

Welcome to Futuring Payments Keeping Ahead of the Curve: Trends and Opportunities in Global Payments

In this fourth edition of Futuring Payments, we analyse the ongoing consolidation trend in the payments industry around the world, the advantages of partnerships between financial services industry players and how the industry can accommodate the megatrends in the European and global payments markets.

Over the past ten years, the world has seen a number of mergers and acquisitions between some of the biggest players in the global payments market. European payments powerhouse Worldline has not been shy to take the lead in pursuing consolidation in Europe and CEO Gilles Grapinet reflects on the game-changing nature of the Worldline Group's acquisition of Ingenico in 2020 which is set to benefit its clients, stakeholders and society at large.

Invigorated by its new positioning in the market as the world's number four global digital payments leader, a new Worldline is emerging, even more determined to deliver its company purpose to create sustainable economic growth for its clients and for society.

Worldline is using its new global reach and capabilities to work more closely with the financial services sector around the world. A new partnership with the Australia and New Zealand Banking Group demonstrates how financial institutions can divest their commercial acquiring operations to scale up their digital offerings to enhance their core customer relationship activities.

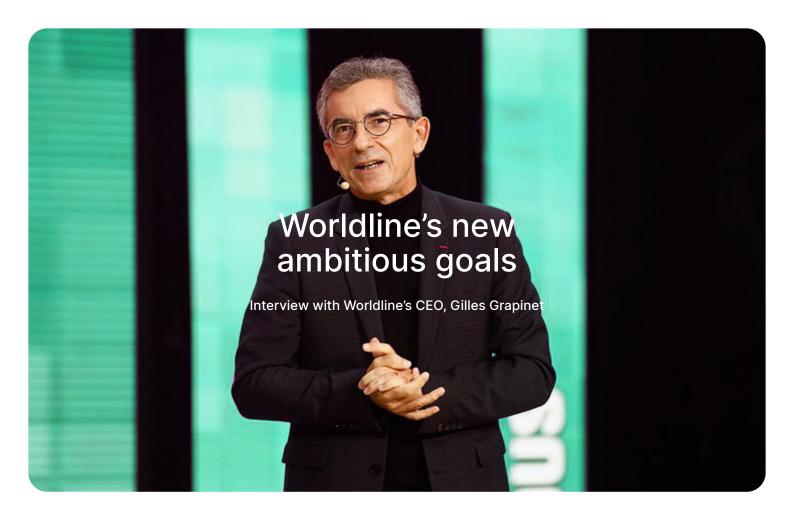
Digitisation in payments and transactions continues to be a growing trend as businesses and their customers seek seamless user experiences while navigating highly secure digital environments. This issue contains interviews with several financial and strategic experts who share their predictions for the likely global megatrends we will see in the coming 3-5 years in the payments industry as a result of the increased focus on the frictionless user experience.

In Latin America accelerated digitisation has been welcomed with open arms as seen in the fast development of new initiatives such as Pix and the adoption of digital payments, as well as digital currencies. Central bank digital currencies are also being developed in this region where having a credit card or even a bank account has never been very common.



We hope that you will enjoy reading this year's edition of Futuring Payments!

Pascal Mauzé Group Head of Communication, Marketing & Sales Performance at Worldline



In November 2020, Worldline merged with Ingenico bringing the two companies closer to their shared vision of creating sustainable economic growth for banks as well as for retailers and merchants. The merger made Worldline the fourth largest payment player globally and opened the doors to new international consolidation opportunities.

In this interview, Worldline's CEO, Gilles Grapinet, talks about the ambitions and the way forward for the new Worldline, and he explains how a large digital payment company manages to remain close to its local clients while expanding globally.

What is the current status in Worldline after the completion of the big Ingenico merger?

The two companies have been together since November, so we already have ten months behind us working as one, and we have recorded remarkable first results in our integration.

In Worldline, we have this term called 'Day One Readiness', which means that from day one of a merger's closing, the new team is immediately operational, with clearly defined reporting lines and allocated budget. We have a long history of mergers and acquisitions for growth and the Ingenico merger was indeed the largest one so far. And I can say it with pride that this pre-merger process, is probably one of the most successful we have ever completed.

Is there one or two highlights that you would like to point at from the process?

Well, we announced the Ingenico transaction in February 2020, only six weeks before COVID-19 started to impact everything. And the actual finalization of the deal and pre-merger process happened during these very peculiar times where we had to prepare our integration without any

single physical meetings between the two teams! So this was a particular challenge that I think we did overcome phenomenally well all the way. The positive outcome has developped an exceptional common mindset and a powerful fighting spirit across the teams.

