



**WORLD BANK GROUP**

**PAYMENTS  
INNOVATION  
JURY**

## **INNOVATION BY DOMESTIC PAYMENTS SYSTEMS IN THE PANDEMIC**

**22 April 2021  
8.30 AM – 10 AM EDT  
(UTC – 4)**



**WORLD BANK GROUP**

**PAYMENTS  
INNOVATION  
JURY**

## **INNOVATION BY DOMESTIC PAYMENTS SYSTEMS IN THE PANDEMIC**

### **AGENDA**

 **Introductory remarks**

*Harish Natarajan, The World Bank*

 **Domestic Payments Jury Report 2021**

*John Chaplin / Chris Hamilton*

 **Panel Discussion - Q&A**

*David Birch / Chris Hamilton / John Chaplin*

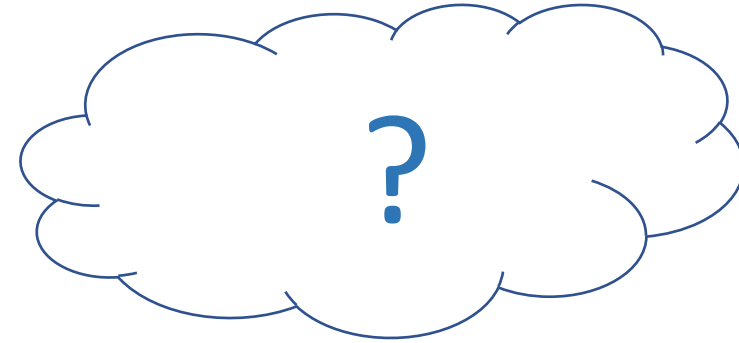
*Moderator : David Stephenson, ECPA*

# To Survive or Thrive?

Domestic Payments Innovation in the Pandemic

April 2021

# What answers did we expect from the research?



# What answers did we expect from the research?



Initial drops in transaction volumes would make bank owners slash costs and reduce innovation



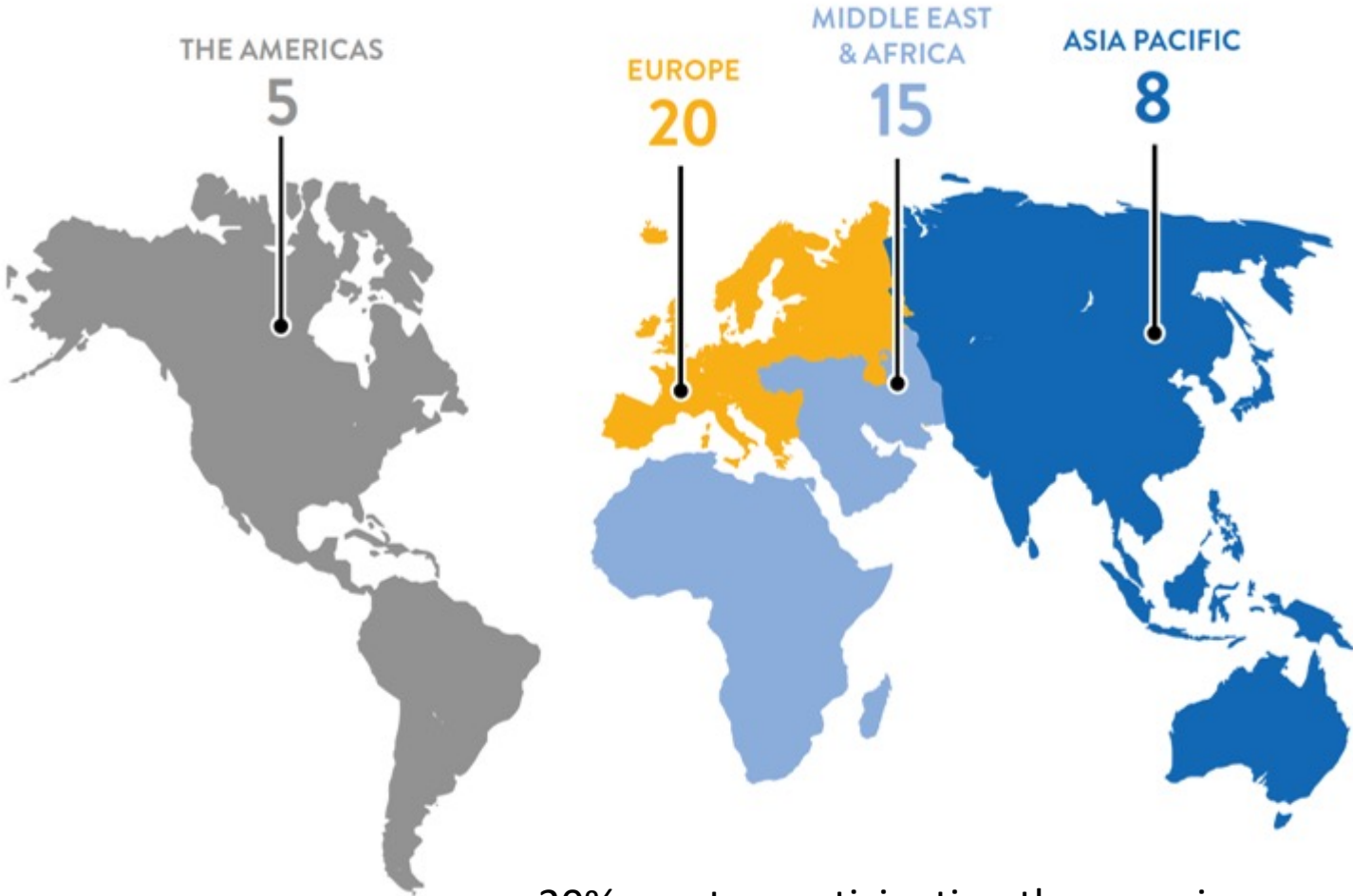
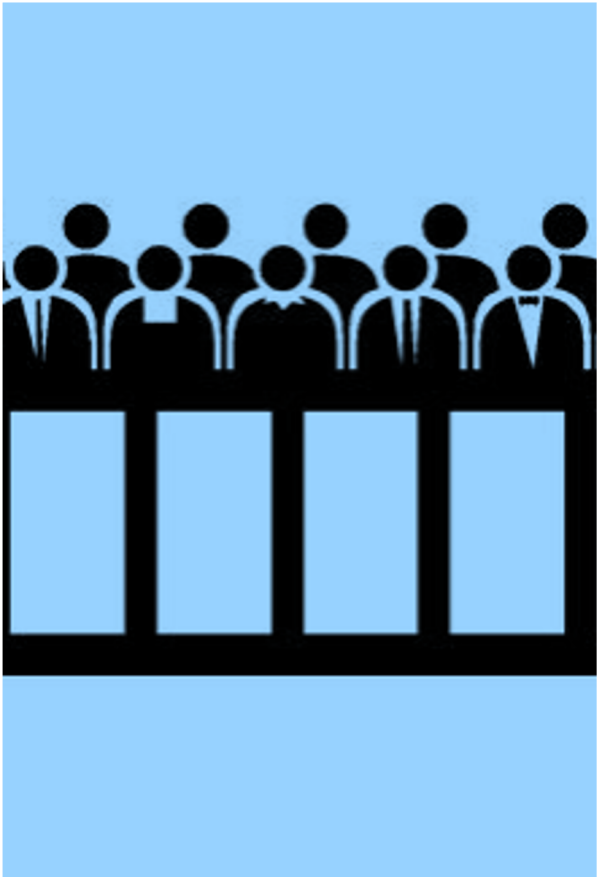
## CONTENTS

