thehub
paymentsnz

Real-time in the real world

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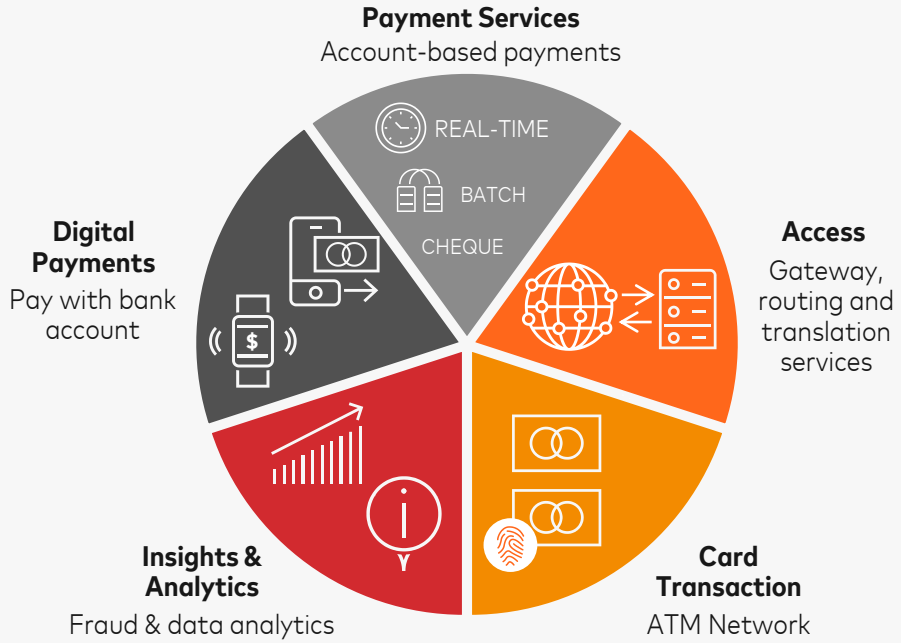
Our solutions power economies by moving money safely, securely, and in real-time



Vocalink by the numbers in the UK - 2017

12.1 billion Total transactions processed in 2017 (all services)	**£7.4 trillion** Total value of payments processed in 2017
1.66 billion Faster Payments transactions processed in 2017	**£1.4 trillion** Value of Faster Payments transactions processed in 2017
90% Of all UK wages	**70%** Of all UK household bill payments

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Global trends are changing the way banking is done, driving an ever-growing demand for real-time payments

DIGITAL GROWTH

- **Digital growth** has offered banks an opportunity to **modernize the way consumers make payments**
- **Retail e-commerce** sales will reach $4T by 2020 globally, **almost 15% of total sales**[1]
- Number of **bill payments made digitally** will reach 62B in 2021, or **44% of global bills**[2]

REGULATORY ENVIRONMENT

- **Increased regulation on economics** is causing margin compression for the banks
- **New requirements** are coming for **stronger security** on customer authentications, driven by **Open Banking**
- Governments are focusing on **migration of cash to digital** and expanding the banked population (e.g. India de-monetization)

CONSUMER DEMANDS

- Consumers are increasingly expecting to **transact in real-time**
- are embracing **digital payment** methods in **e-commerce, m-commerce and in-store**
- The **right user experience** can increase spend, product cross-sell and upsell opportunities, and help stem customer/revenue loss

BUSINESS DEMANDS

- **Large corporate** and **small businesses** are looking to explore **innovative ways to make payments**
- These businesses expect their FIs to offer them **new solutions quickly**
- They are demanding **more information** with payments, to drive **ERP** and **supply chain integration**
- Real-time payments require large network investments but have **strong long-term ROI**

1. eMarketer, August 2016; Worldwide Retail Ecommerce Sales
2. Juniper Research, Retail Banking - Digital Transformation – Disruptor Opportunities 2017-2021

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CASE STUDY

Faster Payments: Pioneering real-time payments in the UK

A driver of profound and positive change

Central bank settlement and oversight

15 second confirmation, posting within 2 hours

Individual & batch payments (Direct Corporate Access supported by banks)

Deferred net settlement 3 cycles / day

B2B, P2P, B2P, P2M, Bill Pay

3.5 BN GBP (per day)

- Biggest advancement in a generation
- More than 1.4 bn Faster Payments in 2017
- Total value over £1.4 tr
- Peak 22m transactions a day
- 10 bn transactions in 10 years

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In 10 years, Faster Payments has delivered clear benefits

