Effective Payments, Effective Trading

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The Changing Nature of Payments

- **Customers demand fast, cheap, automated solutions**
  - ***today's systems too complex/manual***
- **Remote payments still too difficult**
  - ***especially cross currency***
  - ***especially low value***

But it's mostly more of the same

- **More card transactions**
- **More ACH transactions**
- **More RTGS transactions**
- **More cheques!**
  - ***in some markets***

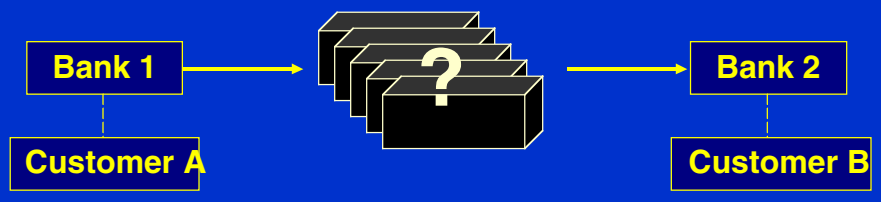
Three areas for focus today

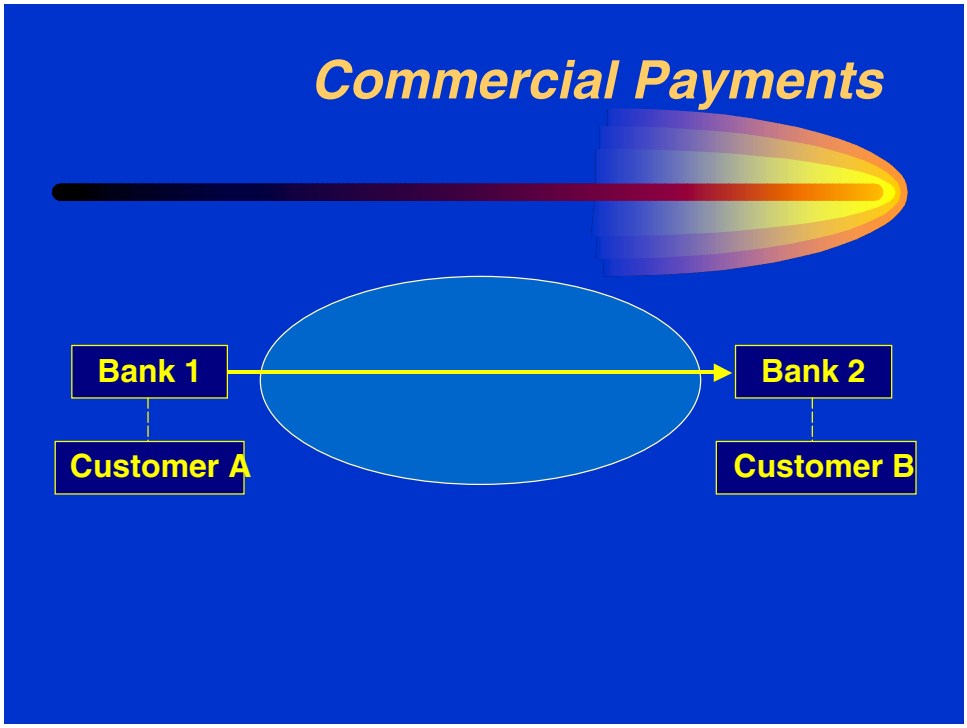
- **Commercial payments**
- **Micropayments**
- **Future card payment architectures**

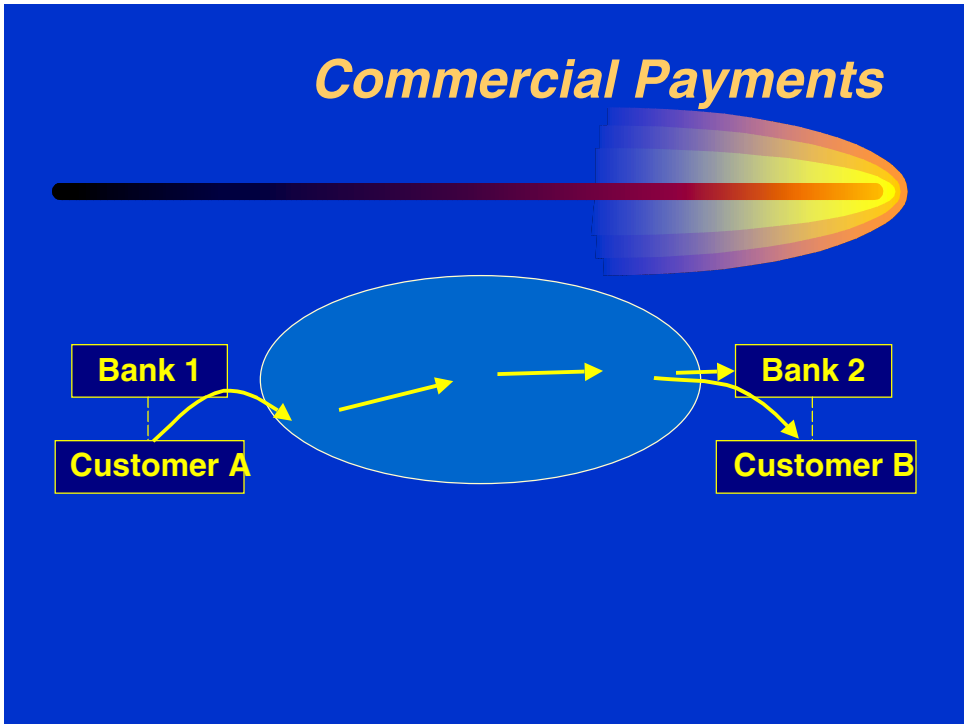
Commercial Payments

- Corporates want STP
- Single territory ACHs don't deliver a global solution
- RTGS/ACH distinction blurred
- Cards are expensive!
- New technologies enable new and simpler architectures

