



Payments Innovation Jury Report 2015:

THE INSIDER'S VIEW TO
PAYMENTS AND FINTECH

Summary

FinTech and payment sector in particular is going through a rich period of innovation. The Payments Innovation Jury Report provides expert insight into the state of the industry, dispels the hype and shows where the greatest opportunities lie.

It is based on interviews with the Payments Innovation Jury, carefully selected individuals from across the world who have all created their own successful payments businesses.

The 2015 edition is the fourth time the report has been published over the last eight years. It is authored by John Chaplin, payments industry insider and Chair of the Payments Innovation Jury, and sponsored by Currency Cloud, Ixaris and WorldRemit.

The Payments Innovation Jury

The Jury is composed of 40 uniquely qualified individuals from 23 countries across six continents. Unlike many payments commentators, every Juror has been there and done it before. They have been kept anonymous so they be totally forthright in their opinions.

Some of the areas covered

- Where the smart investment money should go, growth and exit options for successful start-ups
- How technology giants can shape the payments landscape
- Where do start-ups and disruptors pose the biggest threat to incumbent providers, i.e. Visa/MasterCard, Western Union/MoneyGram, banks, and the big payments processors
- Emerging economies and how payments can support social and economic change
- Whether regulators hold back innovation and how they could better support it
- Mobile money: from financial inclusion in developing countries to Apple Pay in the developed world
- Cryptocurrencies and the blockchain: threats and opportunities
- Which payments innovations are most overhyped

A few of the key findings

On areas in need of innovation: Domestic P2P & international remittances are the areas of payments in most need of innovation. In the B2B space, international SME payments has the most potential for innovation

On exit options: Acquisition by a technology giant is now the most likely exit option for a successful payments start-up, showing how these firms recognise the commercial potential of the sector

On cryptocurrencies: Cryptocurrencies will not become viable alternatives to fiat currencies in the foreseeable future but the blockchain architecture has the potential to fundamentally change many areas

On mobile money: Availability of low-cost smartphones will be the single biggest enabler for driving universal adoption of mobile money. Very few mobile money schemes have yet turned profitable.

On the developing world: Of payments innovations from the developed world, virtual card payments are the most likely to find widespread success in emerging economies. It is about time that developed countries accept that they can learn from developing markets. Asia and Africa are in the lead in the payments innovation stakes and Europe is at the bottom of the heap.

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Foreword

Now is the most exciting time for the payments sector in living memory. Innovative payments start-ups are attracting plenty of VC dollars, technology giants such as Apple and Google are making a serious entry into the industry while incumbents such as the banks and card schemes are scrambling to defend their market positions. Cryptocurrencies are capturing the attention of the mainstream media while payments technology, especially through mobile, is proving to be a key means of promoting financial inclusion, especially in developing economies.

It is in this context that the Global Payments Innovation Jury has convened in 2015, for the fourth time in eight years. The Jury is a select group of individuals who are all founders or C-level execs at successful payments businesses. They all know what it takes to make it in payments.

Every two years the Jury gives their views on the state of the industry, seeking to identify where they believe the greatest opportunities to lie and to dispel some of the hype.

The 2015 Jury is the most diverse and impressive yet, comprising 40 uniquely qualified individuals from 23 countries on six continents. As in previous years I have kept the Jurors anonymous so that they can be totally forthright with their opinions. Unlike much of the chatter from commentators in the media and at industry conferences, the Jury has all been there and done it before. And most of them are still actively doing it. Furthermore, whereas a lot of the focus and media attention in the payments sector is on Western innovations, the Jurors can truly claim to represent the whole world with over one quarter of the Jury coming from developing countries.

There has been a much greater focus this time on the role of payments and FinTech start-ups in driving innovation. The Jury has looked at the market needs that most excite and interest entrepreneurs, the problems they will have to overcome in realising their ambitions and the likely endgame for the companies that they create. The Jury has also provided insights into which market incumbents are most at risk from new market entrants.

The following are just a few of the interesting or surprising verdicts of the Jury:

- In the consumer payments market, domestic P2P & international remittances are the areas of payments in most need of innovation and it is in the remittance space that the established providers are most at risk
- In the B2B space, international SME payments has the most potential for innovation
- Acquisition by a technology giant is the most likely exit option for a successful payments start-up, showing how these firms recognise the commercial potential of the sector
- Cryptocurrencies will not become viable alternatives to fiat currencies in the foreseeable future but the underlying blockchain architecture is potentially very significant for future innovation in many sectors of the market
- Many of the current in-store payment innovations appear to be solutions looking for problems
- Increasingly payment innovations from the developed economies and especially the USA don't seem particularly relevant in many regions of the world; of the current set of developed world innovations, virtual card payments are the most likely to find widespread success in emerging economies
- Availability of low-cost smartphones will be the single biggest enabler for driving the adoption of mobile money in developing economies and thus helping financial inclusion
- There are many lessons that developed countries could learn from emerging economies but it will not be easy to directly transfer products and services
- Many of the most significant innovations from a societal perspective are when the payment is an embedded enabler in a broader process and users have little visibility of or interest in the payment itself

I hope you enjoy reading the report which represents the views of some of the most influential people in the industry and that it gives you a valuable insight into the state of the sector.

In addition to thanking the individual Jury members who willingly gave their time to support the initiative, my thanks also go to the sponsors Currency Cloud, Ixaris and WorldRemit. Without their generous support, this report would not have been possible.



A handwritten signature in blue ink that reads "John Chaplin". The signature is written in a cursive style and is underlined with a single horizontal stroke.

John Chaplin, Chairman of the Payments Innovation Jury

About the sponsors

Currency Cloud



Launched in London, Currency Cloud is driving the transformation of the payments landscape to make international business and new markets accessible to everyone. With its developer friendly Payment Engine, businesses can build and automate their products, benefitting from real time wholesale rates and a fast, secure payment network. Everything is delivered by its next generation API. Currency Cloud works with some of the most remarkable businesses in financial services. From banks and Payment Service Providers to remittance firms and prepaid providers, including Azimo, XE.com and MANGOPAY. In the three years since launch, Currency Cloud has processed \$10 billion worth of international payments, across more than 40 currencies in 212 countries.

IXARIS



Ixaris delivers 'perfect-fit' payment solutions that facilitate money flows across both local and global payment networks including Visa, MasterCard and SWIFT. Since launching the first virtual prepaid Visa card across Europe in 2003, Ixaris has developed its virtual account technology into a comprehensive payments operating system that enables financial institutions and innovators to rapidly and economically create outstanding alternatives to the one-size-fits-all offerings of traditional banks. Ixaris-powered solutions are now used worldwide by consumers as well as multinationals within the travel, market research, outsourcing and insurance industries to optimize online purchasing, make cross-border transfers, and to seamlessly incorporate payments within business processes. Ixaris is headquartered in London, and is funded by private and institutional investors.

WorldRemit



WorldRemit is an online service that lets people send money to friends and family in other countries. Customers can use WorldRemit anywhere, anytime on their smartphone, tablet or computer. For those receiving money, WorldRemit offers a range of options including bank deposit, cash collection, Mobile Money and mobile airtime top-up. With low fees and guaranteed exchange rates, WorldRemit is bringing fair, transparent pricing to the money transfer industry. The service is available in 50 countries and sends to more than 110 receive countries. In March 2014, WorldRemit received \$40m funding from Accel Partners. In February 2015, the firm received \$100m in a round led by Technology Crossover Ventures.



1

INVESTMENT, GROWTH AND EXIT

Investment, growth and exit

Payments is arguably the busiest segment within the exploding FinTech ('financial technology') industry. Investment is flowing into the sector from angel investors, venture capitalists, private equity firms and corporate technology funds. At the same time as new players are entering the payments market, incumbents are increasing their attention and expenditure on innovation. Of course, not many of these innovations will find commercial success, so where should the smart money go?



Which areas of payments have the most need for innovation?

By some margin, the Jury believes domestic P2P payments to be the area most needing innovation [Q1].

The efficiency, governance and costs of domestic P2P payments infrastructures differ greatly from country to country with some far ahead of others. Certain countries including Brazil, Mexico, Singapore and UK already have industry-wide clearing services that allow banks to move money between account holders almost instantly. More countries including Australia and Finland have announced plans for near real-time ACH as this can enable a range of innovative alternative payment services.

In a few countries such as Bangladesh, Kenya, Philippines and Zimbabwe any inadequacies of the interbank clearing systems have been compensated by the development of widely used mobile P2P money transfer systems in place, allowing users to instantly move money at a low cost. The success of M-Pesa in Kenya is well documented. The Safaricom service currently has over 15 million active users

I don't consider that domestic P2P services in many markets are good but the issue for innovators is that customers don't expect to pay for them. But in consumer remittances and international B2B payments, customers are already paying highly so an improved value proposition is much easier to develop. **Juror**

I think that many consumer payments innovations are solutions for which there isn't a real problem. And yet there are real problems in B2B which are desperately in need of real improvement. **Juror**

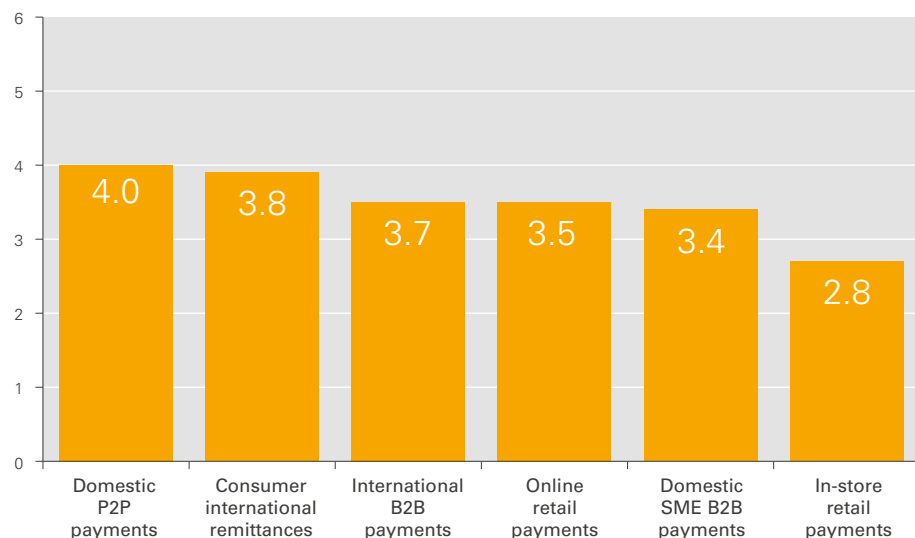
in a population of around 40 million.

But in most other countries, including the USA, it still takes multiple days for account to account transfers to happen. This led the Jury to conclude that there is a very significant market need.

The Jury sees international P2P (i.e. remittances) as another area of payments in major need of innovation. The remittance landscape is currently dominated by long-established players such as the specialist global providers Western Union, MoneyGram and Ria, the retail banks, and a plethora of smaller firms that focus on certain corridors (e.g. the USA to Latin America, UK to India). A significant proportion of remittances in some geographies such as East Africa, the Middle East and the Indian subcontinent also go through unregulated 'informal' networks such as the 'hawala' system.

Question 1

Which of the areas of payments has the greatest need for innovation? (1=least need, 6=greatest need)



Investment, growth and exit

The remittance industry has been heavily criticised in recent years after a series of money laundering, fraud and terrorism financing scandals. In recent years BNP Paribas, HSBC and Standard Chartered amongst others have all incurred large fines for breaking US sanctions. Many banks have withdrawn from servicing remittance firms because of the threat of fines, especially where there is an agent-based model with users paying in cash. Banks in the UK and US have made headlines by no longer supporting money transfer firms that send to Somalia because of uncertainty about compliance.