CONSUMERS

- 24 x 7 x 365 convenience
- 'Zero' friction payments
- Security from any time emergency payments

CORPORATES

- Efficient e-invoicing and billing
- Improved liquidity management
- Optimised working capital management

GOVERNMENT

- Any time, traceable, emergency benefit payments
- Increased tax revenue from GDP growth

THE ECONOMY

- Increase velocity of money
- GDP boost from higher payment volumes
- Improved market efficiency from competition

SOCIETY

- Reduction crime and security issues related to cash handling
- Reduced systemic risks (fraud, AML etc.)
- 24/7 service culture

Many lessons were learned from Faster Payments

BEHAVIOURAL

- Internal business case: New value is created through **cross-sells in retail**, or more attractive pricing for corporates **relative to batch**
- There is a **first mover advantage** resulting in increased share and enhance brand perception
- End user **education campaigns** prior to launch can help drive adoption

OPERATIONAL

- **Scalable infrastructure** is important as transaction volumes rapidly grow and large amounts of rich data is generated
- **Gateway solutions** reduced operational impact
- Concerns on fraud risk and operational impact have been overcome by **analytics and automation**.

OTHER

- In the **absence of a regulatory mandate, collective acceptance** of real-time payments by large banks is important, unless a **third party** can be nominated to **onboard and unify banks**
- Faster payments did **not cannibalise** other payment methods

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Digitizing the Thai economy

Government-facilitated

ACC. <1 minute

Not available

SET. Deferred net settlement

P2P, P2M, G2P, P2G Credit transfers on ATM, mobile banking, internet banking

100k per day

- 21 registered banks
- Total value 3.1tr baht as of July 2017
- Peak 2.9m transactions a day
- 65% of Thailand's population
- Users largely between 21 and 37yrs

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4 Key Lessons Thailand learned from the UK's implementation

BRANDING	• A name for the service is an important factor • End user education campaigns prior to launch helps drive adoption
DIRECTORY	• Auto-enrolment in a directory service from day 1 drives usage
DATA	• Enhanced data standard enables a variety of use cases • ISO20022 is more adaptable than ISO8583
REGISTRATION	• A compelling initial use case - State benefit payments

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PromptPay has transformed Thailand's payments ecosystem, driving the growth of a digital economy

CONSUMERS

- Improved access to e-banking services
- Easier to send money up country
- Reduction of bank transfer fees/need for multiple accounts

BUSINESSES

- Improved liquidity for SMEs
- Integration with social media and e-commerce
- Access to credit and other financial services

GOVERNMENT

- Efficient payment of taxes and benefits
- Tackling identity fraud

THE ECONOMY

- Lower cash consumption
- Reduction of informal economy
- Improved market efficiency from competition

