Achieving Ubiquity

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Mobile Phones - Changing the Payments Landscape

• Amount of Mobile Phones Exceeds World Population
  • 7 billion people, 7.5 billion mobile phone subscriptions
• Constant Use – aggregate of 5 hours/day
• Convenient – phone is in-hand, used for everything
  • Text, call, email, photos, weather, traffic, news...
• Instant response and gratification right at our fingertips
Mobile Phones = Democratization and Disruption

Billions of people with phones, used almost constantly...

- “Minicomputers” and Basic Phones have Technology + Connectivity
  - Consumers can initiate payments, exactly like merchants have for 50 years
  - Consumers expect payments to be easy, seamless and fast
- Huge Opportunity = New Entrants to the Payments Industry
  - Technology Companies – Facebook, Google, Apple, Samsung
  - FinTech Companies – Square, Stripe, Adyen, Alipay
  - Marketplaces – Amazon, Airbnb
  - MNOs – Vodafone (Safaricom, M-Pesa)
- Push Payments
  - Card and bank account based
How to Drive Adoption, Achieve Ubiquity?

• Easy, Seamless and Fast
• Why? Must be a Market Need
  • Sociopolitical, Socioeconomic Reason
    • Global migration – 258 million people living/working away from home country, up from 220 million in 2010
    • Cross-border P2P – $580 billion GDV in 2014, $707 billion GDV in 2017
    • Examples – Western Union, WorldRemit, Transferwise, MoneyGram, Xoom
    • “Gig” economy – currently 34% of the US workforce, projected at 40% by 2020
    • On-demand payments
    • Example – Uber “Instant Pay” to driver’s debit card
How to Drive Adoption, Achieve Ubiquity? (cont.)

• Why? Must be a Market Need (cont.)
  • Improved Experience, Reduced Cost and/or Readily Available
    • Embedded in widely-used tech – FB Messenger, WhatsApp, WeChat
    • Streamlines merchant onboarding – Square, Stripe and Adyen
    • Infrastructure that meets the need for “now”, supporting end-user solutions – and also reduces costs, mitigates systemic risk – Faster Payments
  • Faster Payments now live in 40 countries, with 16 more expected in the next 12-18 months
Rules and Regulations Approach to Ubiquity for Faster Payments

• Two Layers – Infrastructure Layer and Products/Services Layer (P2P, P2M, Billpay, etc.)
• Government Mandate and/or Encouragement
  • India’s Multi-Layered Approach
    • NPCI established Immediate Payment Solution (Faster Payments)
    • Devaluation of 500 & 1000 Rupee notes
    • Bharat QR, UPI system (WhatsApp + UPI + banks = bank account P2P solution)
  • Hong Kong
    • HKMA launched Faster Payments system in Sept 2018
    • HKMA requiring 12 banks, Alipay, WeChat Pay to be interoperable
Rules and Regulations Approach, cont.

• Government Mandate and/or Encouragement, cont.
  • Europe
    • Faster Payments – SEPA Instant Credit Transfer scheme + TIPS
    • Products and Services – PSD2/Open Banking
      • Enables third party access to consumer bank accounts – at the consumer’s direction – for free
      • Strong (2-factor) authentication when the consumer is initiating a payment or accessing the account
  • Industry-Led Approach
    • UK – Faster Payments launched in 2008
RSLR WG - Faster Payments

- Overarching Principles
  - Law, regulation, rule or standard
  - Evaluate Laws, Regulations, Rules, Standards
    - Mitigate risk and encourage ubiquity, interoperability, accessibility
  - Identify Gaps/Inconsistencies in Laws and Regulations