|   |    |
|---|----|
| Forewords                               | 03 |
| Executive Summary                       | 04 |
| The Jury                                | 06 |
| The Changing World of Domestic Payments | 07 |
| Systemic Innovation                     | 13 |
| The Pandemic Strikes                    | 15 |
| Effect on Innovation                    | 18 |
| Future Prospects                        | 20 |
| Additional information                  | 25 |

# What did the Jury actually say?



# Who were the 2021 Domestic Payments Innovation Jury?



20% greater participation than previous record

World Bank & ECPA support really drove interest

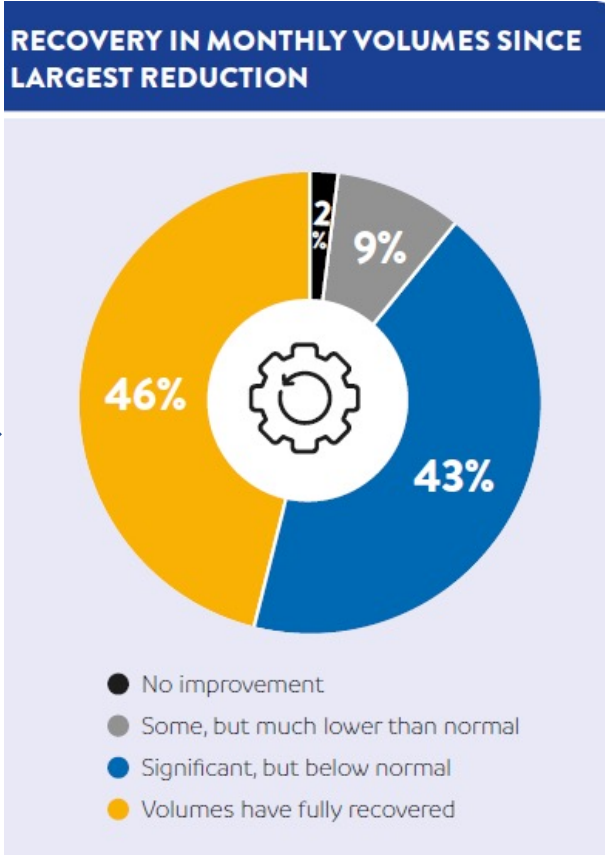
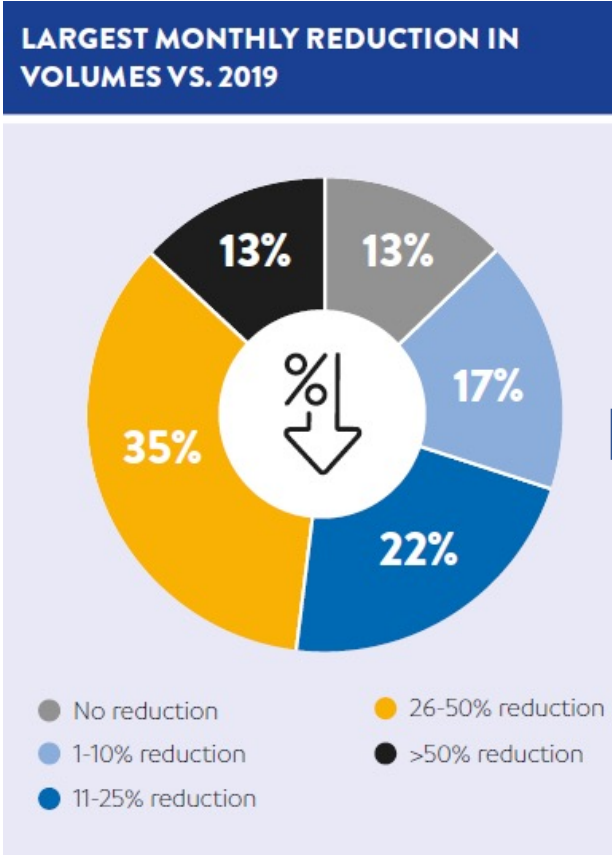


# How Covid affected transaction volumes

Transaction volumes fell but bounced back



“Primarily because of the lockdown, consumers shifted from cash to digital. Also, regulatory intervention to make account to account transfers free ... caused volumes to increase as well...”

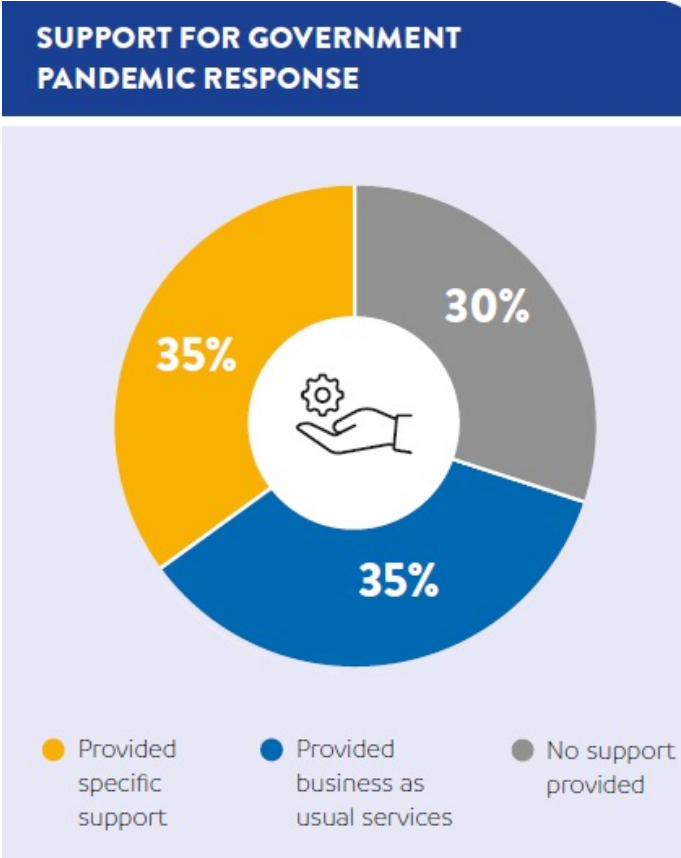


# Domestic organisations were leveraged by governments

Domestic payments supported governments

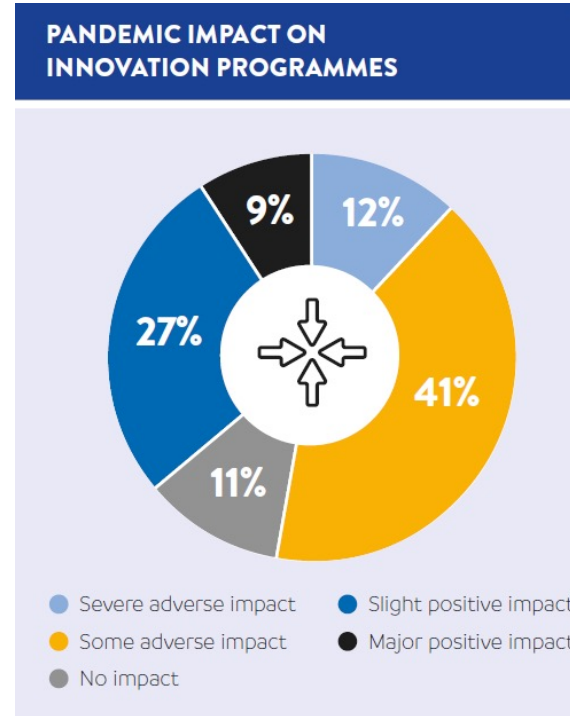


“Besides keep the payment rails running 24/7 we also helped with direct benefit transfer, government scheme to help the needy etc.”

