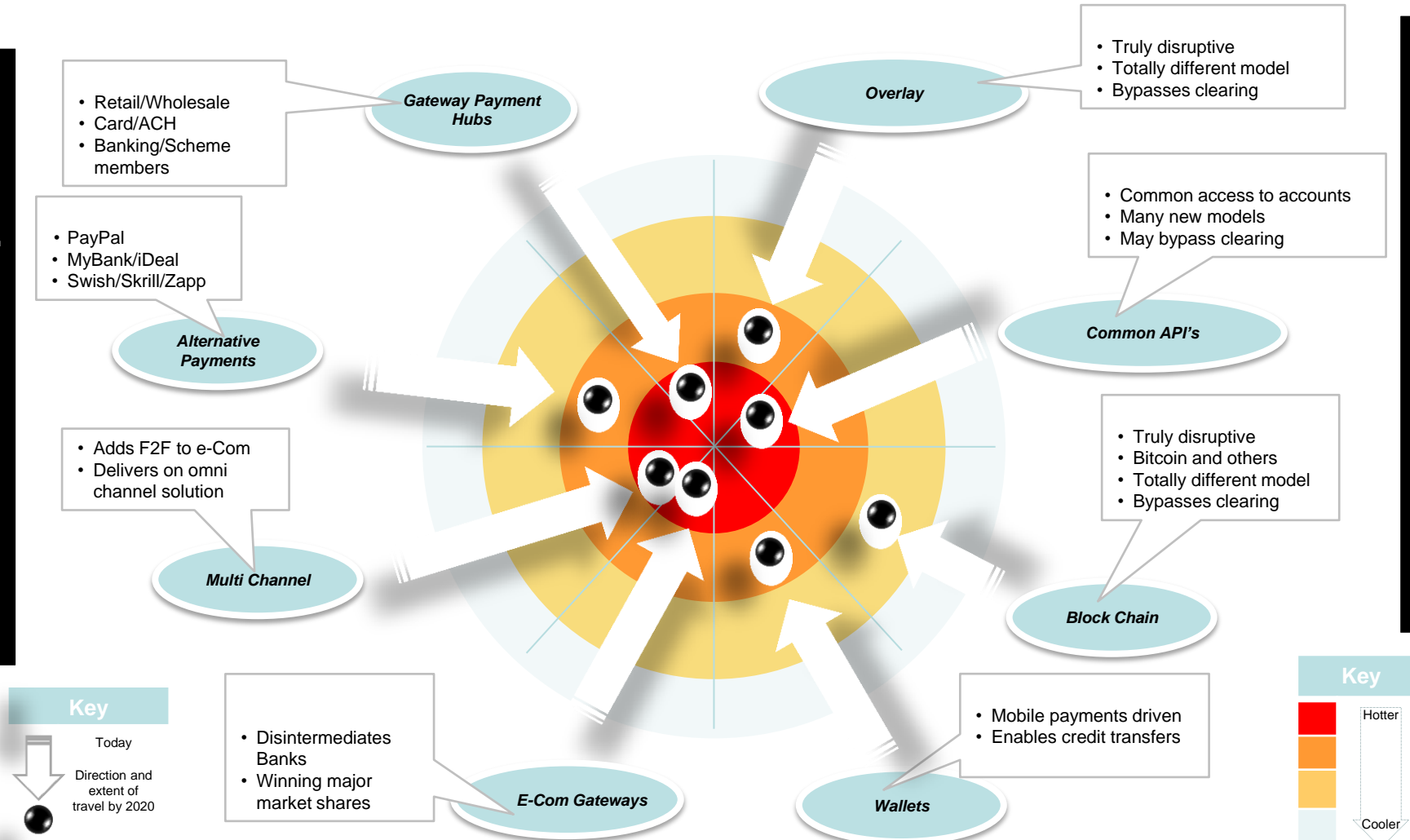
Degree of Change



Heat Map of Disruptive Innovation Impacts on Banks

Traditional Disruptive

Highly Disruptive



Source: PSE Consulting analysis

The role of Payment Disruptors

Retail Payment Disruptors:
Co-operate or Compete

Salvatore Borgese
ICBPI Director of Payment Services



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Retail Payment Disruption: main trends

