

The role of technology in transaction banking and payments

Thursday, 16th June 2011, 9-10 CET
Breakout Room



EURO BANKING ASSOCIATION

The role of technology in transaction banking and payments

Moderator:

- Thomas Renner, Fraunhofer IAO

Speakers:

- Salvatore Borgese, Value Team
- Guy Moons, Clear2Pay
- Hays Littlejohn, UBS AG

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Salvatore Borgese
Senior Vice President, Value Team
CEO, Value Team Finance



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Driver in the pursuit of further cost efficiencies

- Payment as a service: from fixed cost (running & investment) to variable costs (business related & volume basis)
- One integrated platform based on flexible business rules for handling different types and schemes of payments (no silos)
- Advanced monitoring tools can support cost assessments in order to make evidence of possible savings
- New technologies can introduce selection opportunity of cheap HW-SW-Networks environment (present and future) for each payment type

New technologies that are likely to disrupt payments

- Virtualisation of traditional cards: every device (mobile, DTV, etc.) could become both payment originator and acquirer
- Big Data: smart management will create high added value on payment services (focus on customer user experience & behaviour)
- OBeP: SEPA Credit Transfer & Direct Debit as alternative for e-payments
- Digital currency: how will financial institutions face the challenge of global web-based electronic money? (Bitcoin)

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Guy Moons
Sr. Business Analyst Payments,
Clear2Pay



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Disruption in payments – what banks **CAN** do...

- Disruption is no longer at the horizon:
 - Visa and Monitise
 - Visa and Square by the co-founder of Twitter:
 - “making buying a cup of coffee as easy as buying a song off iTunes”
 - Mastercard | Citi Group | Google – wallet
- The conditions have changed:
 - PayPal CAN build a payments infrastructure
 - Apple and Google CAN drive content and application distribution
 - They all CAN change the payments landscape
- Banks should NOT second guess which scheme will win
- Banks must deploy systems NOW that are modern and use open standard concepts to be ready for constant change
- Banks must be ready for hybrid schemes (card and ACH)

What's new in payment hubs?

- We are still in infant stages, implementing the first 20 hubs around the world
- To date most payment hubs are either/or:
 - Cost and efficiency focused and driven by industry events
 - Or channel focused and driven by a desire to create a compelling payments proposition
- **New:**
 - Move from ACH batch type back-end hubs towards convergence of mobile and cards into the overall infrastructure, combining elements of real-time and batch processing

Payment hubs: it's about cost *and* revenue

- Cost reduction:
 - Less silos, more core processing
 - Less manual intervention, higher STP
 - Lower TCO, higher ROI
 - Unifying all payment types in one framework
- Revenue increase
 - Faster time to market for new products
 - Less investment to bring new products to market
 - Richer payment offering (e-Invoicing – driving new revenue from corporate customer base)
 - Opening up new channels to meet new client demand



The role of technology in banking

Hays Littlejohn
Managing Director
Global Head Cash and Custody
Solutions
UBS AG



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Role of Technology in Payments/Banking—Banker's View

- **The Classic (Back-Office Driven) Answers**

- Allows Scale through standards and technical automation
- Self Service saved cost
- Fraud detection / prevention in real time (Achilles heel)
- Monthly review of Statement moves to daily, reducing risk of error Compliance screening at unimaginable scale
- Merchants have physical presence, POS, etc.
- Client sits at Single computer with fixed address, enters data, pushes payments

- **A More Front Office View**

- Being sedentary is becoming unpopular: Clients and merchants are very mobile
- Technology Innovation, convenience and customer satisfaction (are we ready for this?)
- Explosion in handheld devices will continue to change landscape: example Remote Check collection using phone camera, review transactions (replace ATM functions?)
- Leveraging Social Networking: Can "friends" refer business for banks? Cover overdrafts? Make loans? Raise money? Exchange money? Create money? Launder Money?
- Can banks use technology to provide clients Budget help? Expense monitoring? Investment ideas? Insurance? Discounts for?

Why all the interest in Payments? An example

Welcome
[Login with another account](#)
For the myDS Account click here

[DE](#) | [FR](#) | [IT](#) | [EN](#) | [Legal Aspects](#)

Credit Card

- Mastercard
- VISA
- American Express
- Diners
- JCB
- Discover Card

* 3D secured

Phone-Bill / Mobile phone-Bill

- [for all Swiss firm and mobile net telephones](#)
- Paybox

Coupon

- [Coupon](#)

Online-Money transfer

- PostFinance E-Finance
- Electronic direct debiting (Germany)
- from Austria
- from Germany
- from Switzerland
- from Belgium
- from Great-Britain
- from Netherland
- Commerzbank OnlineBankingweb
- Deutsche Bank 24
- Dresdner Bank Internet
- Elba (Raiffeisen Zentralbank)
- eps / netpay
- IDEAL

Money transfer

- from and to Switzerland
- to Germany
- from Austria
- from Italy
- from Belgium
- to Denmark
- to Finland
- to France
- to Great-Britain
- to Luxemburg
- to Netherland
- to Spain

Debit

- Maestro *
- PostFinance Card
- Moneybookers / Skrill
- PayPal
- Switch card, or Maestro card (UK issued only)

* 3D secured

Check

- France

Which mode of payment shall I choose ?

Credit card:
 +confirmation: <5 min.
 +easy,
 +cheap,
 +secure

Offline:
 +very cheap,
 +very secure,
 -confirmation until: about 6 days

Online:
 +confirmation: <5 min.
 +very cheap,
 +very secure

Debit card:
 +confirmation: <5min.
 +secure,
 -expensive

Cheque:
 -very expensive,
 -confirmation until: about 15 days

antifraud fingerprint

+40 payment methods are available

CHF 36.75 delete

3.25 (9%)

3.95 (11%)

13.50 (37%)

1.60 (4%)

1.40 (4%)

1 (3%)

4.65 (11%)

Consequences / Trade-offs

- **Problems which are (still) evident:**
 - Redefining the competitive vs. cooperative space between banks
 - What about our standards?
 - How to spread the cost of compliance to free-riders?
 - No one really wants to pay for payments
 - Authentication
- **Technology creates new problems**
 - Manual fall-back is probably no longer possible in some cases
 - Different risks lurk (bots, trojans, physical loss of device, Website attacks, Phishing)
 - Innovation creates desire for more options / Instant gratification / convenience
 - Too many ways to move money and yet still not enough?
- **Security vs. Ease of Access / Ease of Use**
 - Password flood, plethora of access gadgets
 - None shall pass! (even customers?)
 - Smartphone as keys to the kingdom?
- **How do conservative banks keep up with Investments while controlling risk?**

Thank you to speakers

- Salvatore Borgese, Senior Vice President, Value Team
- Guy Moons, Sr. Business Analyst Payments, Clear2Pay
- Hays Littlejohn, Managing Director, UBS AG

Thank you to moderator

- Thomas Renner, Head of Competence Center, Electronic Business, Fraunhofer IAO