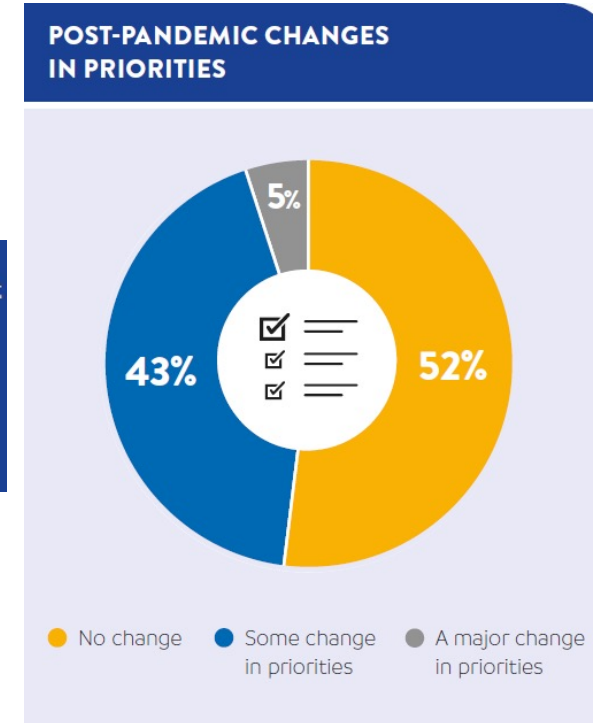


# Innovation activity was largely maintained

Innovation continued apace especially digital

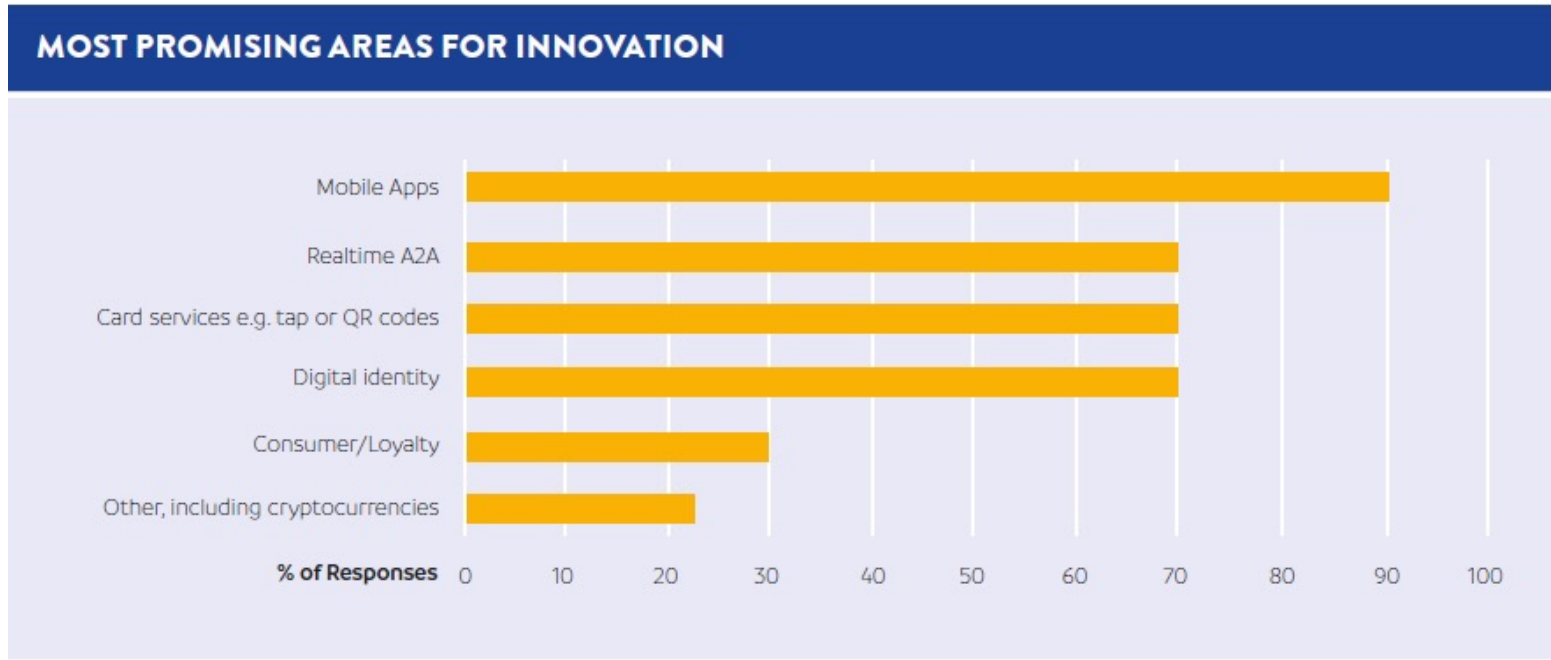


"We didn't lose momentum and support from the community. Despite the challenging time for the banks, they realised how important and transformative our agenda is ..."



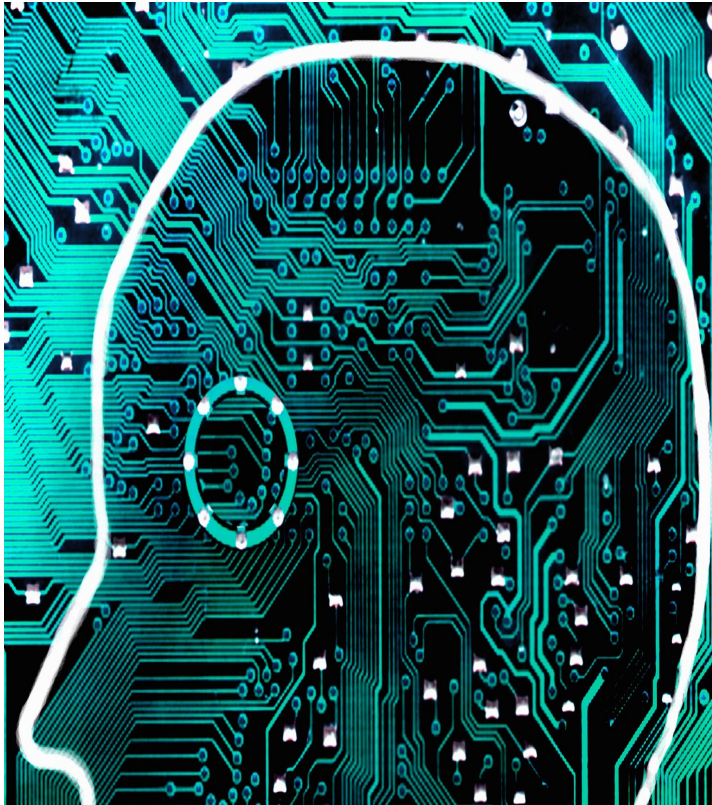
# Focus areas for innovation

Domestic card companies diversifying fast



# Digital identity

Domestic card  
companies  
diversifying  
fast



*“Digital ID is not an end in itself, but the enabler of e-government, inclusive financial services, online health, real-time payments and the connected smart cities of the future.*