The established remittance providers have been criticised for high fees. A clear example is the UK-based Overseas Development Institute estimate that excessive charges cost the African continent \$1.8bn a year, with workers paying on average over 12% to remit money home which is double the global average.

The remittance industry has also been making the headlines with a series of money laundering, fraud and terrorism financing scandals. The risk of heavy fines has caused many established providers, especially the banks, to withdraw from servicing remittance firms particularly where there is an agent-based model with users paying in or receiving cash. A recent example is that most banks in the UK and USA have withdrawn facilities from money transfer firms that send to Somalia because of uncertainty about compliance.

Online retail payments are seen to be in greater need of innovation than in-store payments, suggesting that current offerings of the card schemes and traditional payments service providers (PSPs) are not fully meeting market needs in terms of cost, ease of deployment and user experience.

There are many online PSPs offering developer-friendly APIs entering the sector as well as organisations providing online wallets and direct to account payments.

Q2

What are the biggest barriers to success for a payments start-up?

When looking at the biggest barriers to entry for payments start-ups [Q2], the Jury feels that by far the greatest potential trap is that business models do not scale. This could be the result of a lack of proper planning at the outset. In the developed world in particular, there are many slick products that initially appear to be doing well but simply cannot scale outside of their home market or a limited demographic. Payments is increasingly a high-volume, low-margin

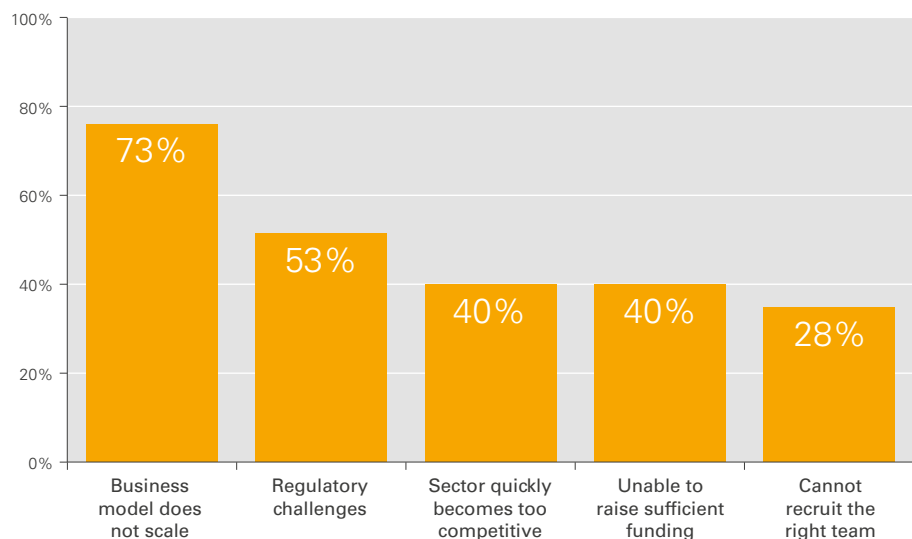
Many folks try to build a better mousetrap: more secure, more convenient, whatever. But this is not appealing to merchants. **Juror**

Building a business with low margins on top of a stack of existing cost is incredibly difficult. Finding new ways to commercialise payments outside of the payment itself is going to be the trick. **Juror**

Too many start-ups argue that they would be really successful if only the regulators would change the rules. **Juror**

Question 2

What are the biggest barriers to success for a payments start up? Tick up to three



Investment, growth and exit

business. For most start-ups, obtaining customers can be slow, difficult and expensive and there is a risk that the market demand may have changed before critical mass and profitability are achieved.

Regulatory challenges and the sector quickly becoming too competitive are seen as the next most important barriers to success (see section 6 'Regulation and compliance').

Conversely, fundraising and recruiting talent are not seen to be as significant challenges by the Jury. The FinTech sector has enjoyed a boom in funding in recent years. Established market players such as BBVA, Santander, Visa and Sberbank have all created funds for FinTech innovation recently. Global investment in FinTech ventures has more than tripled from \$930m in 2008 to \$3bn billion in 2013 (Accenture, The Boom in Global FinTech Investment) while one research house puts total investment in payments technology from 2009 to 2014 at over \$5bn (CB Insights, Payments Tech Investment Report).

Many cities now have thriving FinTech ecosystems with a wealth of talent and funding options. London, New York and Silicon Valley are leading the charge globally with a number of regional hubs emerging in places such as Singapore, Seoul and Berlin. This suggests that if entrepreneurs have a good idea for a payments start-up, the money and also talent is available to fuel its success.

Q3

What is the most likely future of a successful payments start-up?

Looking at the endgame for successful payments start-ups [Q3], the Jury sees acquisition by a technology giant as the most likely exit option. With technology giants now making

Some start-ups try to do too much themselves; the most successful use existing infrastructure for everything they can, and focus their efforts on the innovation that adds real value. **Juror**

serious inroads into the space traditionally occupied by financial services firms, this is not surprising. To name just a few significant acquisitions of recent years, Samsung has acquired mobile payments start-up LoopPay whilst Google bought mobile payments platform SoftCard and payments tech firm TxVia. And it should not be forgotten that one of the most successful start-up payments firms of the last two decades, PayPal, was acquired by eBay.

These findings make for insightful reading when compared with [Q4]. The Jury believes that start-ups are by a large margin the best at innovating in the payments sector (when we asked the same question back in 2013, start-ups received slightly less of the vote). Technology giants with payments ambitions come second with a significant 22% of the vote.

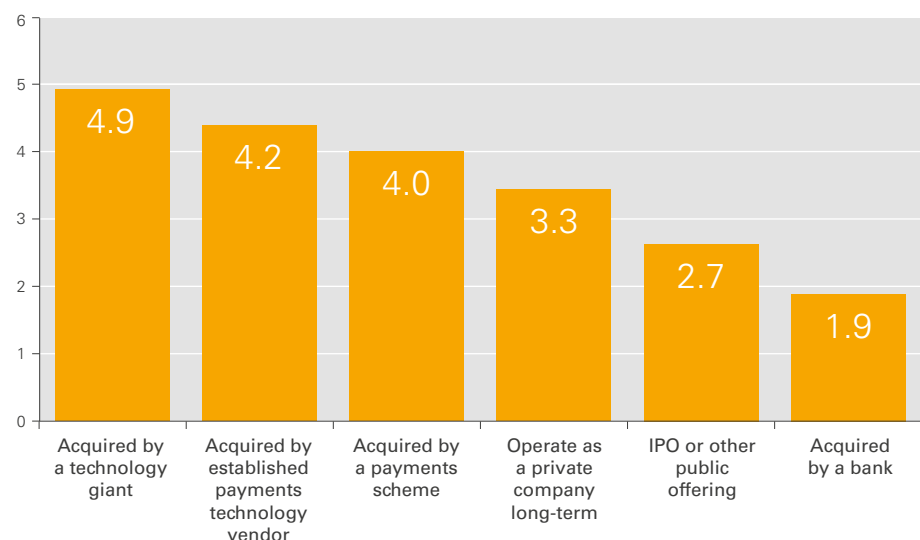
Q4

Which type of organisation is best at driving payments innovation?

The payments schemes and established payments technology vendors are keen to innovate and devote significant expenditure to this end but according to the Jury they are not very good at it. However if they cannot innovate internally themselves, the Jury sees them as compensating

Question 3

What is the most likely future of a successful payments start up? (1=least likely future, 6=most likely)



Investment, growth and exit

effectively for their deficiencies by regularly acquiring payments start-ups. The acquisitions in recent years by ACI, First Data, FIS, MasterCard and Visa add up to a major infusion of innovation into these global organisations.

It is notable that the Jury firmly believes that acquisition by banks is a much less likely endgame for successful payments start-ups. This is because most FinTech firms partner with and/or supply multiple banks and therefore being owned by a single bank could be a problem. There are some notable exceptions to this such as; Barclays' acquisition of Logic Group, BBVA's of Simple and Commonwealth Bank of Australia's of banking technology firm Tyme but they are rare.

An IPO is seen as the second least likely future for a successful payments start-up. This is mainly because the costs of flotation require the company to be a considerable size and generally investors do not want to wait that long to realise their gains. With the exception of Lending Club's recent IPO in the US, there have been a dearth of significant floats by growth FinTech firms in recent years although Cielo, Evertec, MasterCard and Visa Inc. were all major IPOs in the payments sector in the last decade.

Large, regulated organizations answering to shareholders are not typically breeding grounds for innovation. Mould-breaking ideas are more the province of start-ups, but "driving" innovation requires resources, something the tech giants and networks can leverage once they recognize and acquire innovative small businesses. **Juror**

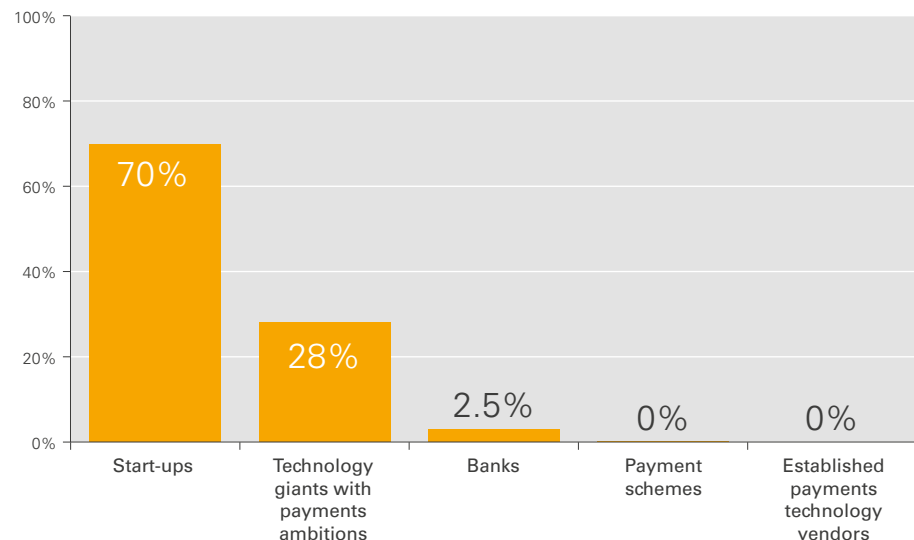
Payment Schemes post-IPO are now investing in innovation in a more concentrated way - but their legacy staff and culture can limit their success. **Juror**

Institutional players will always have problems being on the leading edge but will adopt innovations that scale. **Juror**

Evidence points to most recent payment innovations (like PayPal, Square, Stripe) all emerging from start-ups. There is no reason to think this would change. **Juror**

Question 4

Which type of organisation is best at driving payments innovation?
Tick one only



2

ESTABLISHED FIRMS AND MARKET DISRUPTORS

Established firms and market disruptors

The payments industry has long-established firms which have enjoyed profitability and success for many years. In this category are traditional banks, payments schemes, payments processors, money transfer firms and large payments technology vendors. There are also businesses that disrupt the status quo by entering the market for the first time, taking share from the established firms or by creating new value chains. In this category are payments start-ups, some telecoms operators through mobile payments and technology brands like Google and Apple, which are now making forays into the sector.

Much of the industry excitement around payments, and FinTech in general, is about the innovations of disruptors and whether they will take market share away from established firms like banks, card schemes and the big money transfer firms. But how much should these incumbents worry?

Q5

Where are established payments firms under most threat?

According to the majority of the Jury, established players are under the most serious threat in the consumer remittances sector. While the market share of new online-only players is still small, it is growing very rapidly and the Jurors feel that the long-established providers should regard new entrants into their space as very

“The established money transfer providers are at a very high risk of being disintermediated by the new generation of online providers. Juror

The schemes, PayPal, Western Union and so on have to develop stronger long-term strategies. Juror

serious competitors who are likely to take significant business from them. An issue for the incumbents in responding to this threat is that if they copy the business models of the new entrants, they risk cannibalising their existing revenue streams of their agent-location model.