- Retail **customer experience** is increasingly digital, pushing Retail Payments towards Real Time, Mobile Experience and E-commerce
- Convergence of **M-technologies** and **instant payments** schemes will drive the global non-cash industries
- Instant payments and instant information related will be the real **added value**
- Following trends in other markets (e.g. airlines, tourism, etc) even payments industry has to cover the need for **low-value payments and cost connected**
- Digital society drives the development of **new business models**
- Retail Payments will lead **growth** of Global Payments **revenues**

4C Drivers: a strategy based on Co-opetition

- **Content:** retail payments market is composed by heterogeneous communities that express needs of payments among themselves (Consumer2Enterprise, Enterprise2Enterprise, Consumer2Government etc.), on new technologies schemes (real time, mobile etc.) and with unique customer experience
- **Comply:** payments regulation move banks towards new constraints of compliance (PSD2, European Digital Agenda, AML Directive IV etc.)
- **Compete:** banks need to act in more and more crowded competitive arena (Google Wallet, Apple Pay, Paypal, Amazon, Masterpass etc.)
- **Collaborate:** banks, disruptive partners and enabling infrastructures have to cover a role of innovator-hub for a new banking strategy based on **Co-opetition** (cooperation among competitors), sharing commodity spaces and focusing on customization of products-services

The Role of Payment Disruptors - Partners of Competitors?

EBAday²⁰¹⁵
10TH ANNUAL CONGRESS

Mark Evans
HSBC Payments & Cash Management

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Wholesale Payments – Cooperate or Compete?

- Balance of Priorities
 - Guarantee compliance
 - Ensure security/privacy/KYC etc.
 - Provide a broad range of services

 - Core System Infrastructure
 - Mission critical services
 - Often underpinning disruptors services (“layered”)
 - Need to change/modernise to meet market/client expectations
-
- Turn challenges into competitive advantage:
 - Compliance as an asset
 - Partner as a trusted advisor
 - Share intelligence and industrial strength services
 - Collaborate in areas where shared/combined strengths can be amplified

Wholesale Payments - Cooperate or Compete Case Study x2

Large Firms

- + Often and established vendor
- + Hosted solutions common
- + Proven Track Record
- Expensive ...
- Change Programme pipeline
- Typically broad rather than deep

Small Firms

- New relationship
- Cloud preferred
- Unproven (but interesting)
- + Cheaper (plus other funding options)
- + Rapid iterations (flexibility)
- + Vertical/precise solutions