*It is straightforward to see why banks might become natural providers of digital identity infrastructure. In many countries, domestic payment schemes already have the interconnection and interoperability in place and are ready for strategic extension into digital identity”*

David Birch, Digital Payments Guru

Digital ID pioneers

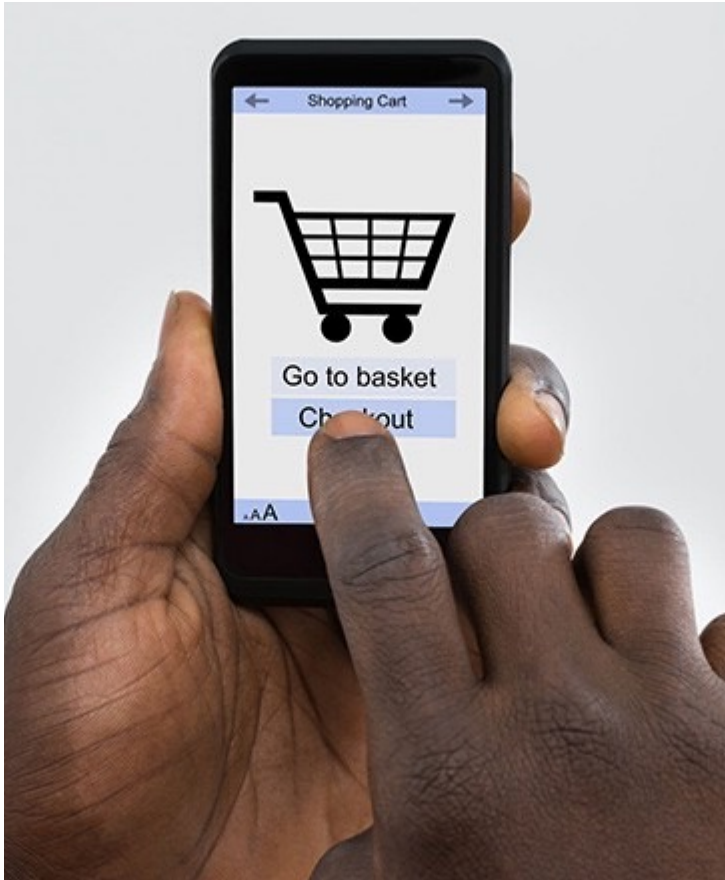
vpps



eftpos

# New directions in mobile commerce

Mobile first is  
the future



*“Behind the mobile device will be a wide variety of funding sources (card accounts, bank wallets, bank accounts, telco wallets, telco accounts, retailer wallets etc) with the payments made through a more limited number of payment solutions”*