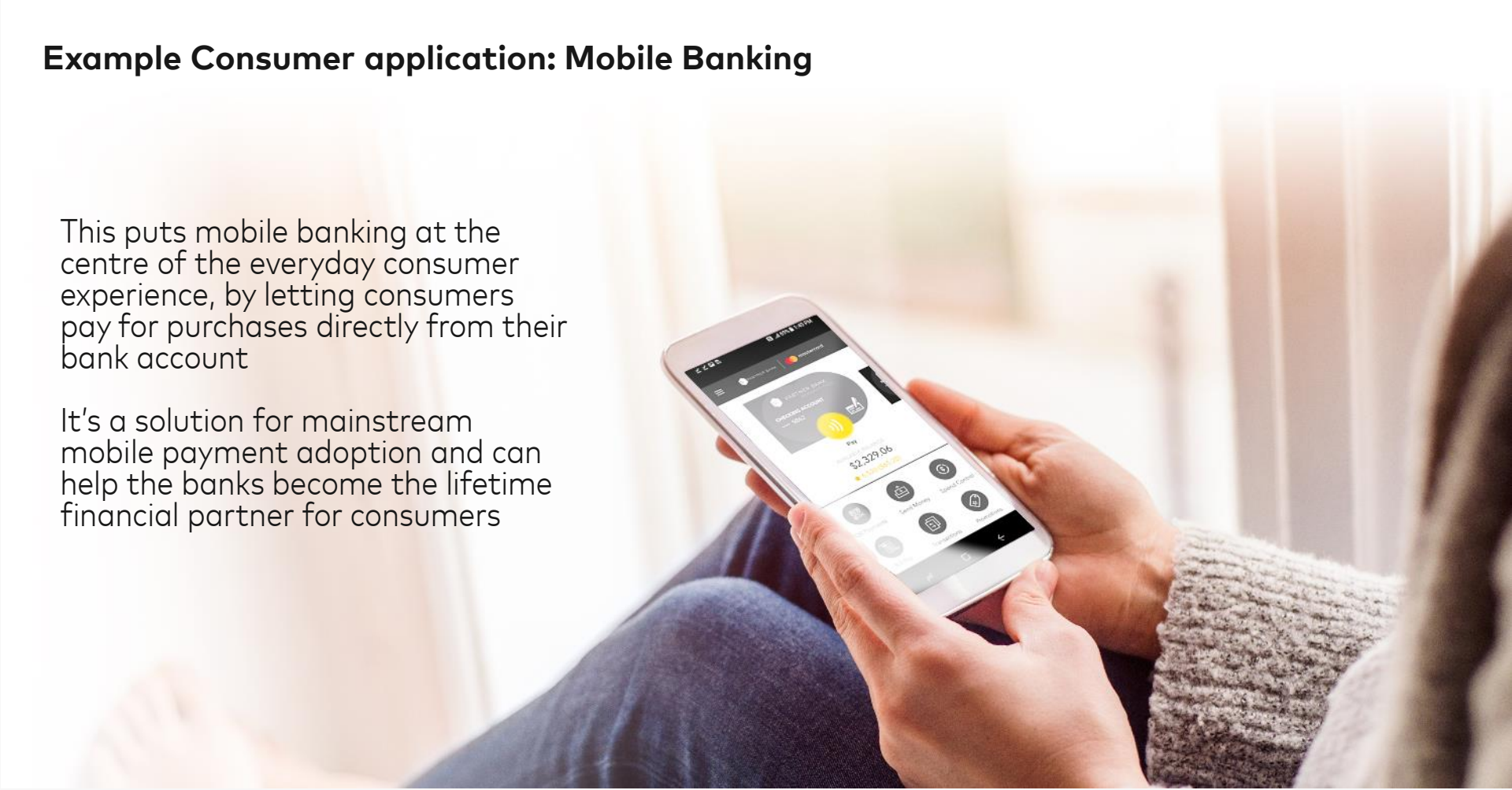
SOCIETY

- Bringing excluded Thai citizens into the financial fold
- Reduction in crime and security issues related to cash handling

Example Consumer application: Mobile Banking

This puts mobile banking at the centre of the everyday consumer experience, by letting consumers pay for purchases directly from their bank account

It's a solution for mainstream mobile payment adoption and can help the banks become the lifetime financial partner for consumers



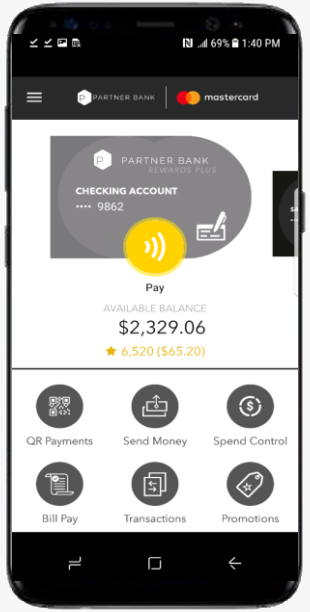
It can be used…

…to make payment directly from **any bank account** using m-banking app

…when paying for goods in a **store, online,** or via an **app**

…leveraging **Mastercard acceptance** footprint across contactless, QR and online channels