Commercial Payments




Commercial Payments
Bank 1
Bank 2
Customer A
Customer B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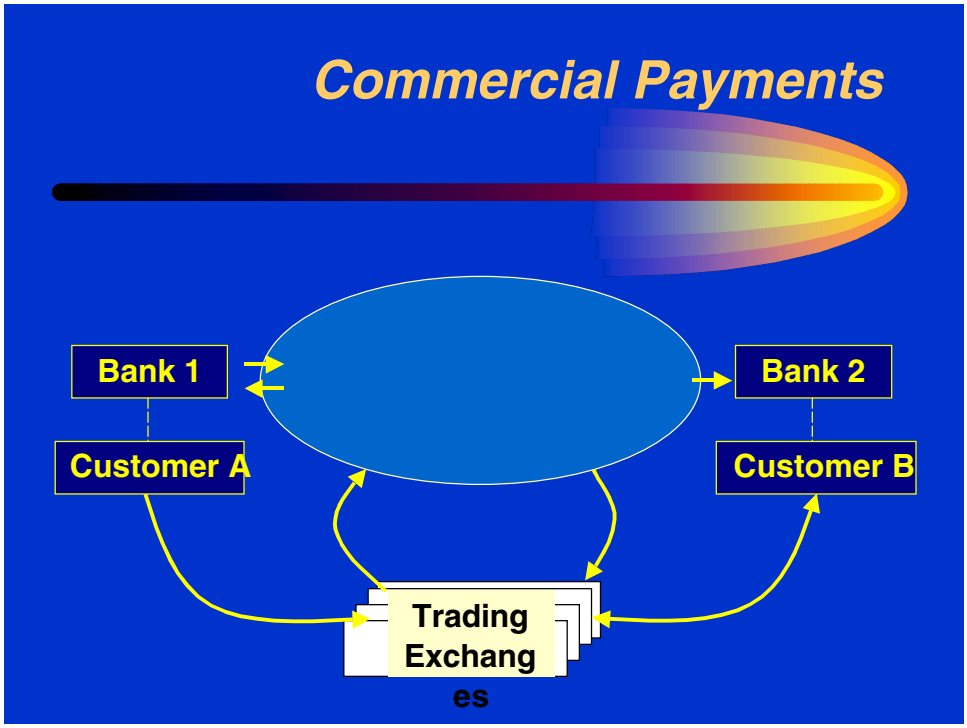
Commercial Payments
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Bank 2
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Customer B
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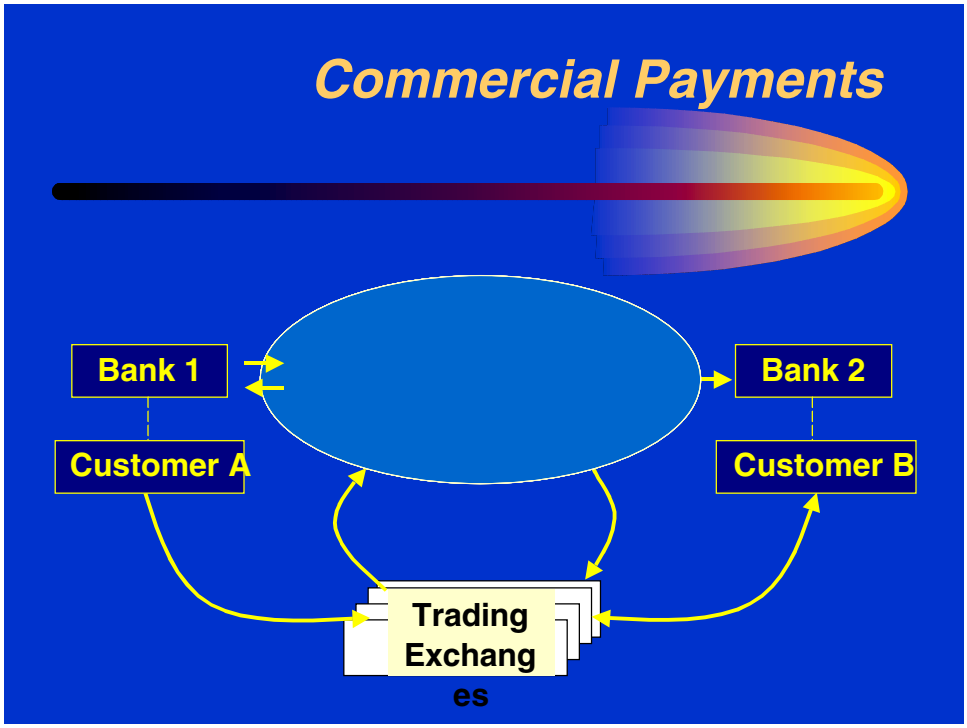
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Micropayments

- **Dot.com bubble clouded the problem**
- **Now it's clear**
  - ***but there's no clear winning solution set***
- **Paypal is a big step forward**
  - ***but quite expensive***
- **There's more to do**
  - ***will chip cards play a role?***

Future Card Payment Architectures

- **Today, mag stripe is king**
- **Tomorrow belongs to chip**
  - ***but in a card, or***
  - ***in a SIM?***
- **3G + Bluetooth**
  - ***threat or hype?***

Future Card Payment Architectures

- How will 3G services get billed?
- Who will <u>really</u> control this?
- Will the service drive the billing option?
- How will banks, networks and payment companies interact?

Conclusion

- We're a long way from a stable, digital economy payments infrastructure
- The timing of new solutions is difficult to predict
- Banks need to recognize that others will have major opportunities in this space