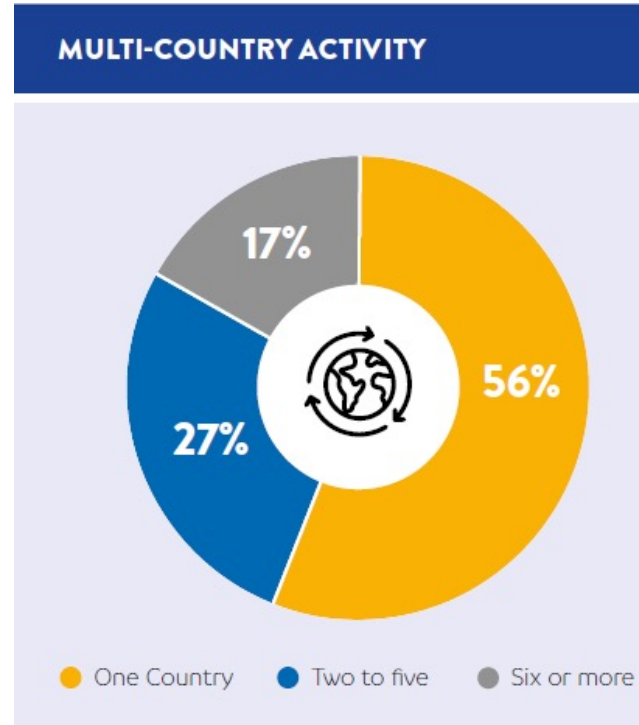
*“In some developing markets there is a real risk that parallel payment networks – one for banks and the other for mobile money providers – lead to no interoperability”*

Mobile commerce pioneers



# Moving beyond national borders

Domestic payments going international



Cross-border pioneers

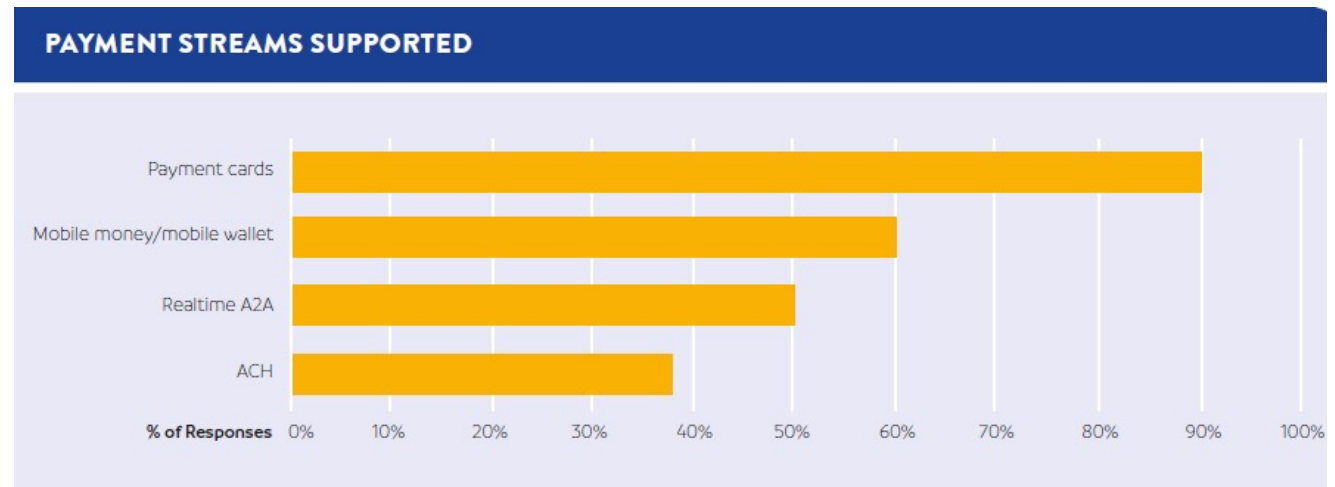


# Evidence of convergence & real time A2A increasing

Real time A2A growing but business models not clear



*“only 1 market in 5 has consolidated card and A2A platforms; but >70% see this as likely within 5 years”*



Major divergence in Jury views

*“Convergence will improve efficiency and should increase innovation”*

**No agreed best practice model**

*“Competition will reduce, innovation will suffer and no added value will be created”*