Shaking the Tree

Co-create & experiment in FinTech

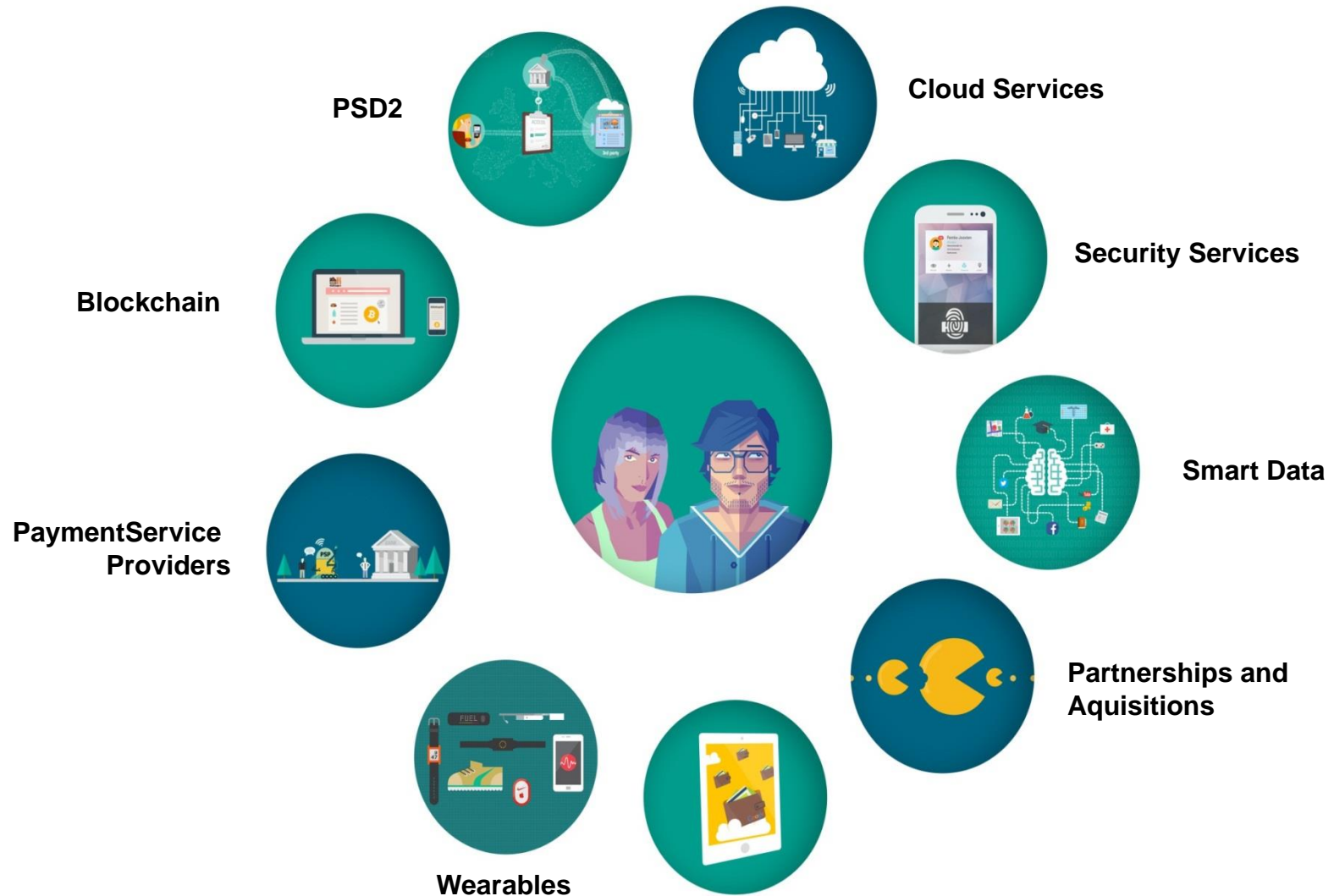
Arjan van Os, Head Innovation Centre,
ABN AMRO