In conjunction with the results of [Q2], the findings of [Q5] can be read as a business case for investors in certain areas of the payments sector. Remittances is also seen as one of the areas in greatest need of innovation by the Jury. Notably, when we asked the Jury back in 2013 which payments

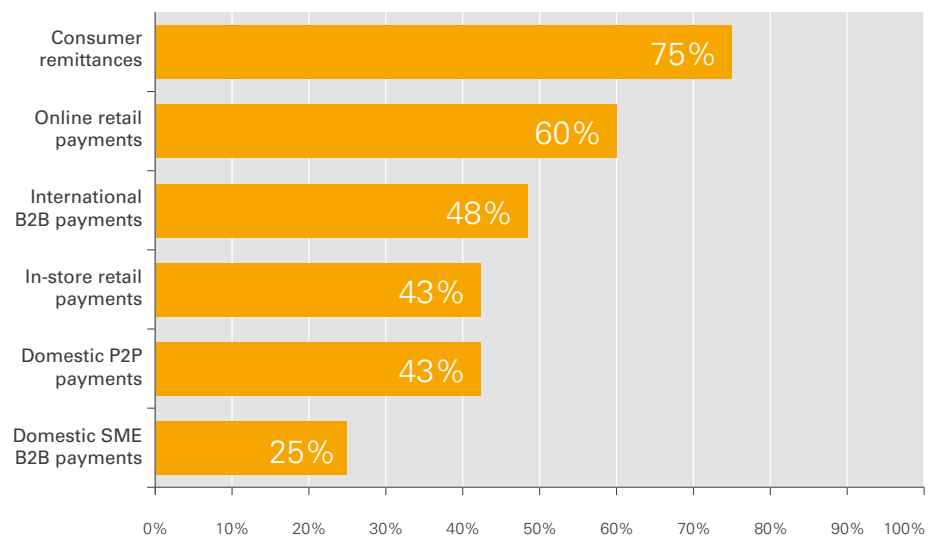
type they believed would be most profitable over the next 5 years, cross-border remittances solutions also came out as the clear favourite.

Over half of Jurors likewise feel that incumbent payments providers are under threat in online retail payments. In recent years we have seen emerging firms with online retail payment solutions such as Adyen and Stripe attract hundreds of millions in investments and rapidly build up considerable revenues. There are also organisations such as Klarna and Sofort offering different payment solutions to retailers in Europe.

However, most Jurors see domestic P2P payments as an area where the established payments firms are not under threat, at least in the next few years. Reading this in conjunction with [Q1], the Jury feels that while there is a real need for innovation in many markets, the current industry structure makes it relatively difficult for new players to displace existing players.

Question 5

In which areas of payments are established payments firms under significant threat in the medium term? Tick all that apply



Established firms and market disruptors

Retailers have finally understood that the ownership of the checkout is a main asset and a competitive advantage and are trying to extract its value. **Juror**

International payments have been a rip off for ages. Yet it has, hitherto proved difficult for new entrants to attack the margins of a Western Union or even traditional banks. **Juror**

In-store retail is set for a huge upgrade as smartphones offer an unprecedented opportunity to enhance the experience. **Juror**

For example, in many countries, the incumbents are major retail banks that own and run the domestic payments infrastructure. Payments start-ups are frequently unable to access the infrastructure at acceptable prices until they process large volumes of transactions. And they may not even be able to access the systems without sending transactions via an established bank that applies a mark-up on the price. So they are in a Catch 22 situation.

On the B2B side, the Jury feels that although there is a need for innovation in both international and domestic payments, the incumbents are more under threat for the international business. The high level of charges and relatively poor levels of service makes business customers, especially SME's, potentially receptive to lower cost and more efficient international solutions).

processors and technology vendors to acquire them later although the banks should not normally try to turn a partnership into an acquisition. Acquisition of any start-up always creates the risk of killing the innovation that made them attractive in the first place, so the Jury thinks that long term partnerships may sometimes be preferable to acquisition. The risk of stifling the ability to innovate is greatest for the banks but is also considerable for any large, established firm.

Many banks still adopt a conservative approach to technology development, choosing to build products in-house or only buy solutions from large, established technology vendors. The latter, in the Jury's opinion, is the least effective approach to payments innovation suggesting that despite a significant number of acquisitions most established technology vendors are not yet offering a sufficient range of innovative solutions. The culture of 'not invented here' and fears that working with small companies is a security and compliance risk persist at many large financial institutions and damages their ability to be competitive in the rapidly changing market.

The Jury believes that innovation funds and incubators are not particularly effective ways to approach payments innovation. The FinTech sector in certain developed economies

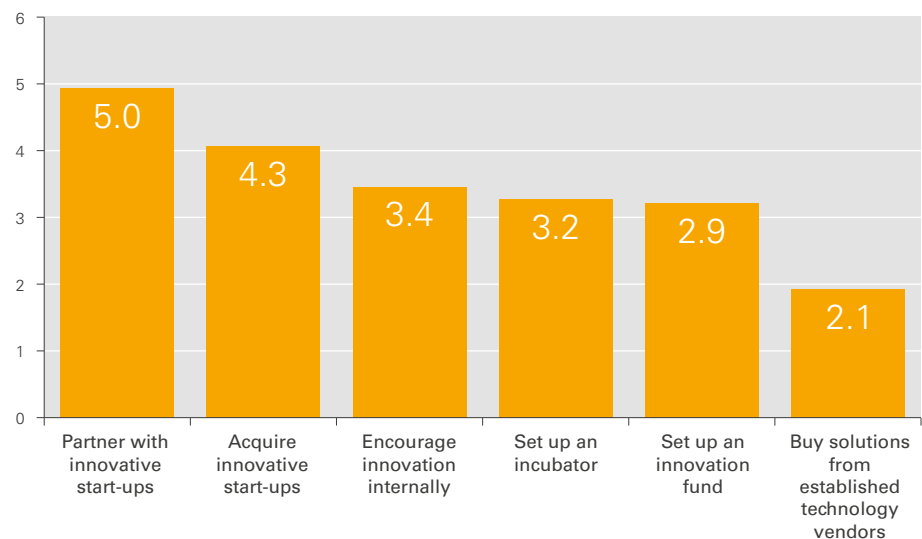
Q6

What is the best payments innovation model for established firms?

The Jury does not consider the large, established payments firms adept at driving innovation. The Jury believes that the best approach for incumbents is to partner with innovative start-ups [Q6]. There is the option for payment schemes,

Question 6

What is the best model for established payments firms to approach payments innovation? (1=worst model, 6=best model)



Established firms and market disruptors

The established money transfer providers are at a very high risk of being disintermediated by the new generation of online providers. **Juror**

The schemes, PayPal, Western Union and so on have to develop stronger long-term strategies. **Juror**

is inundated with incubators and accelerator programmes (in London alone there is Barclays TechStars, Startup Bootcamp FinTech, Level 39, Accenture's FinTech Innovation Lab and others). While many of these incubators provide great value in helping start-ups get off the ground, the Jury's scepticism suggests they think there may now be more incubators than there are good businesses to support. However, there can be considerable additional benefits to incumbents from setting up incubators or funds. For example an incubator can help an incumbent to be seen as innovative and engaging positively with the start-up community.

Q7

What are the inhibitors to established payments firms publishing APIs?

In [Q7], the Jury considered the importance of APIs -Application Programming Interfaces. APIs can be a catalyst for innovation and have revolutionised product development in numerous industries. Many emerging payments firms allow their APIs to be openly accessed by potential customers or partners. This aids innovation by allowing developers at established firms to experiment with the integration of a

new feature or service into their offering and so help bring new functionality to market more quickly.

Some commentators in the payments sector have argued that the incumbents such as banks should harness the innovative talent of the external developer community by opening up their payments APIs to help bring new products to market more quickly. At present, the majority of established payments firms keep their APIs secretly guarded, but there have been some notable exceptions such as MasterCard's API Developer Zone and Credit Agricole's CA Store.

The Jury feels that the reality is that the majority of established payments firms will not open up their APIs in future, particularly because of concerns over compliance and security. Dealing with an onslaught of regulation, banks in particular are extremely wary of incurring fines and have invested heavily in compliance. Likewise, cybersecurity and

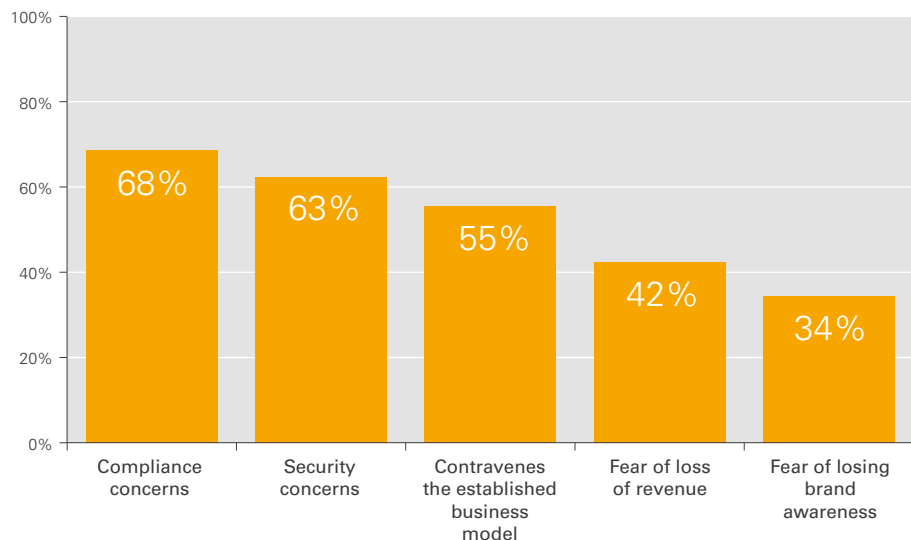
The majority of banks will be reluctant to let third party developers have access to their APIs for many years to come because they still believe that they should deliver all products and services to the customer. But there will be some enlightened exceptions. **Juror**

Too many people still see APIs as a technology issue when they are really a key business strategy. **Juror**

The biggest challenge is actually that the established firms built their systems to meet a particular need or provide a particular solution and not necessarily to support 3rd party integrations. **Juror**

Question 7

What are the inhibitors to established payments firms publishing their APIs? Tick all that apply



Established firms and market disruptors

concerns of data breaches are top of mind. The Jury also considered that the idea of letting third parties develop new products is just too big a step for many established players to take; their business models do not work that way. All of these factors are going to inhibit most established players from opening access to their APIs.



How will established payments firms use the cloud to innovate within 3 years?

In [Q8], the issue of growth payments firms collaborating with incumbents is examined from the innovators' point of view. Most innovative payments firms deliver their services through the cloud, which incumbent firms have so far been very cautious about.

The majority of the Jury believes that banks and other established payments firms will make more widespread use of cloud technology over the next three years. The Jury feels that it is unlikely to go as far as incumbents fully replacing their core systems with cloud-based alternatives. However, established payments firms will use cloud-based technology to deliver standalone new services for their customers. This means there is a key opportunity for payments innovators to sell in new services delivered from the cloud to incumbents to operate alongside their core systems.