# Difficult choices for regulators

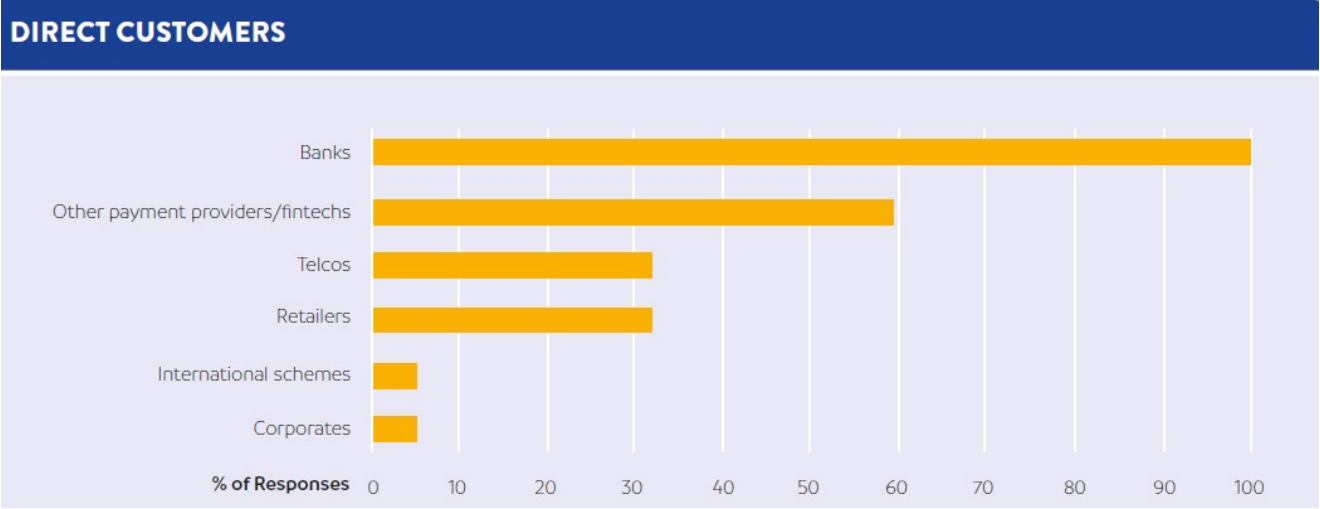
Pressure for ownership & governance changes