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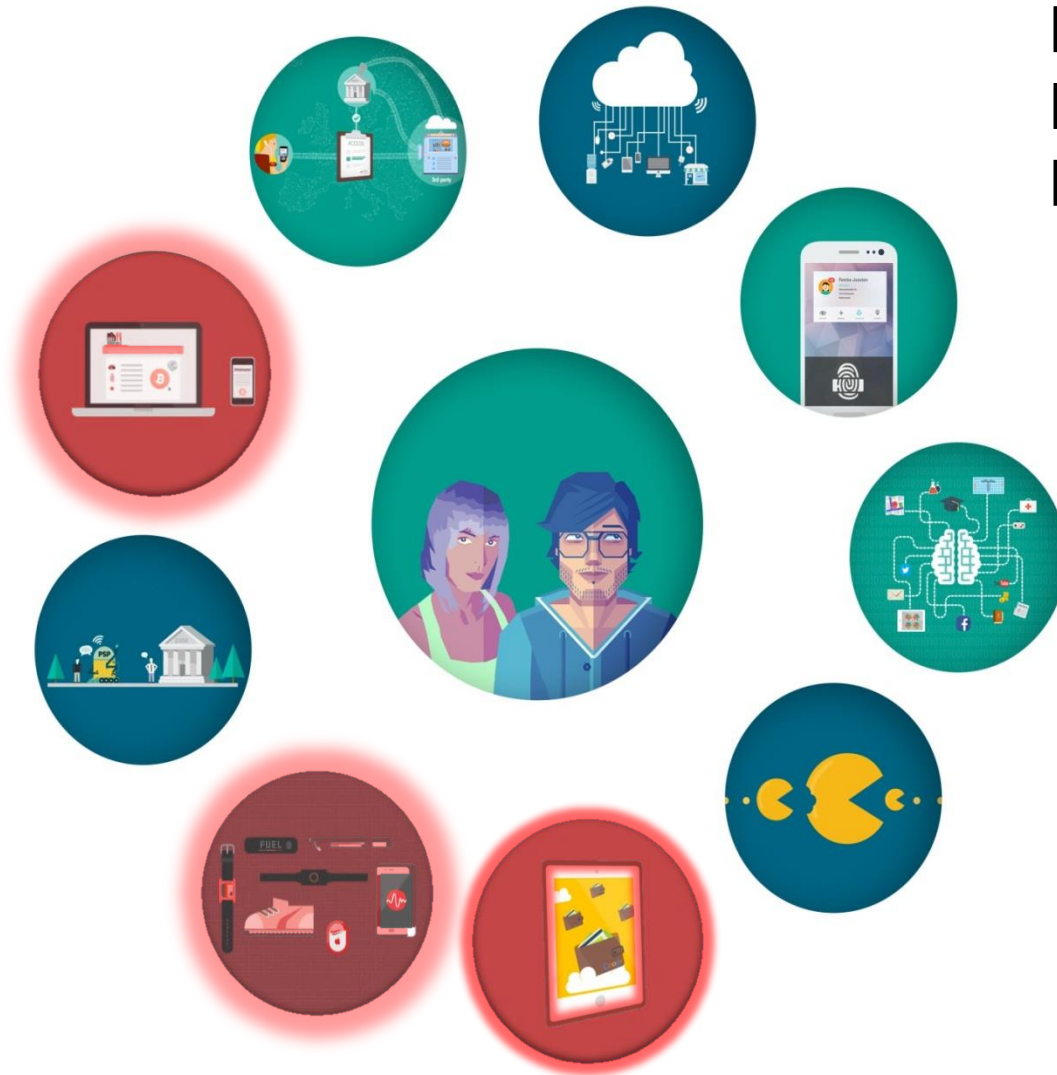
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Some 'Payments' developments



