

PAYMENTS DIRECTION

2017 Environmental Scan summary

August 2017

Introduction to 2017 Environmental Scan

- Our 2017 Environmental Scan is the latest in a series of reports produced by Payments NZ. This presentation summarises the key themes from the 2017 scan report.
- Each year we examine the trends and influences impacting the payments ecosystem globally. Keeping well informed with local and global payments trends and how they are evolving, is an important input into our work, especially our strategic initiative, Payments Direction.
- The 2017 Environmental Scan was developed using desktop research of key global reports, central bank information, news, payment associations, and other sources, to distill the key themes and trends from around the world.
- The full report is available on our website www.paymentsnz.co.nz

Key global change drivers from 2017 scan

- The growth of the Internet of Things (IoT) and its related and enabling technologies.
- The rise of the application programming interface (API) economy.
- An increased emphasis on the importance of international standards.
- The power of rapidly shifting consumer and market expectations, driven in particular by the proliferation of mobile devices.
- Ever faster payments, including a surge of real-time payment platforms being developed.
- A more complex and diverse payments ecosystem membership.
- Growing regulatory and central bank action and thought leadership.
- The automation and integration of payments into other activities.
- Heightened payments security risks, with new innovative risk management technologies.

Summary of 2017 scan's payments themes





Theme 1: Payments are increasingly continuous and international in orientation

Theme summary

The expectation that payments will be “always on” irrespective of geographic location. Consumer expectations are for payments to be made anywhere, anytime.

2017 Findings

- **Efficiency improvements**: Reducing points of friction for cross border payments. Geographical distance is a decreasing factor and the flow of funds is becoming faster and increasingly visible and traceable.
- **Developments of new alternatives**: New and improved methods of cross border payments are being developed.
- **Service availability**: Customer expectations that payments will be “always on”; Payment systems are expanding their operating hours and being developed to meet 24/7 expectations.

Interesting global development:

- SWIFT's Global Payments Innovation Initiative is now live. It aims to reduce barriers and to streamline the cross-border payments experience to deliver same day use of funds, transparency, predictability of fees, end-to-end payments tracking, and the transfer of rich payment information.



Theme 2: Payments are increasingly faster, more mobile, more informative and linked across the value chain

Theme summary

The expectation payments are always “on”, irrespective of payment scenario, geographical location, or the currency in question continues to grow.

2017 Findings

- **Integrated payments**: Points of usage friction are reducing, because payments are becoming more; integrated; automated; and sometimes ‘invisible’ to consumers.
- **Faster**: New and improved methods of cross border payments are being developed. A mass-movement towards real-time payment capabilities.
- **Mobile**: Payments are becoming more mobile, mirroring growing consumer mobility and device availability.
- **Informative payments**: Payments digitalisation is enabling new information based value propositions to emerge.
- **Value chain**: Payments processes and related information are increasingly integrated with the wider value chain.

Interesting global development:

- The emergence of integrated payments, where the payment is embedded in a host of daily interactions and activities, e.g. Uber, Alipay.



Theme 3: Payments infrastructure refreshes and renewals are widespread and arise for a number of reasons

Theme summary

Global activity confirms infrastructure refreshes and renewals continue to be widespread, with both significant enhancements to existing systems and a mass movement toward real time infrastructures.

2017 Findings

- **Redesign**: Significant enhancement of bulk electronic and high value systems.
- **Replacement**: Total replacement of existing systems with new systems.
- **New real-time payments infrastructures**: A surge of new real time payment systems being added.

Interesting global development:

- Canada is replacing their high value system infrastructure and renovating their bulk electronic infrastructure. They are also launching a new real-time 24/7 payment system, that can use proxy identifiers to make payments easy for customers to use.



Theme 4: Payments regulation is expanding and aiming to produce more inclusive and resilient systems.

Theme summary

The scope and scale of financial services and payments regulation continues to expand at pace, focusing on improving the resilience of payments infrastructures, risk reduction, to respond to safety and security threats, and to spur innovation and competition.

2017 Findings

- **Financial stability**: Focus on increasing the resilience of key payments infrastructures, and decreasing systemic risks.
- **Safety and security**: Adapting to ever-evolving safety and security threats by introducing new regulations. This has led to rapid growth of the RegTech sector.
- **Modernisation and innovation enablement**: Ensure right conditions to support innovation by re-vamping and renewing critical infrastructures.
- **Competition**: Regulation continues to tighten existing competition regulations.
- **Expanding regulatory coverage**: In response to a more complex and diverse payments market, regulation is expanding into new non-traditional areas.

Interesting global development:

- Payment Systems Directive 2 (PSD2) regulation is currently reshaping the European payments landscape, introducing a wide range of changes including: 'open banking'; interchange fee caps; a licencing framework, and security requirements.



Theme 5: Payments associations face rising expectations.

Theme summary

Payment associations are facing rising expectations, and are responding to and representing a more diverse group of stakeholders. Their activities are heavily influenced by regulatory requirements and direction, national payment roadmaps, and standardisation.

2017 Findings

- **Regulatory influence**: Regulators significantly influence the issues payment associations focus on what payment associations execute.
- **Roadmaps**: The development of national payments roadmaps is a significant influence on what payment associations execute.
- **Stakeholder proliferation**: A broader and more varied range of stakeholders interface with payment associations.
- **Standardisation**: There is a drive for standardisation across a wider range of payments matters.

Interesting global development:

- The Association of Banks in Singapore is leading the execution of a roadmap, set by the central bank, which includes the deployment of a new real time system, adopting the ISO 20022 international standard, and now developing a proxy identifier mapping service.



Theme 6: Payments security and authentication is a key concern

Theme summary

The safety and security of payments has always been important; ensuring confidence in the payments process in the face of a new and rapidly changing set of risks is now a critical issue for all organisations in the payments ecosystem.

2017 Findings

- **Customer security concern**: Customers continue to have significant concerns about the online fraud.
- **Security, authentication and new risk**: Security and authentication are more complex than ever. Rapidly evolving technology sees new sources of risk emerge.
- **Emerging payments security technology**: New technologies are opening ways to deliver enhanced security and authentication solutions.
- **An array of security related initiatives around the world**: Security and authentication are increasingly seen as pan-jurisdiction issues.

Interesting global development:

- The Australian Payments Plan includes key initiatives on security and trust, including, digital identity, data management and a cyber security strategy.