Increasingly difficult choices for regulators

Technology & competition law are colliding



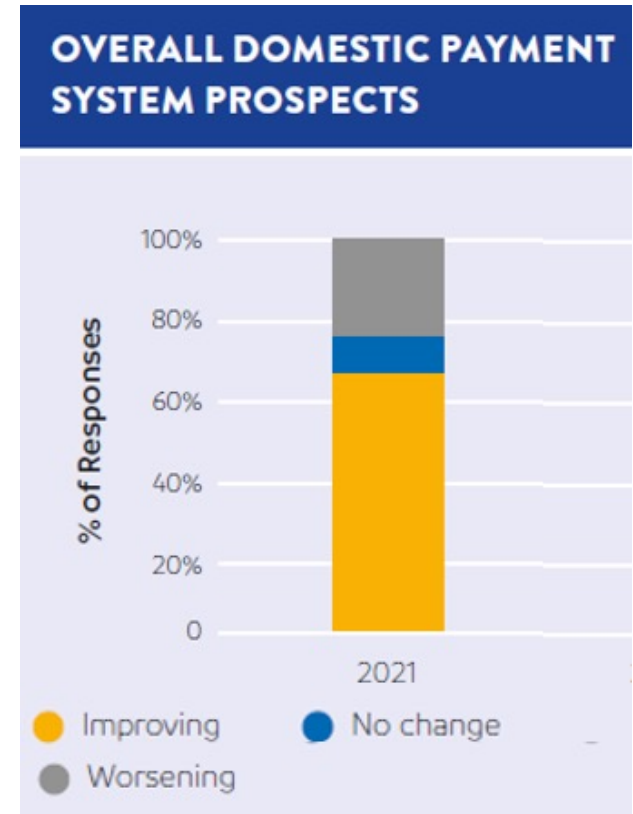
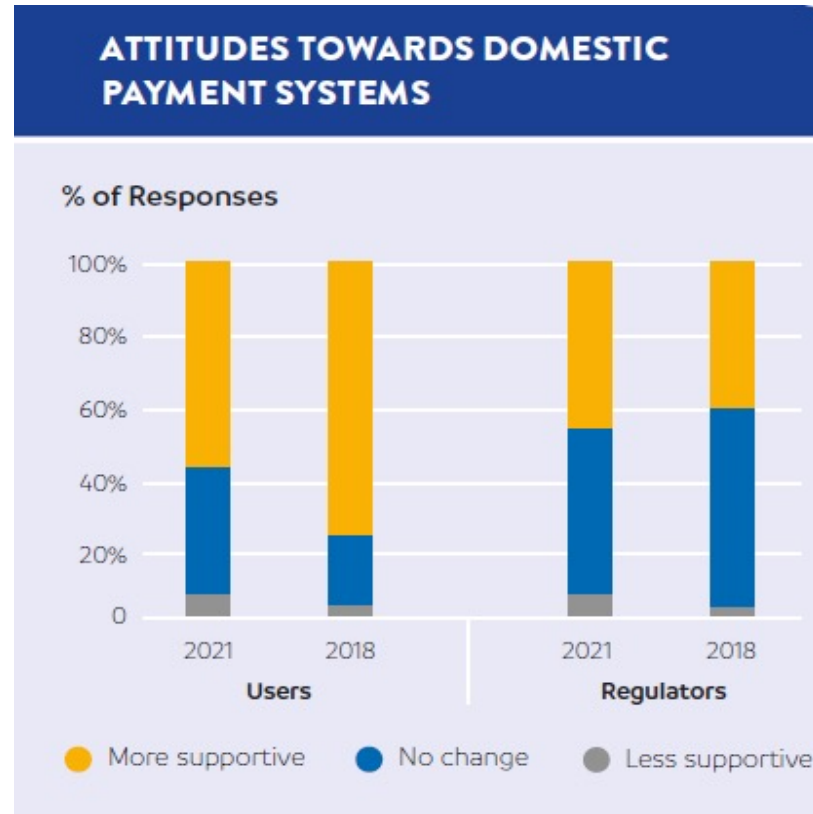
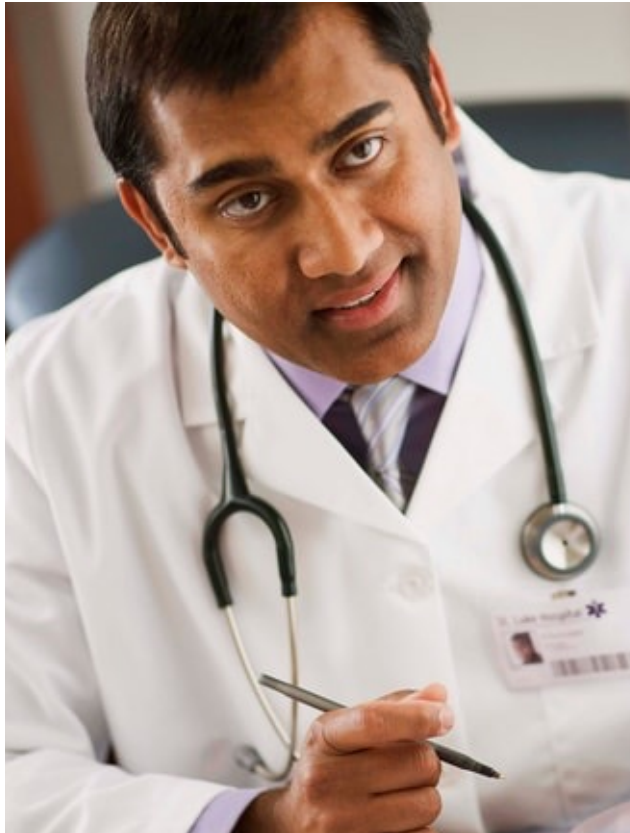
Are bank-centric ownership & governance models right for the current market?



- What is the preferred balance of competition versus efficiency?
- Are 'technical lockouts' are just rewards for innovation or anticompetitive?
- Does convergence mean rethinking boundaries of scheme & processing?

# How are domestic payments companies feeling?

Confidence remains high



# Five research implications for regulators



Payments are basic plumbing for an economy: likely to be critical for national economic goals so ownership, governance and cost are critical

National self-determination cannot be ignored

New entrants and new competing services create hard policy choices, and you must understand the technology

A difficult balance to be struck between improving payments markets by encouraging competition & innovation, and maximising efficiency

Payments regulation and competition law have to be closely coupled

# Five research implications for schemes and operators



The ecosystem is changing fast, and Covid is an accelerant

Investment in systemic innovation is a must

You have to address the big strategic questions:

International positioning?

Participation of non-banks?

How many new services (apart from card)?

Your unique value proposition is engagement with and support of your domestic community: how can you capitalise on it?

Ensure your governance model is fit for purpose?

# Further information



Download from <https://innovationjury.com>

John Chaplin: [john@chaplinonline.com](mailto:john@chaplinonline.com)

Chris Hamilton: [chris@hamiltonplatform.com](mailto:chris@hamiltonplatform.com)

Dave Birch: [dave@15mb.ltd](mailto:dave@15mb.ltd)

Attribution: Feel free to use the material externally,  
but please give us a mention



**WORLD BANK GROUP**

**PAYMENTS  
INNOVATION  
JURY**

## **Panel Discussion**



**John  
Chaplin**



**Chris  
Hamilton**



**David  
Birch**



**Harish  
Natajaran**



**David  
Stephenson**