…for **domestic** or **cross- border** purchases



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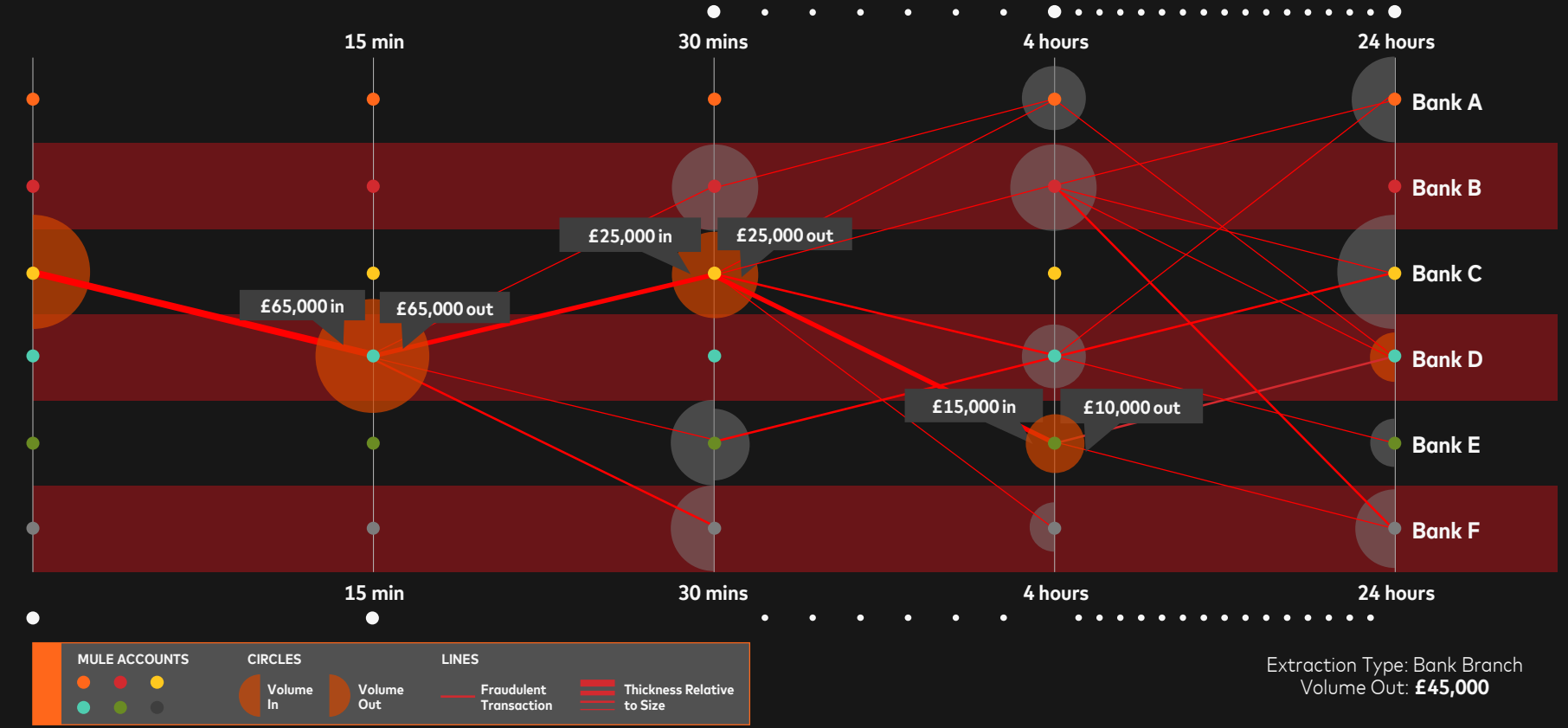
Example Analytics Service: Money Mules