We will definitely see cloud technology becoming more mainstream in financial services. The cloud will initially be used for non-sensitive applications. We will see more firms deploying solutions delivered on software as a service basis. **Juror**

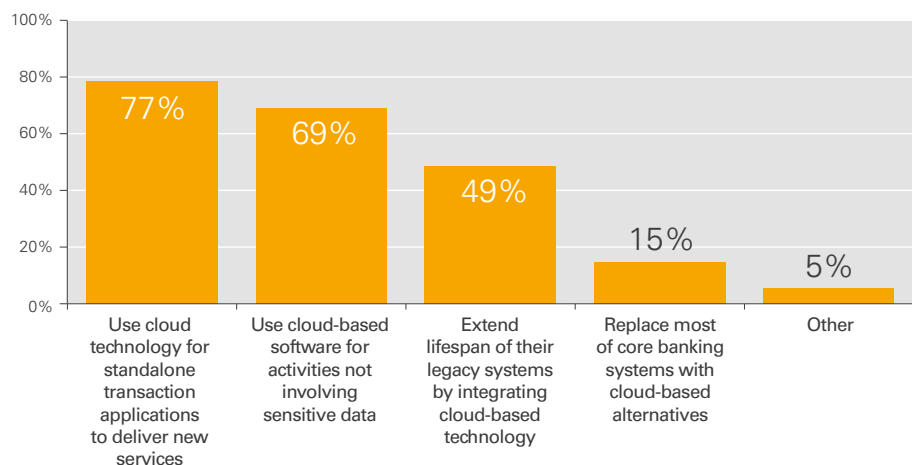
The cloud is the future, but three years is a short time. Too short for replacing legacy systems. **Juror**

Banks that are late in adopting the cloud will find themselves unable to compete with the nimbler competitors that do. Nevertheless the move to the cloud will be cautious and gradual. **Juror**

Branded players can't charge a premium if they are dumb pipes. Security is something start-ups can more easily afford to risk than established players. **Juror**

Question 8

Within the next three years, which of the following cloud-based approaches to innovation will be adopted by established payments firms? Tick all that apply



3

INNOVATION AND GEOGRAPHY



Innovation and geography

Much of the attention from the media and the industry is focussed on payments innovations for the developed world, perhaps unsurprisingly as most of the established payments schemes, technology providers, tier one banks and technology giants are from USA, Western Europe, South Korea and Japan.

However, some of the most exciting innovations in payments today are coming not from developed economies but from emerging economies. The lack of banking and payments infrastructures in many developing markets, whilst a hindrance to businesses and consumers, is also a catalyst for entrepreneurs.

Q9

Which region will innovate most in payments in next 2 years?

The verdict of the Jury in 2013 was that Asia, followed closely by Africa would show the most payments innovation over the next 24 months. North America was third in the ranking, whilst it was thought that Europe would show the least innovation by far. This time [Q9] we have seen a similar result, although Africa has pulled away slightly from North America into a clear second place.

Developed Asian markets such as China and South Korea have had many success stories in the payments sector in recent years, while countries such as India and the Philippines are creating new ways for consumers to send and receive money via mobile. In sixteen African markets there are now more mobile money accounts than bank accounts (see GSMA's recent report). Mobile is also being

used in Africa to transform payments, transfers, savings, and even credit. The USA because of sheer market size and high levels of technical & business skills continues to be a hotbed of innovation. Sadly burdened by legacy infrastructure and uncertainty about whether innovation should be collaborative or competitive, the Jury thinks that Europe continues to lag far behind.

Q10

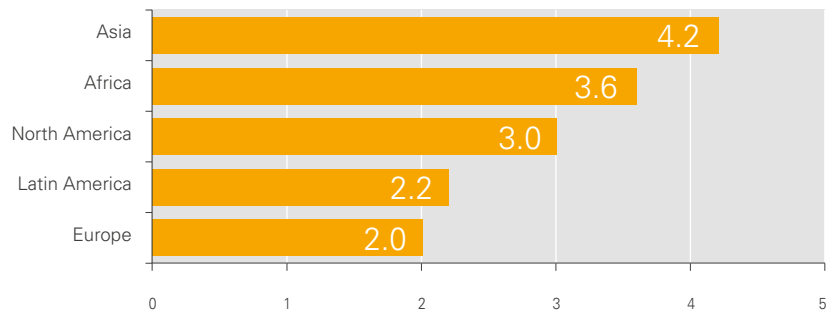
What is the best payments model for emerging economies?

Looking more closely at how emerging economies approach payments innovation [Q10], the Jury was asked how these economies could best bring services to market. Emerging economies tend to have a choice between implementing payments solutions and technologies from established international firms (a form of industrial colonialism) or creating and deploying their own payments solutions locally. Some developing economies use essentially the same products that international providers offer all over the world, whereas others buy in certain components from international firms where necessary but prefer to develop local solutions.

In 2014 Chaplin, Veitch & Bott published research looking at the relative merits of domestic and international card payment solutions for domestic purposes. They found that domestic solutions have the potential to be lower cost and more tailored to the market needs, although the market reality is that many countries adopt a mixture of the approaches.

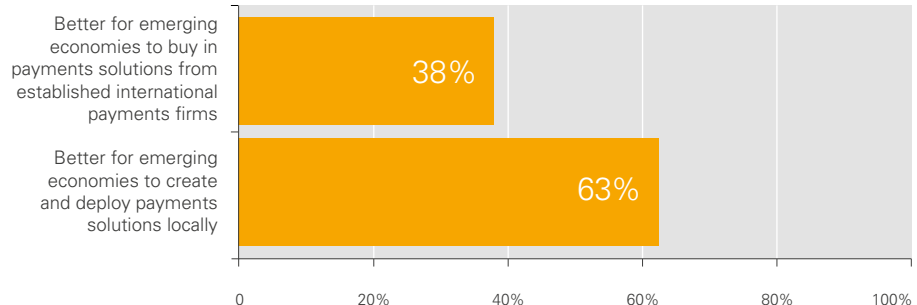
Question 9

Which region will show the most payments innovation over the next 24 months? (1=least innovation, 5=most innovation)



Question 10

Which of the following statements do you most agree with?



Innovation and geography

The Jury's response to [Q11] suggests that the previously dominant model of 'conform and buy' from the international firms may be starting to look inappropriate for many developing economies.

Q11

Which payments innovations will succeed in multiple developing economies?

In [Q11] the Jury was asked which payments innovations originating in the developed world are most likely to succeed in multiple developing markets. Virtual card/account payments are seen as the innovation with the greatest chance of finding success in emerging economies. Virtual card payments can provide the basis of any online or mobile account (wallets) and allow a payment to function similar to a card payment but without the cost of creating a high cost physical form factor.

A lack of payments infrastructure such as a physical point-of-sale network in many developing countries means that virtual card payments can make plastic significantly less attractive in those countries.

In developing economies which distribute physical cards but lack the resources to deploy physical POS terminals, the Jury believes that mobile card readers like that of iZettle and Square can have a significant role to play. Some of the Jury see success for contactless/NFC in developing markets but not all. Although cheap smartphones are now flooding into developing markets, this may not lead to widespread NFC adoption given that the technology has still failed to consistently take off in the developed world.

Some international solutions are useful as are international standards. It can be tough for a small emerging economy to support an ecosystem of terminals and certification and so forth. **Juror**

Bank card lends itself to a hybrid approach of local solutions with international components. But, when an economy has no ACH infrastructure, importing an internationally developed solution may make more economic sense. **Juror**

Modi's 'bank account for everyone' initiative for India, M-PESA in Kenya, and micro-finance are all innovations that provide inspiration and important lessons for payments innovators everywhere. **Juror**

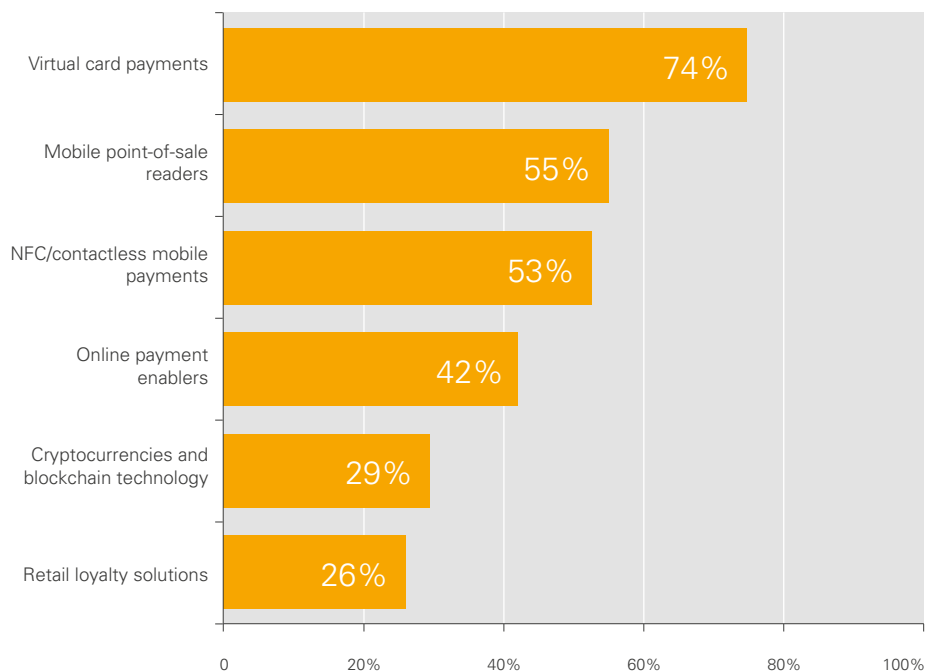
Virtual cards are really important for developing markets because they can be the kernel of both mobile payment solutions and online payments. The very low cost of issuance of virtual accounts makes them very attractive.

Juror

Both virtual cards and mPOS offer solutions that can provide advanced payment services over a limited payments infrastructure, enabling e-commerce purchasing and card acceptance for the masses. **Juror**

Question 11

In the near future which of the following payments innovations will be successful in multiple developing economies? Tick all that apply



Innovation and geography

At the bottom of the Jury's ranking for migration from developed to developing markets are retail loyalty solutions and cryptocurrencies.

Q12

Can the developed world learn about payments from developing markets?

Should the flow of payments innovation also go in the other direction? The Jury clearly thinks that developed economies can look to some of the payments success stories in developing economies and absorb the lessons. However they viewed that to directly transfer products and services into developed markets with entrenched business models in payments is unlikely to be easy. However the developing world's most publicised innovation, M-Pesa, recently launched in Romania in Europe and some of the nano/micro-credit models created in developing markets are starting to be introduced in developed markets. So there will be pockets of opportunity for developed markets to deploy services created in emerging economies.

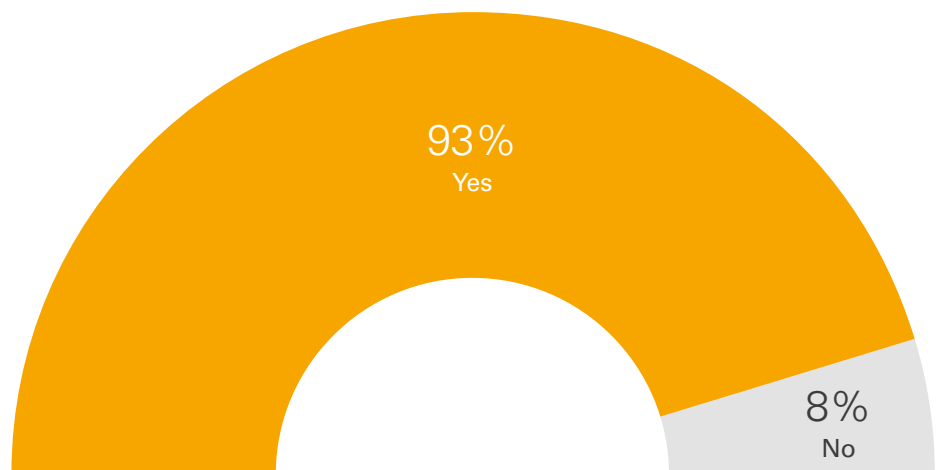
Innovations that owe success to a lack of infrastructure in the developing world may fail to gain a foothold in economies with entrenched models. The mobile payments success of MNO's in under-banked Africa has not translated into their success in over-banked America. **Juror**

There are innovative small business loan services in developing markets which are more advanced than those in developed markets. **Juror**

The developing world is not bound by existing legacy systems, business models or customer behaviours and as such offer a fresher perspective that can often see beyond the scope of established business models. **Juror**

Question 12

Do you feel the developed world has lessons to learn from the developing world when it comes to payments innovation?