The merger with Ingenico is no mean feat. This process involves hundreds, if not thousands, of colleagues in more than 50 countries. Our chance, somehow, was to have announced the deal before the first confinements and lockdowns in Q2 2020. During the following months and challenging times where the world was sometimes shaking on its foundational pillars and many societies were wondering what tomorrow could bring, in Worldline and Ingenico, we had a vision. We had plans. We knew what to do. And we knew that once combined we would be so much stronger when the crisis would fade away. Having a very clear strategy during these troubled periods has certainly been an incredible strength from a managerial standpoint. And I'm very proud that the team - despite what a merger can sometimes represent in terms of personal uncertainty - fully understood the strategy and its timely execution as a critical element of

Worldline has now moved from being the biggest payments company in Europe to being one of the world's biggest. What does that mean for the organisation?

Well, you do things because you create business value, not that much for size or ranking. It happens that, in payments, size is an essential element for value creation. It is a super scalable business with a lot of economies of scale. Payment is also highly regulated, and and sometimes different payment companies have to make the same investments in parallel. This creates opportunities for synergies. So indeed, being one of the largest players means that we can create more value for our customers, create better offers, and save a lot of resources in terms of elimination of redundant investments.

Is it possible to be one of the biggest companies globally and still stay close to your customers, even the smaller ones?

The payment business is what we call a "glocal" business, which is at the same time both global and local. By being global, we are able to channel a lot of value to our local customers. Reduced costs, better pricing, more attractive offers, more R&D. And at the same time, payment is still a local business in the sense that it's still diverse from one country to another. The way we pay, the way we behave, the payment methods we use, and how we like to get paid are still influenced by local considerations.

So the right recipe for a payment company is to acknowledge this diversity. We have big global business units that are in charge of getting the benefit of scale, but we also have, pretty much everywhere, powerful local sales and engineering teams. This is, I believe, a necessary part of the DNA of successful global payment company today.



So you are convinced that both the merger with Ingenico and the growth of Worldline over a more extended period will benefit the clients?

It does, big time. Not long ago, payment was super fragmented, at least in Europe. This was due to the monetary history of Europe with different currencies, different regulations and standards, different payment brands locally and many different, much smaller payment companies in charge of doing everything locally. So Europe was clearly lagging behind in the global payment race. Since Worldline undertook its mission to be the leading European consolidator in 2013, one of our ambitions is to fix this situation and give to Europe a new player of global scale. Both merchants and banks can benefit from having an option to source from such a larger European company, as long as, of course, you don't lose the connection with the local markets.

We can invest much more than in the past. To give you a data point, we invest more than 300 million euros a year in our solutions and platforms and in R&D and innovation, which is seven times more than when we started our journey as Worldline in 2013. So, of course, customers benefit from these muscles and these brains that are daily working to deliver the best possible payment experience. In payment, scale matters. And you need to bring the benefit of scale to your end consumers.

When becoming such a big company, do you also feel responsible towards the societies you are part of?

These days, running a corporate organization of any size comes with the responsibility of taking care not only of your short-term financials. You are responsible for the relevance of your company for the next 10 years or 15 years. In the payment space, we often sign contracts with customers for more than 5, 7, or 10 years. So ensuring the resilience and sustainability of your business model is a part of what your mission is as a CEO. It's part of what the customers are buying from you. They know they're going to be working, sometimes for more than a decade, with your organization. And they need to trust you in staying relevant and sustainable.

That's why sustainability is not only a duty. It is, I believe, a part of business imperatives. Payment is a long-term business. Today we call it CSR, but fundamentally it's the same thing. It's about creating a sound business, never sacrificing the long term to the short term, always paying attention to all your stakeholders - the local society in which you operate, the environmental impact, your employees, your customers, partners, and suppliers - making sure that you are not creating imbalances.

The Worldline vision is to create sustainable economic growth for banks, retailers, and merchants. Is that also what you are talking about here when you talk about sustainability?

Sure, indeed. Because if we step back one second and try to understand the significant challenges that our planet is facing, fundamentally, it's straightforward. It's how to pursue growth because we need it, sustainably; if not, our planet will run into a wall. Population will continue to grow in the decades to come; we need to support it while using more efficiently our resources. And when you look at an industry like payments, due to the fragmentation of the payment industry, there is a massive waste of resources. When you have ten companies in the same territory doing the same payment activities, investing in almost the same systems, all on a sub-efficient scale, while in fact all that could be done at a much bigger scale by fewer and more prominent players, it's a waste of resources, waste of carbon, waste of electricity, waste of CapEx and investments.

So scaling a business like Worldline to deliver, at the correct scale, payment solutions and services to merchants and banks is a way to optimize the use of scarce resources and to provide more efficiently critical payment infrastructures and payment systems with less impact on the planet. That is why Worldline's mission is to scale the business to better serve the societies in which we operate through the merchants and the banks. We help reduce the level of waste associated with the hyper fragmentation of this industry. This does not mean that scale and hyper concentration is always good in every business. The concentration versus localization of the production centres has to be addressed differently from one industry to another. But in payment, it makes sense because of the digital and highly standardized nature of the business.

How do you see the consolidation landscape evolving in the next two to three years in the payment industry?