Extraction Type: Bank Branch
Volume Out: **£45,000**

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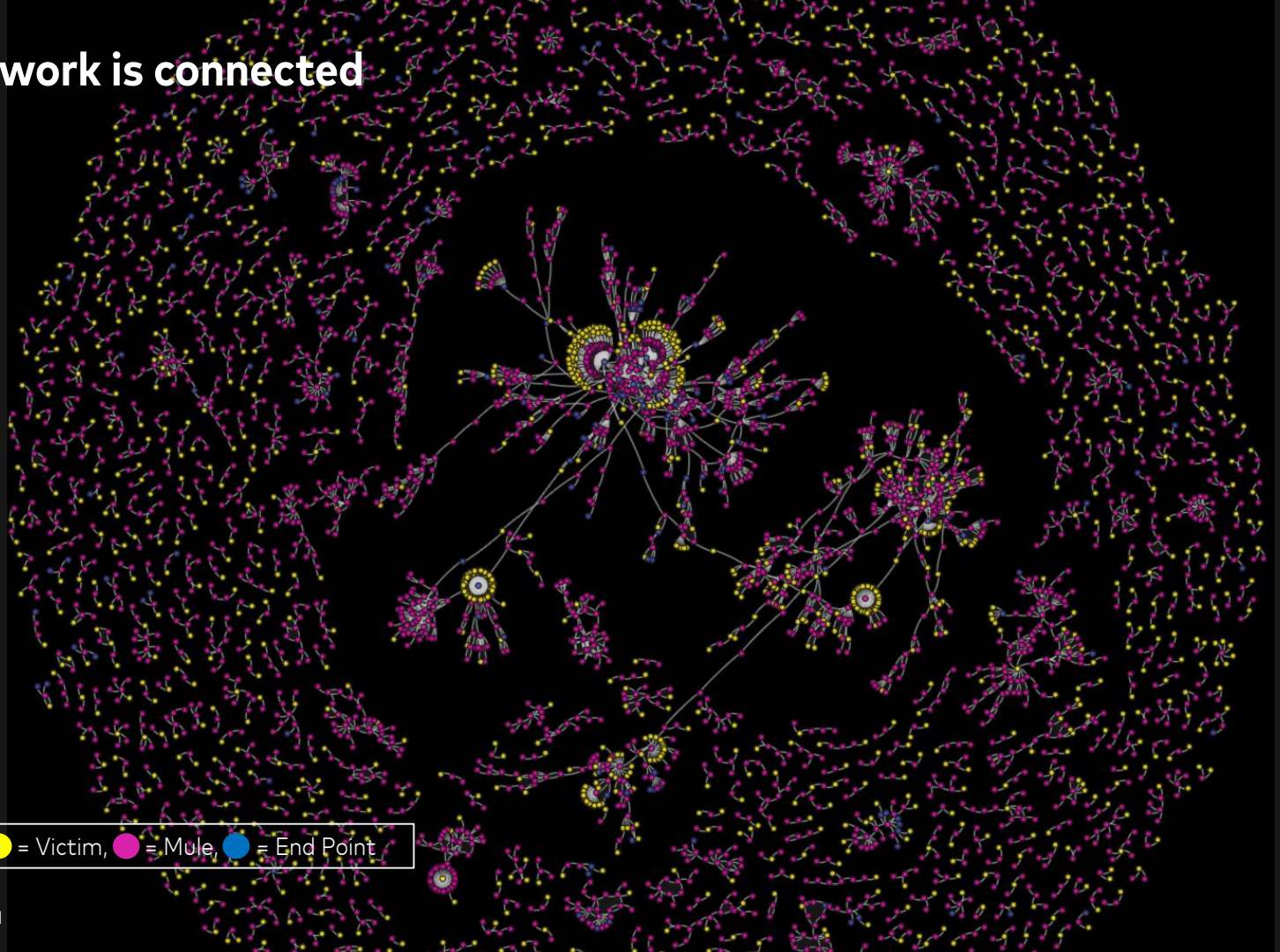
The network is connected



LEGEND: = Victim, = Mule, = End Point

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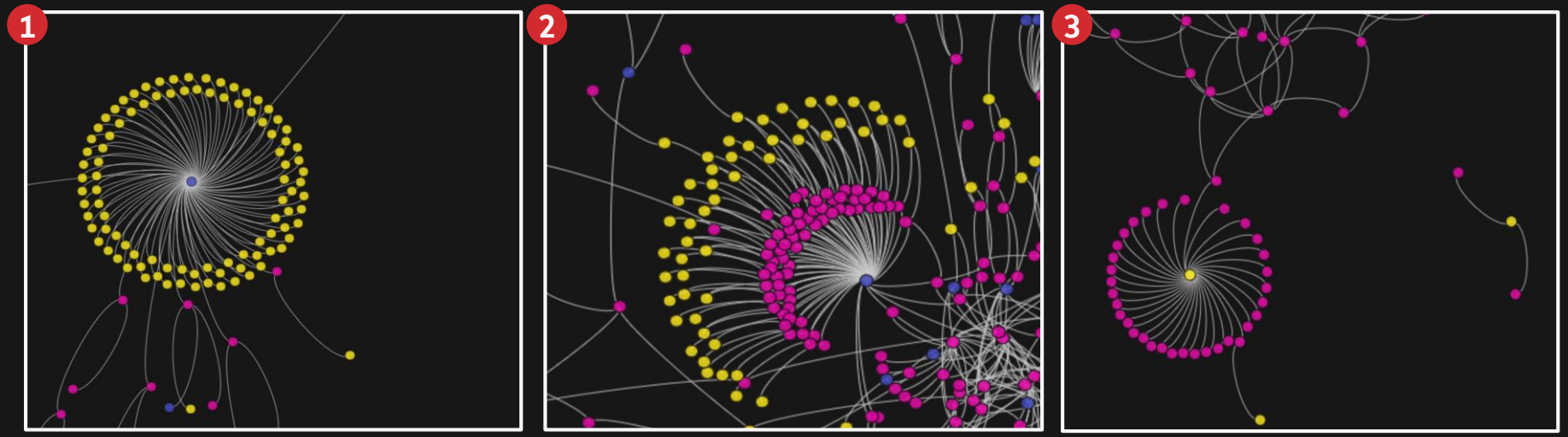
Network motif analysis enables predictive analytics



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