4

PAYMENTS AND SOCIAL CHANGE

Payments and social change

Q13

Can payments innovations lead to social and economic change?

Much of the focus is often on how to make payments lower cost and more profitable. However innovation in payments and FinTech can also be a catalyst for social and economic changes, beyond the mere transmission of the money. These changes can put the short term financial position into a broader perspective.

Mobile money systems such as bKash and M-Pesa have made major contributions to changing the economic circumstances of underbanked communities in Bangladesh and Kenya. Furthermore beyond the core service a whole eco-system and industry has built up. The M-Shwari deposit service which is built on top of M-Pesa has been a contributor to the development of a savings movement. There are other less known examples of how prepaid card products have facilitated the outsourcing of back office roles from developed economies to developing economies.

Prepaid products from companies such as Payoneer enable instantaneous cross border payments at low-cost to be made from businesses to workers in lower cost economies which has led to greater outsourcing of clerical and similar roles. Until the payment service was developed, such a business model was uneconomic and rarely existed. And stored value cards provide an essential enabling component of the TransMilenio public transport system in Bogota; being able to distribute funds electronically to multiple operators in a system where a journey to work can involve several independent vehicles has enabled the whole process to be dramatically simplified and speeded up.

The Jury all agreed that payments can be a catalyst for economic and social change. We asked them here to give examples from their own experience.

In Morocco the banked population rate has increased to 2/3 thanks to prepaid cards, online bill payment are implemented by the major public operators, including tax administration, and the government is launching a card program to distribute grants and subsidies. **Juror**

People talk about how e-commerce has revolutionized buying habits but the biggest impact has been on selling. Small traders in African countries can now sell their products to a much wider market, often abroad and know that they will receive payment...this is a major revolution. **Juror**

The Indian initiative to give everyone a formal proof of identity and a bank account has yet to fully play out but holds great promise for social and economic change in rural India. **Juror**

Stored value cards have led to dramatic improvements in the operation of city-wide transport services in a number of developing markets by allowing for the sharing of fares between operators. **Juror**

PayPal facilitated online micro-merchants. Credit card facilitated travel. And new mobile based payment methods in Africa are enabling information and money to travel vast distances. **Juror**

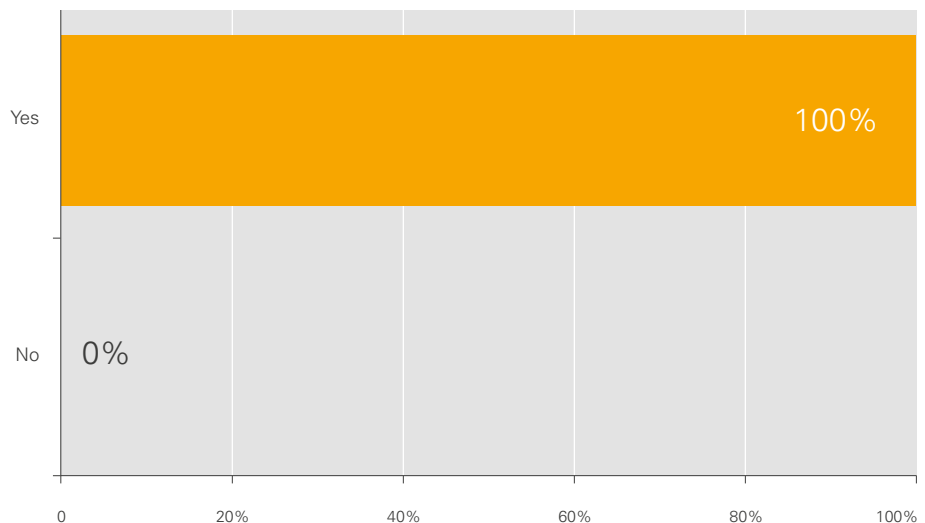
M-Pesa in Kenya and similar systems in other emerging markets for the first time bring an account/banking/payments infrastructure to large portions of a unbanked population. **Juror**

Prepaid telephony (the method of selling airtime on a prepaid basis, together with the distribution channel of selling top up credit through massive micropayment enabled networks) gives access to voice and data communications to large numbers of people that would otherwise not have had it. **Juror**

Payments innovation can be used to improve visibility and transparency of government revenues. **Juror**

Question 13

Can payments innovation be a catalyst for social and economic changes?



5

BUSINESS PAYMENTS



Business payments

Q14

Which are the B2B payments segments with most innovation potential?

Consumer payments is a more crowded space than business-to-business payments by virtue of it being easier to understand for innovators. Most of the publicised payments innovations are consumer-focused, enabling them to pay each other, or to pay businesses. B2B payments require more specialist expertise, but frequently it is a more profitable area in which to innovate especially as businesses are accustomed to paying for services. The Jury expects more innovators trying to emulate the success of Traxpay that originated in Germany but is now going global.

In [Q14] the Jury was asked which area of B2B payments has the most potential for innovation i.e. which B2B payments types are currently underserved and could be a good choice for innovators. The findings show that the Jury feels that SME payment options are particularly lacking. While large multinationals often have effective, tailored payment services from banks and other payments providers (although not all would agree with that statement), payments option for SMEs can be limited, expensive and inefficient, especially cross-border.

Increasing globalisation has already revolutionised international trade. Global trade flows reached \$26 trillion in 2012, with McKinsey predicting that flows could triple from 2014 to 2024 (See Global flows in a digital age). More and more small businesses are now trading internationally but unfortunately cross-border payment services are still catching up. A number of FinTech firms are innovating in the SME cross-border payments sector although none have currently gained mass adoption.

Banks and other providers charge far wider FX spreads for SMEs than they do for large corporates as well as significant fees for the transaction itself. The correspondent banking network and the manual processes involved in traditional international payments also add costs to the transaction that are ultimately borne by the user.

A related area that the Jury sees in need of further innovation is e-invoicing. Paper invoicing for both suppliers and buyers is a drain on productivity and leads to increased costs. Automated e-invoicing processes can let workers focus on more important activities, quicken the payment cycle, reduce fraud and improve the relationship between suppliers and buyers. Adoption of e-invoicing is increasing rapidly although as one Juror points out, there is still a long way to go in standardisation and in solutions that can integrate across multiple systems.

There are big inefficiencies in international payments for SMEs. While multinationals often take advantage of cross-border banking relationships to optimize their international payments, most SMEs still pay hefty charges. **Juror**

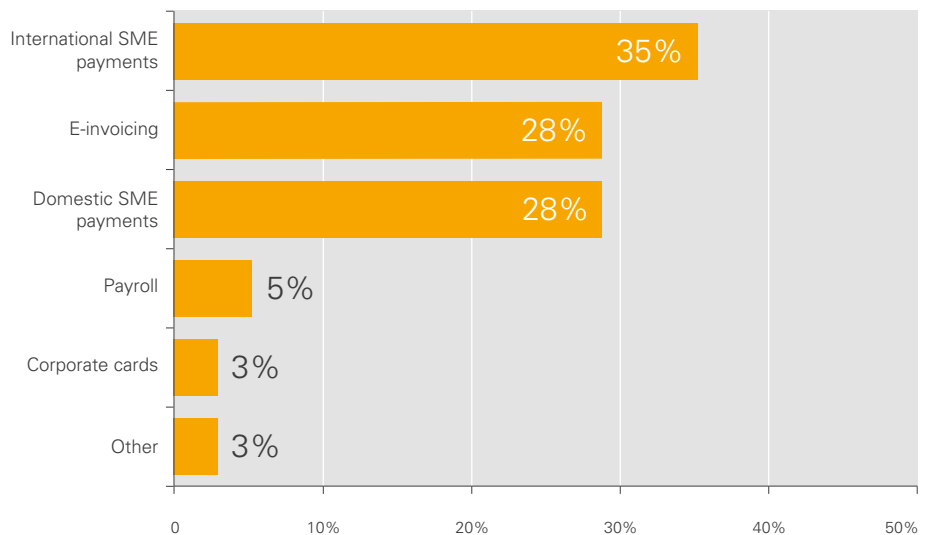
I think domestic SME, International SME and E-invoicing can be grouped together as a collective opportunity. The B2B payments arena does not have to be as complex and inefficient as it is -- innovation can drive many of the efficiencies that are more prevalent in the consumer space. **Juror**

Nobody has ever really looked at the whole process of the salary credit - why is it not split BEFORE it reaches your bank account into savings, payments, investments. **Juror**

E-invoicing still has a long way to go in the development of standards that can scale and its usage across multiple organisations and systems that they use. **Juror**

Question 14

Where area of B2B payments has the most potential for innovation? Tick one only





6

REGULATION AND COMPLIANCE

Regulation and compliance

Financial services is quite rightly one of the most heavily regulated industries in the world. However, the regulators responsible for financial services are frequently criticised for creating a regulatory environment that is detrimental to payments innovation. The vast majority of regulators wish to create a payments environment that is efficient (normally interpreted as low cost) and protect the interests of consumers and businesses. Nevertheless, with the limited resources they often have, their task is extremely difficult given the rapid changes in technology and value chains. In [Q15] the Jury gives its views on which common criticisms levelled at the regulators are most justified.

Most regulators are former industry executives...big problem. **Juror**

some payments innovators use grey areas in regulation to their advantage. By pushing boundaries in a way that established providers will not, firms can carve out niches for themselves and redefine what the market expects.

However the majority of the Jury believe that a lack of understanding on the regulators' part is a serious hindrance to payments innovation. The payments sector is complex, containing nuanced relationships between users and industry players, and connections with industries beyond payments itself.

While regulators need to hire good quality, experienced staff, many lack the financial resources to hire the appropriate talent. Generally the brightest talents in any market prefer to be innovators themselves rather than become regulators. As several jurors noted, payments firms themselves have a responsibility to engage with the regulators much more proactively to help them better understand market dynamics because proper engagement can lead to better regulation. There is of course a risk to innovative start-ups when large established payments firms use their extensive lobby resources to protect incumbents from incursions by new market entrants. To counter this danger, some payments regulators now have a specific focus on establishing a regime that supports innovation.

Q15

How do regulators restrict payments innovation?

According to the Jury, the threat of fines for failure to comply with payments regulation does not materially hinder innovation. Despite hundreds of millions of dollars of fines and financial penalties for banks and processors in recent years, the Jury feels that this is not stopping innovators coming to the sector.