Combinations fuel true innovation

Frictionless
Payments
Propositions



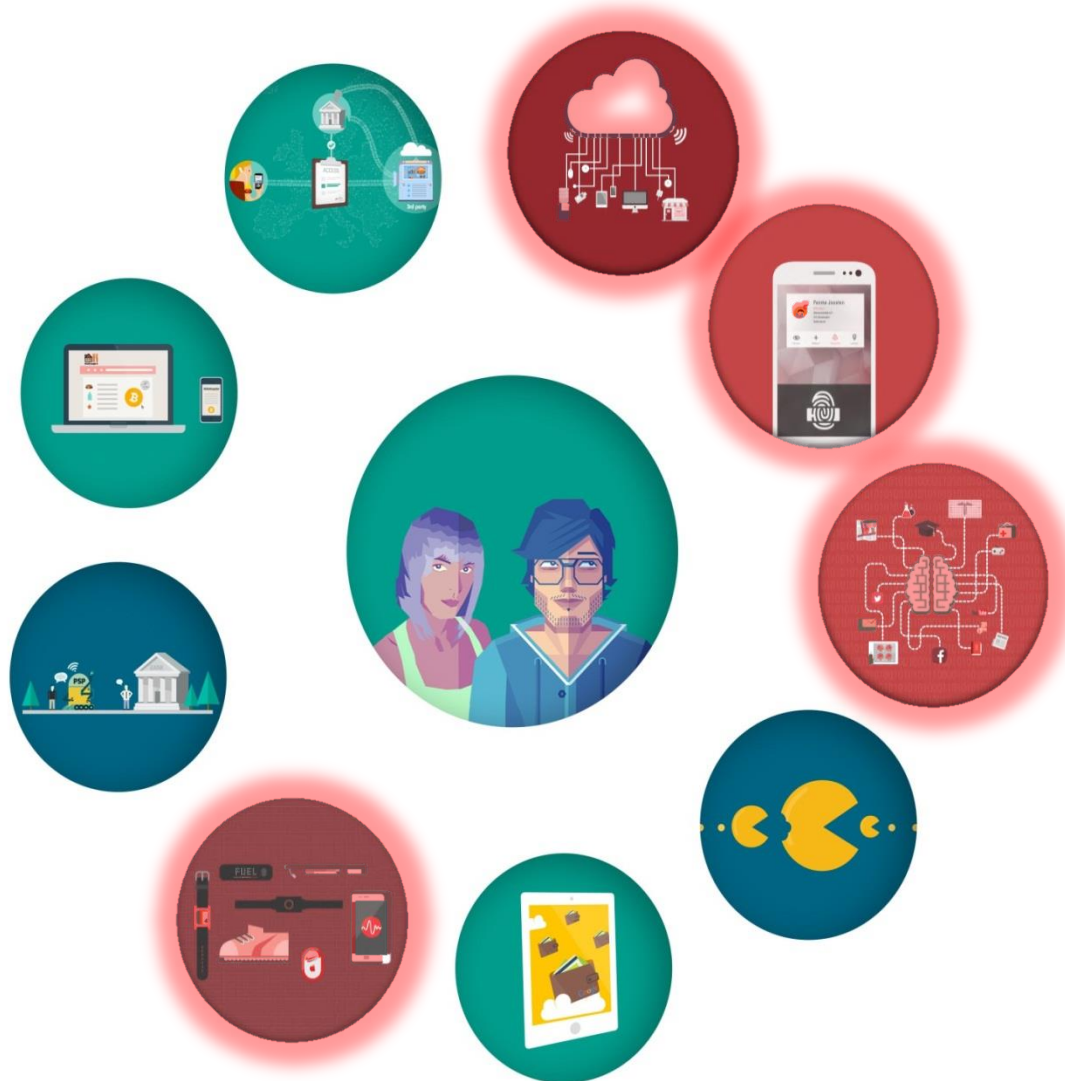
Combinations fuel true innovation

Propositions
that redefine
the customer
relation

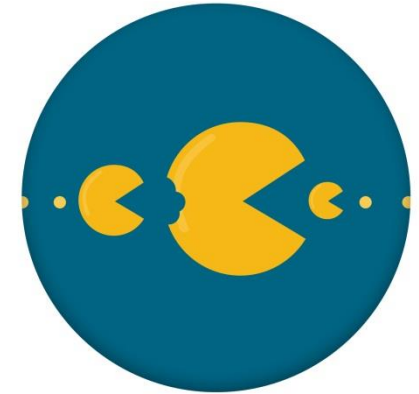


Combinations fuel true innovation

Contextual
Banking
Propositions



Bank's value chains under attack



Information Services

General Banking

Trading



Payments

Funding providers

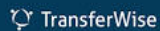


Retirement

Wealth Management



Mortgages



The future is about co-creation

Create the context to **co-create** with Fintech enterprises

- Become a corporate Launchpad
- Be part of the start-up ecosystem
- Partner and experiment together
- Build relationships. Learn and explore together.

What banks can do to accelerate partnerships:

- Invite start-ups and give them a platform
- Facilitate start-ups with workspace
- Invite start-ups to challenge existing products
- Create participation funds
- Be a launching customer
- Start experiments together

From closed systems to open eco-systems

The API Economy may change the Financial Sector radically. PSD2 will accelerate this change.

The API economy has the potential to create new business models and challenge banks to create value from data and focus on their unique capabilities.



Thank you to speakers

- Peter Jones, Managing Director, PSE Consulting
- Salvatore Borgese, Director of Payment Services, ICBPI
- Mark Evans, Global Head of Client Integration, HSBC
- Arjan van Os, Head Innovation Centre, ABN AMRO