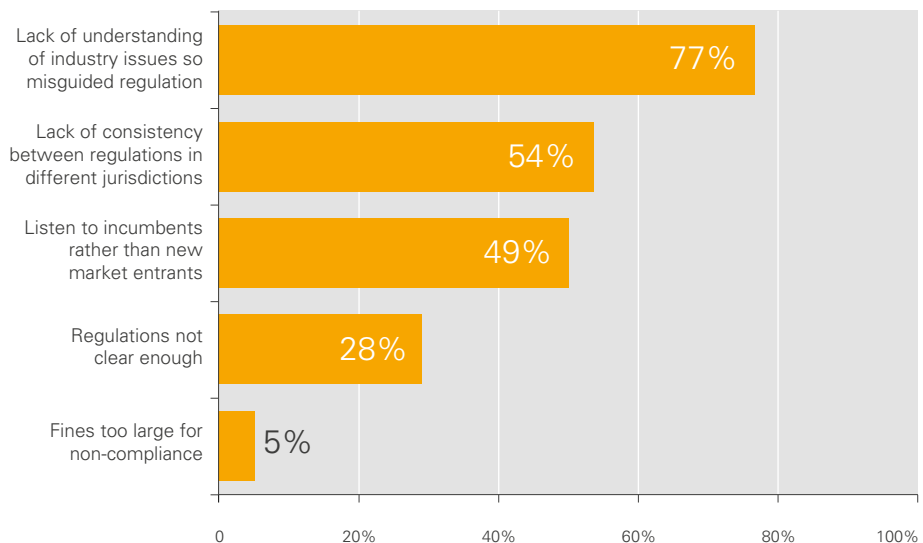
For the most part, Jurors also do not see a lack of clarity in regulations as hurting innovation in the sector. Indeed,

A clear and uniform set of rules that applies across the world would release a huge amount of value by increasing innovation, competition and removing the inefficiencies caused by fragmented systems designed to keep each regulator happy. **Juror**

Most regulators lack the sophistication and expertise required to understand modern models and try too hard to be too prescriptive. This creates poor regulations that are inconsistently applied and have unintended and adverse consequences. **Juror**

Question 15

How do you believe regulators restrict payments innovation? Tick all that apply



Regulation and compliance

Most regulators lack even basic understanding of existing (forget emerging) digital trends and have a strong incumbent bias. **Juror**

Frequently regulators have good intentions but lack of detailed understanding often creates bad and unclear regulation. But the industry is often to blame for this because they don't engage proactively with regulators to help them understand the real issues. **Juror**

Overlapping or conflicting regulation between jurisdictions (for example, between Europe and the USA) is seen as a significant issue by the Jury. Powerful regulators often do not want to be seen to be deferential to the regulator of another jurisdiction and this can lead to conflicting regulation. Regulators do need to take more efforts to talk with one another to create consistent regulation.

Q16

How can regulators support payments innovation?

Looking at the issue from a different angle, the Jury was asked how regulators can create an environment more supportive of payments innovation whilst still protecting customers.

[Q16] suggests that provision of better access to payments infrastructure is the area where regulators can most help support payments innovation. New entrants to the payments sector, especially start-ups, often complain that they cannot access the payments infrastructure because it is owned and controlled by market incumbents. Market incumbents can use their influence to restrict access to the infrastructure and also pricing may be skewed in favour

of the larger incumbents thus making it uneconomical for start-ups. In the UK, this is a particular area of focus for the new payments regulator.

The Jury also believes that operation of a risk-based approach to regulation is important for innovation to flourish. Regulating players according to the risk they pose to the financial system is important for start-ups that often concentrate on lower value transactions and are usually processing a much smaller volume of payments than a systemically important bank. Adopting such an approach, according to the Jury, would help encourage payments innovation because it is a practical rather than a prescriptive one.

An ability to get regulated is also recognised by the Jury as a significant issue, especially for start-ups. Some regulators have taken steps to address this issue by providing a tiered process to getting regulated.

Regulation is conservative and thus protects incumbents, who then have an interest in increasing regulation. Maybe a simpler 'innovator' status that allows new approaches up to a level so ideas can come to the top. It would be risk-based, better access and simpler. **Juror**

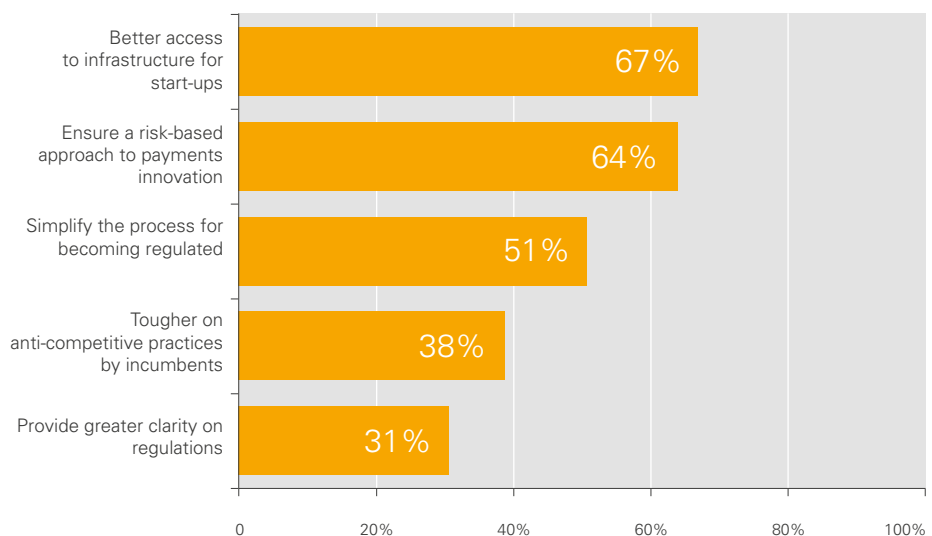
Central processing and clearing is a public utility that should be managed as such. **Juror**

The opportunity for incumbent payments providers to promote anti-competitive practices is always there. Regulators have to be really vigilant or else innovation will be stifled. **Juror**

Direct access is almost non-existent unless a company is more established. **Juror**

Question 16

How could regulators better support payments innovation?
Tick all that apply



7

MOBILE MONEY AND PAYMENTS



Mobile money and payments

If the phones are cheap and connectivity is free the services will develop both locally and globally. **Juror**

Currently many mobile money operators do not make money and their walled garden model is not helping them. Consolidation of mobile money providers will increase customer utility and also operator profitability. **Juror**

Cheaper smartphones will certainly be an enabler, but I'd also include far better interoperability of mobile payment solutions. **Juror**

Growing mobile phone adoption around the world is undoubtedly one of the biggest current drivers for payments innovation. As more and more people get access to handsets, previously unreached parts of the global population can enjoy formal financial services for the first time and often without involving a traditional bank. Rising availability of low-cost smartphones with far greater functionality than feature phones has also opened up opportunities for new ways to send, receive and spend money.

In March 2015 the GSMA released its report Mobile Financial Services for the Unbanked which revealed how mobile money use is expanding. By the end of 2014, there were 103 million active mobile money users globally, up from 60 million in 2013. And there were 255 active mobile money services worldwide with twenty-one of those services currently having more than one million active users. These high-growth figures are tremendously promising but as one juror with direct experience of the sector pointed out the number of mobile money schemes that are currently making money is still in low single digits.

Q17

What are the biggest enablers for future universal adoption of mobile money & payments?

Mobile money is still in its infancy and the full effect on the global economy has yet to be realised. The Jury was asked in [Q17] which factor they believed would be the biggest

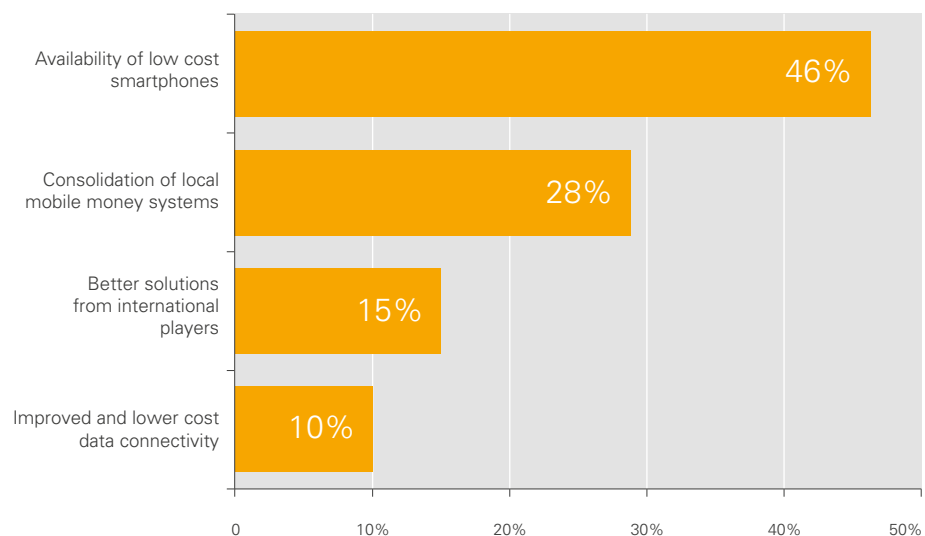
enabler for the universal adoption of mobile money. The widespread availability of low-cost smartphones is seen as the most important driver.

Smartphones are now flooding into many developing economies but it's not the latest iPhone or Samsung Galaxy that most consumers are getting their hands on. Manufacturers such as India's Micromax and Karbonn, and China's Xiaomi, are building low-cost smartphones (often priced below \$100) for developing markets. A large proportion of the world's population will not access the internet through fixed-line broadband connections but through smartphones such as these. Although the first generation of mobile money systems such as M-Pesa were designed to work on feature phones, their functionality will be limited by the capability of the handsets. With charges for data falling and data connectivity improving, the Jury sees the cost of the handset itself as the most important factor for mobile money uptake.

Another important factor, according to the Jury, in improving uptake of mobile money will be consolidation of local mobile money services. In many markets, there are currently multiple mobile money services which lack interoperability with one another. As players sign interoperability deals (often under pressure from regulators), build standards and make acquisitions, this may no longer be such an issue in future but there is still a long way to go.

Question 17

What will be the biggest enabler for the universal adoption of mobile money and payments in the future?
Tick one only



Mobile money and payments

While all have an impact, mobile banking apps have had a dramatic effect on distribution for financial institutions – all services (and many more) are valid in terms of reaching a broader market. **Juror**

Some change may be required among the existing mechanisms; but these have evolved over a long period, and it's difficult to see the ROI of investing in a parallel universe. **Juror**

Q18

Which mobile money innovations have had greatest global impact?

The Jury feels that mobile money transfer services such as bKash, M-Pesa and SMART have so far had the greatest global impact of all mobile money innovations. However, a significant proportion of the Jury opted for airtime top-up services instead which is in some senses disappointing because airtime top-up is not really a significant innovation. According to the GSMA report, airtime top-up represents 62% of the volume of all mobile money transactions with P2P mobile money transfer services representing 25%. However, perhaps a better measure is that in terms of the total value of mobile money transactions, P2P transfers make up 73% with airtime top-up accounting for just 3%.

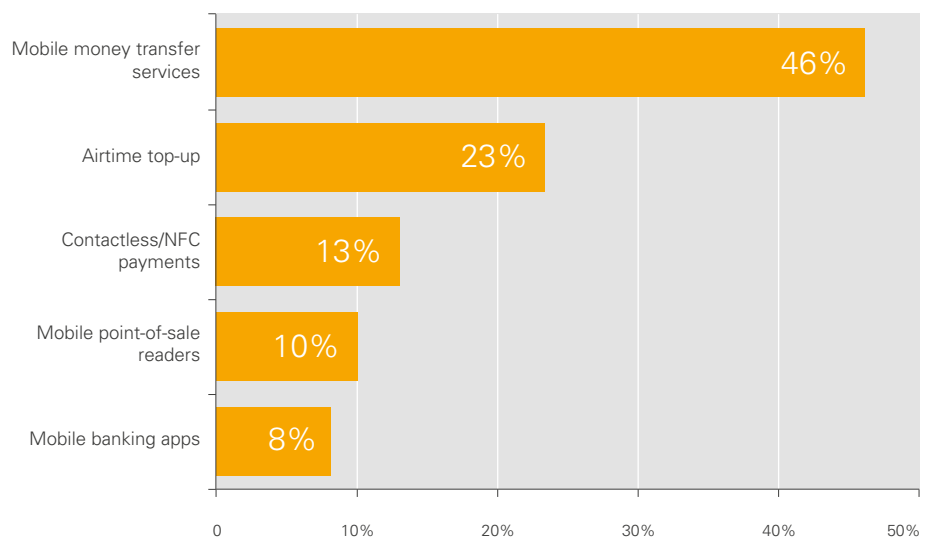
It's also worth pointing out that mobile money is increasingly being used for B2B payments such as bill

and merchant payments although it is currently just a tiny fraction of the total mix. The innovations associated with developed economies such as mobile banking apps, mobile POS and NFC payments come far behind in terms of global impact according to the Jury.

Interoperability between different systems will be a key issue for realising mobile money's full economic and social benefits, especially in developing economies where it is regarded as a core enabler of financial inclusion. Although some countries (currently Pakistan, Sri Lanka, Indonesia and Tanzania) have taken steps to interconnect their services, in most markets the mobile money landscape is fragmented and most solutions are not interoperable with one another (i.e. users cannot send money from one solution to another). A mobile money operator with a dominant market share may prefer a 'walled garden' approach, to protect their shorter-term financial interests.

Question 18

Which of the following mobile money innovations have had the greatest global impact?
Tick one only



Mobile money and payments

Q19

How will mobile money interoperability develop over next 5 years?

In [Q19] the Jury was asked how mobile money interoperability will develop, if at all, over the next five years. Established payments sectors such as cards, ACH and high-value B2B payments usually already have their own interoperability mechanisms. The Jury is divided when it comes to interoperability arrangements – some of them agree that the mobile money industry will develop its own interoperability mechanisms, while others agree that there is limited ROI in creating their own interoperability arrangements (i.e. a ‘parallel universe’ approach). The latter is in line with the preference of many central banks, regulators and payments schemes to utilise and adapt existing arrangements so that mobile money becomes integrated into the retail payments ecosystem (see National Payments Schemes: Drivers of Economic and Social Benefits). A small minority of the Jury does not believe the industry will manage to create interoperability at all.

The mobile money industry will develop its own interoperability mechanisms, independent from existing arrangements. **Juror**

It will clearly develop and it will no doubt include some new participants, but existing infrastructure needs to be leveraged and included in the mix. **Juror**

Consumer demand for mobile wallets remains tepid at best, and it’s difficult to imagine that changing anytime soon. If there were a pent-up demand, deployment of any requisite infrastructure (e.g. NFC) would not be an issue. Apple Pay has not been the killer app many hoped would rescue mobile payments. **Juror**

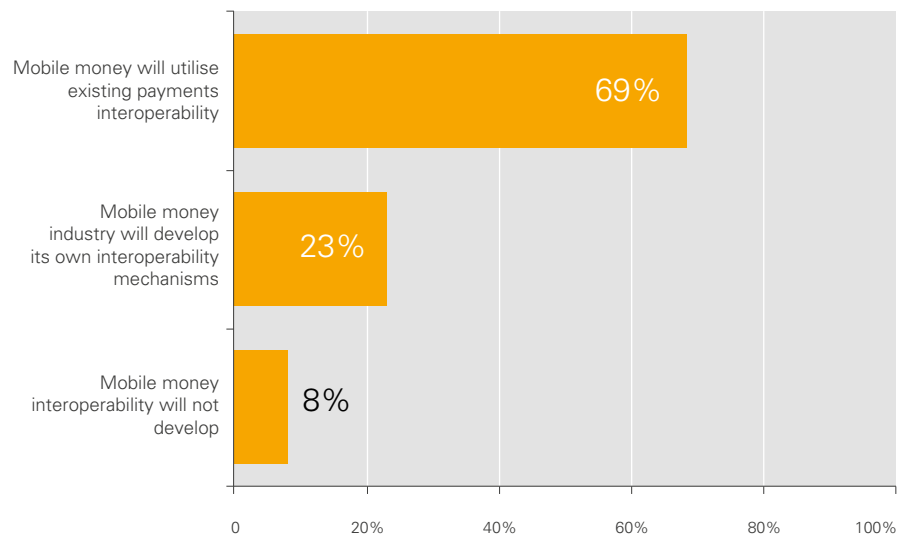
ApplePay will dominate the news - and a number of markets. Others will emerge and may become market leader in their domestic/regional markets. **Juror**

Local infrastructure would be required to scale in multiple markets. It would be difficult for one single solution to achieve that. **Juror**

Different mobile wallets will become dominant from market-to-market. **Juror**

Question 19

If at all, how will mobile money interoperability develop in the next five years?
Tick one only



Mobile money and payments

Q20

What is the outlook for mobile wallets in developed markets in the next few years?

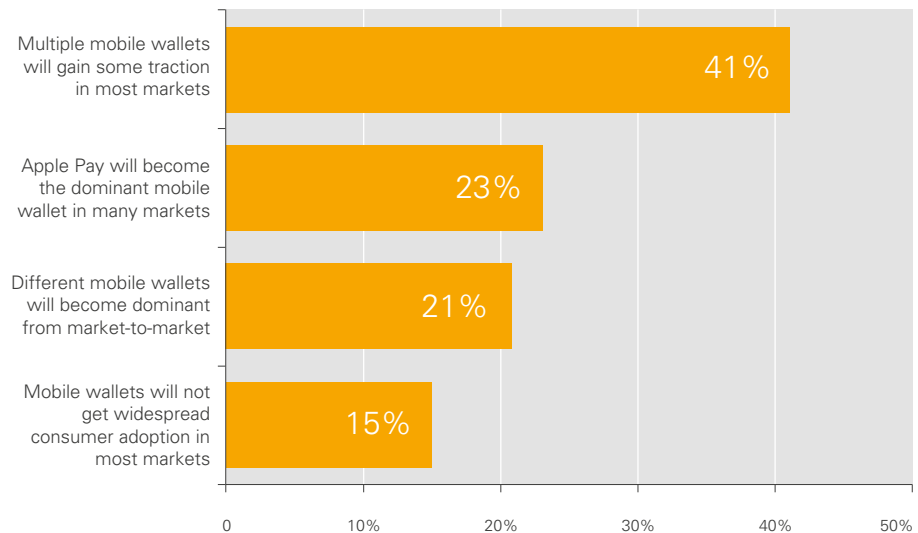
In the developed world, the payments industry has been discussing mobile wallets as the 'next big thing' for many years. Banks, established payments firm and technology companies have all made moves in the nascent mobile wallet market. With Google recently announcing the phase out of another version of Google Wallet and Apple making a big move into the sector with Apple Pay, the hype has again reached fever pitch. However, many critics have argued that mobile wallets in the developed world are solutions looking for problems, with payment cards functioning perfectly adequately. The expense merchants or acquirers of buying contactless/NFC terminals is another barrier to mainstream adoption, as is the somewhat lukewarm demand from consumers.

Despite Apple's vast resources, 75% of the Jury does not believe that Apple Pay will become the dominant mobile wallet in most markets in the developing world. This perhaps should not be surprising given that there are twice as many Android phones as iPhones in existence. With rivals such as Samsung LoopPay emerging, a sizeable proportion of Jurors sees multiple mobile wallets gaining traction in most markets. It's also worth noting that a significant minority of the Jury do not believe that mobile wallets will gain widespread adoption in most markets, suggesting we should still be cautious about this nascent market.



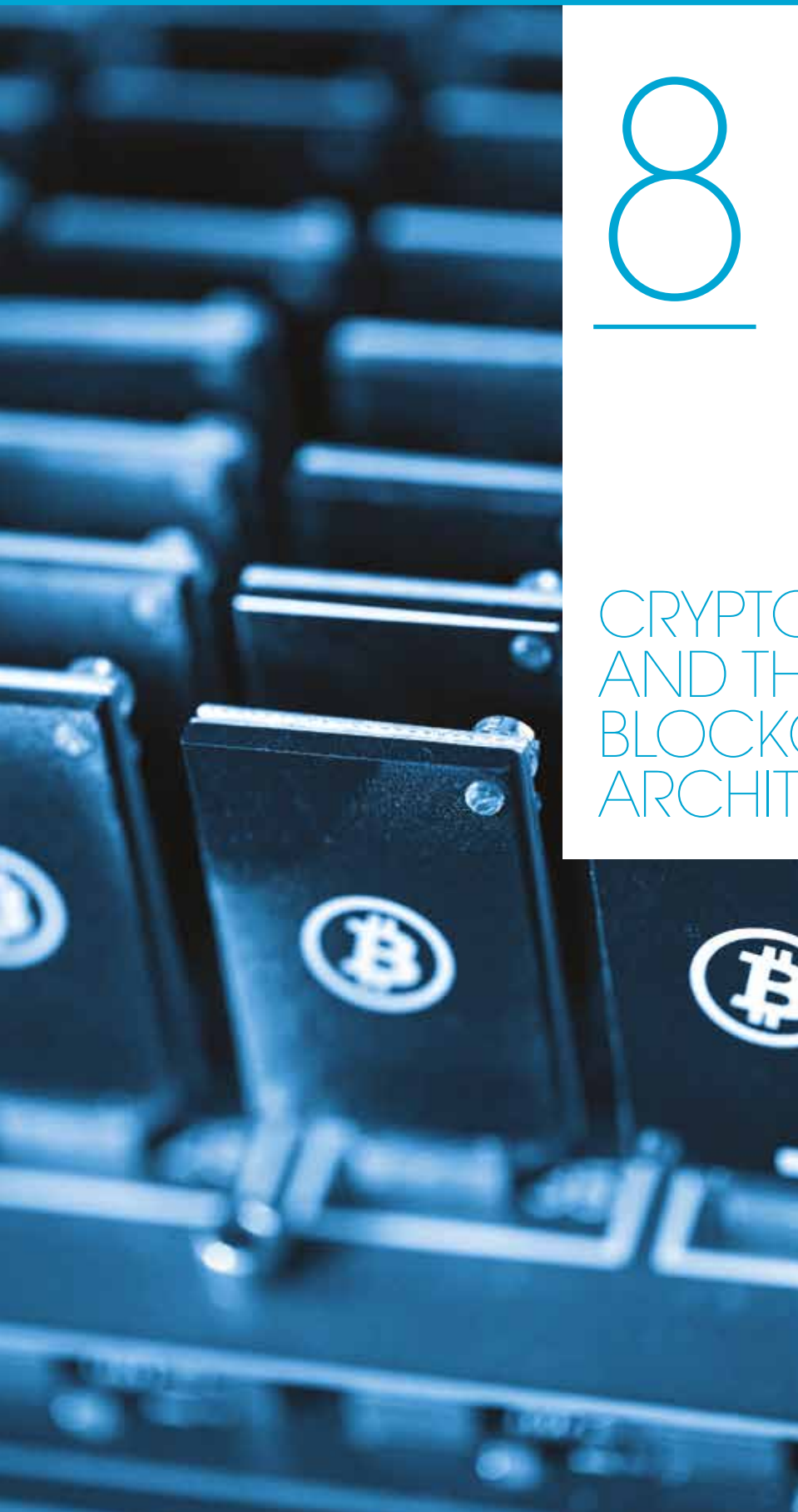
Question 20

In the next few years, what will happen to the mobile wallet market in the developed world?
Tick one only



8

CRYPTOCURRENCES
AND THE
BLOCKCHAIN
ARCHITECTURE



Cryptocurrencies and the blockchain architecture

“ To become serious alternatives, cryptocurrencies will have to be regulated and that is going to destroy their attractiveness to many of their supporters. **Juror** ”

.....
Cryptocurrency technology is here to stay, but the likeliest outcome will be that existing currencies will use cryptocurrency technologies like the blockchain to offer more efficient ways of transacting. **Juror** ”

Cryptocurrencies and the underlying blockchain architecture are two of the most widely discussed topics in payments today. Evangelists talk about their potential to completely revolutionise how the world transmits and stores value, by providing an almost frictionless, completely secure payments mechanism that can quickly transmit value around the world. As cryptocurrencies are not issued by central banks, they are not controlled by national governments and cannot be manipulated in the same way.

Q21

When will cryptocurrencies become serious alternatives to fiat currencies?

FinTech firms focusing on Bitcoin especially have exploded in number over the last couple of years believing they can revolutionise everything from remittances to merchant payments to domestic P2P.

But there are many detractors who highlight the considerable risks of security and fraud, and Bitcoin in particular has been dogged by scandals. Whilst the Bitcoin protocol itself is virtually impossible to crack, Bitcoins themselves are vulnerable, and some commentators estimate that as many as 10% of Bitcoins that have ever existed have been lost or stolen. The collapse of Mt Gox, once the biggest Bitcoin exchange rocked confidence, while multiple other exchanges have suffered high profile attacks. The cryptocurrency critics argue that they are strongly associated with money laundering, narcotics and the weapons purchases.

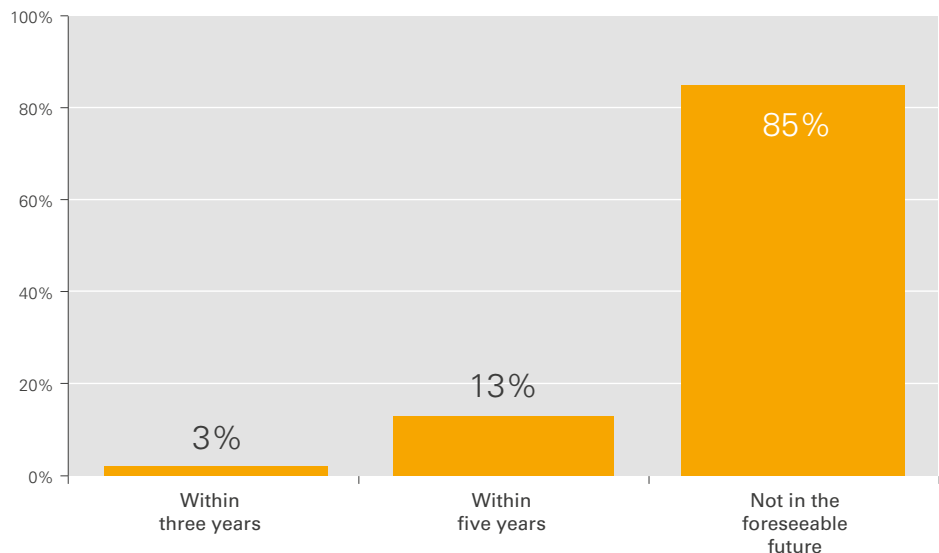
The Jury first considered whether and how quickly cryptocurrencies can become serious alternatives to traditional fiat currencies. The vast majority of the Jury does not see them becoming viable alternatives in the foreseeable future.

“ Blockchain as a transfer mechanism will be important. Cryptocurrencies as a serious alternative may not get that far. **Juror** ”

.....
I am a huge fan of cryptocurrencies I think that they have huge long term potential, but the emphasis is on long-term. I see no compelling business problem that they're fixing that will lead widespread acceptance in five years. **Juror** ”

Question 21

When will cryptocurrencies become serious alternatives to fiat currencies (e.g. USD, EUR)?
Tick one only



Cryptocurrencies and the blockchain architecture

“The biggest inhibitor will be that cryptocurrencies alongside fiat adds complexity, rather than reduces it. Juror

Cheaper smartphones will certainly be an enabler, but I’d also include far better interoperability of mobile payment solutions. Juror

“Once there is sufficient liquidity, the block chain will be the transfer mechanism of choice for business and consumer payments. Juror

Blockchain will replace eventually SWIFT. Juror

Q22

What is the biggest inhibitor to cryptocurrencies success?

The Jury cited AML concerns and the failure to get regulated as the biggest inhibitors to the potential success of cryptocurrencies. The Jury believes that the regulatory status of cryptocurrencies is likely to remain very uncertain for an extended period. Cryptocurrencies are illegal in some countries, restricted in others, and in countries where they are legal, classified in different ways, from virtual currencies to commodities. This means that with a large variation in regulatory approach many organisations and individuals will consider that they are not able to trust them.

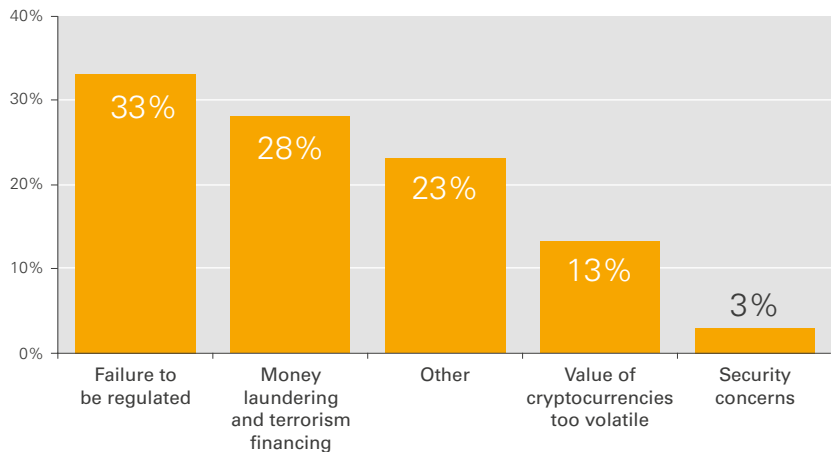
Q23

Where will cryptocurrencies or blockchain technology have greatest impact?

While the Jury is sceptical that cryptocurrencies will gain widespread acceptance soon, they are far more positive about the potential of the blockchain to have a big impact on certain established areas of payments. Jurors cited a wide range of payments types that have a potential of being impacted by cryptocurrencies or the underlying blockchain. According to the Jury, the most promising areas for investment are consumer remittances and P2P payments. Several Jurors also noted that clearing and settlement could be completely transformed by the blockchain, and that eventually all business and consumer payments could make use of blockchain architecture.

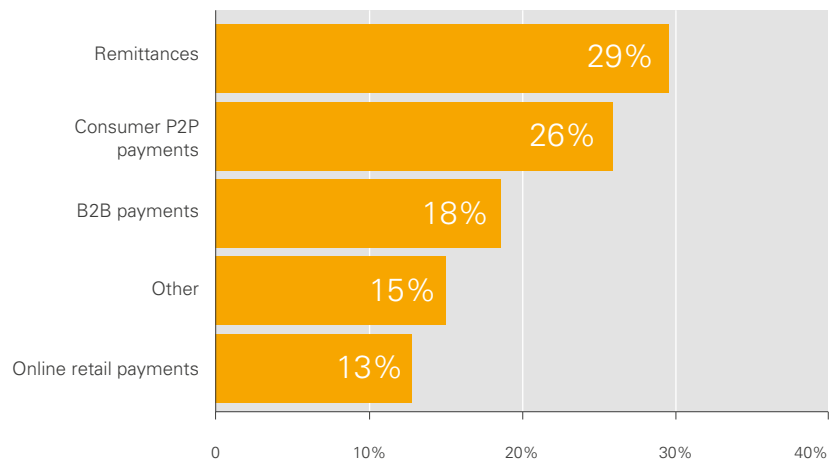
Question 22

What will be the biggest inhibitor to success for cryptocurrencies?
Tick one only



Question 23

In which area of payments will cryptocurrencies or the underlying blockchain technology have the biggest impact?
Tick one only





9

HYPE AND SUCCESS

The FinTech industry is one of the most talked about areas of technology and payments start-ups, in particular, are receiving more investment than ever before. Some of these start-ups will find success yet the vast majority unfortunately will not. The Jury was asked to cut through the noise and identify the payments innovation that they see as the most overhyped and also name the best they have seen recently. Although the answers from Jurors were very diverse, certain themes emerged.

Q24

Which payments innovation is the most overhyped?

Mobile wallets in general. While a few are innovative in nature, they remain a hammer in search of a nail, due to lack of consumer interest.

Juror

Apple Pay is not adding further value as it is not capturing any transactional data. Payment is not the core of mobile. It's communicating with the customer via mobile that is key. Mobile can and should deliver more value both pre and post transaction. With this in mind, why the hype around Apple Pay? Juror

Apple Pay. Juror

Bitcoin. A currency that lives outside regulation and therefore allows 'permissionless innovation' has captured the imagination but - at least in its present form - fails the 'would your mother use it' test? Juror

The Jury was critical of apparently clever technologies that do not improve on existing consumer payments methods. In particular, contactless/NFC technology was referenced by many Jurors as a solution still looking for a problem (a criticism that was similarly referenced in the 2013 Jury Report). The majority of Jurors said that Apple Pay in particular has been overhyped due to the prestige and track record of Apple itself, rather than whether it delivers real benefit to consumers and merchants.

And many Jurors also stated their belief that cryptocurrencies such as Bitcoin have been overhyped but that the underlying blockchain architecture had the power to profoundly change how money is moved around the world.

Apple Pay has caused many industry experts to take leave of their senses. Juror

Cryptocurrencies - nascent, volatile and unregulated. Juror

Contactless/NFC - it has been hyped for so long and it is taking too long to scale, as the use cases are somewhat limited and the infrastructure expensive to deploy. Juror

Consumers do not care about mobile as a means of payment. They only care about being able to pay intuitively and they will morph between payment tokens depending on the circumstance. Juror

SIM/Trusted Service Manager-based mobile payments, as the technology is too complicated. Juror

Bitcoin, as it is the underlying technology that is important not this occurrence of it. Juror

Hype and success

Q25

What is the best payments innovation?

Although Apple Pay at an overall level was viewed by the Jury to have been overhyped, a number of Jurors praised its in-app purchasing functionality.

Many Jurors cited mobile-based innovations as the best they had seen recently, particularly those that add value beyond the payment itself (for example, loyalty, CRM or information services) or mobile money innovation for emerging economies which lack payments infrastructure.

Finally, a number of Jurors praised innovations that helped to bury the payments experience altogether. As one put it, "no-one wakes up in the morning looking forward to their next payment".

HCE and related support technologies/infrastructure. I think this has the potential to really change the way consumer payments are done. It is frictionless and also addresses security. **Juror**

Mobile top-up parking meters. **Juror**

The blockchain is a fundamentally new and superior mechanism for instant value exchange with the potential to profoundly change how money moves worldwide. Because the blockchain technology can replace existing clearing and settlement systems transparently to users of payment services it is much more likely to be adopted than the latest 'cryptocurrency of the day' that has generated most of the hype. **Juror**

Virtual cards. They help keep costs low and work well with mobile, a device almost everyone has. **Juror**

Payment information value-added services (PIVAS) will allow banks to provide value-added services to their customers and will promote cooperation between banks as financial institutions and other players in other sectors as service and/or product providers. **Juror**

Apple Pay. **Juror**

Payments are a necessary evil that are best avoided, or at least hidden. So the best in recent memory is Uber and Hailo which eliminate the hassle of trying to get out of a cab! **Juror**

Rechargeable fare cards for transit systems, and Uber for ride sharing (the seamless storage of card profiles, and the ease of use of Amex loyalty points to pay for rides). **Juror**

M-Pesa - savings and loans. If you see a market where no more than 20K savings accounts existed for many years and now you have over 1.5 million accounts with millions of £ in these accounts then you know that this is true innovation. **Juror**

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