Well, over the last ten years, the speed of consolidation in the European payment industry has been impressive, but it is clear that we are not done yet. Probably 50% of the payment volumes are still fragmented into numerous local operators, whether they belong to banks or independent companies. So I believe that until 2025 and maybe until 2030, the consolidation trend will continue.

Who will be the winners and the losers of this process?

There are no winners and losers per se. Ultimately scale is benefiting everyone in the industry. What we have seen over the past years is that fundamentally this has been a pretty much uni-directional consolidation model. I.e., banks that were historically the owners of payment activities, whether on the issuance side or the acquiring side, have recognized that this was, in many countries, a pure-player business, and banks have, in many cases, been now partnering with payment specialists and they tend to sell their in-house payment businesses.

I believe this should be the way forward for the years to come. I anticipate we will see more and more of these types of partnerships between banks and companies like Worldline. It is what we stand for. We are the long-term partner of the banking industry to help the banks adapt to the new paradigm of the payment ecosystem. And I think we can form great partnerships and alliances as we do in Germany with the Sparkassen-Finanzgruppe with our JV Payone, and as we recently announced in Australia with ANZ Bank for acquiring on the Australian market. Or as we did in the past with Komerční Banka in the Czech Republic, or more recently in Sweden with Handelsbanken and BNL-axepta in Italy.

I believe a lot in these partnership models between banks and the payment specialists like Worldline. And definitely, we will invest a lot to make sure that we are seen as the right long-term partner for these banks not only from a technology standpoint but also from a cultural governance and behavorial standpoint. It is a win-win business model and value proposition for both parties.

Five years ago, the banks believed that they should divest payments because, as you say, it's better handled by pure-play players. But now, they are starting to recognize that the strategic importance of payments is still of benefit to their core banking business. Do you see that the collaboration with the banks is changing from just divestments to you serving your payment knowledge to strengthen their core banking activities?

I'm a firm believer that retail banks should stay strongly involved in the distribution of payment products and payment services; but it does not mean that they must produce these products and services themselves, as the complexity, the speed of innovation and the level of competition have immensely changed over the last decade in the market.

The point of our value proposition to banks is precisely to solve this issue, to allow them to benefit from our scale so as to make sure that they will stay relevant for their own customers with best-in-class product produced by and with Worldline. They can then redeploy their internal resources, not to produce payments, but on all the rest: distribution, marketing, digital front-end, customer experience, and things the bank can only do by themselves. This is a winning formula. And banks are more and more convinced as we could see during the last 10 months with all the new bank partnerships we signed in Europe and beyond.



Consolidation Across Europe

Industry consolidation is not a new phenomenon but the increase in mergers and acquisitions in the payment sector over the past decade is noticeable. International acquirers are competing for scale to resist price pressure, fight competition and reduce costs while acquiring merchant portfolios and building direct relationship networks.

The recent mergers between FIS/Worldpay, Fiserv/ First Data and GlobalPayment/TSYS are some of the larger consolidations in the US and NEXI/SIA/Nets and Worldline/ Ingenico are accelerating consolidation in Europe. This is the result of a wave of new companies specialising in e-commerce payment systems and fintechs who are challenging traditional banks by harnessing the rise of e-commerce innovation and smartphones as means of payment. Consumers' payment preferences have changed rapidly with the expansion of payment options and that has made merchants look for payment service providers (PSPs) offering an omnichannel approach to payments. Many of these merchants, particularly small and medium enterprises (SMEs), are choosing competitively priced integrated solutions able to meet the expectations of more demanding customers.

On the supplier side, the proliferation of payment solutions, in combination with the increased demand for broader services and competitive prices, is driving PSPs towards scaling their businesses to keep up with the market.

The M&A wave sweeping over Europe

Since the financial crisis of 2008, the financial services industry in Europe has seen a wave of new (but necessary) regulations such as PSD2 and CBPR2. These new regulations have accelerated the trend of Open Banking and enabled fintech companies to compete with conventional banks by offering targeted financial services such as payments, investments and lending combined with a faster and superior customer experience. Additionally, Covid-19 accelerated digitisation in 2020 as every merchant worldwide required a digital proposition. While smaller businesses may feel neglected at times by their banks, fintechs are building targeted platforms designed to make it easier for SMEs to quickly onboard new customers and accept digital payments. Eventually some of these platforms will likely apply banking services to accompany their capabilities - either becoming banks themselves or utilising the Open Banking access to

The growth potential of the payments market over the past decade is the wind in the sails of the current trend for mergers and acquisitions. As consumers demand further payment innovation, merchants are seeking out increasingly specialised service providers with deep knowledge of both payments and technology to increase their conversion rates and sales volumes. To keep up with the development and consumer demand, companies active in payments need to invest heavily and/or grow their capabilities through consolidation.

Some banks have divested their payments businesses because they were unable to sustain and adapt to these new changes. The need to be able to commoditise traditional payment activities like processing and acquiring or to gain technological skills and agility to accommodate e- and m-commerce, for example, has only increased with merchants' demand for omnichannel solutions.

In order to successfully navigate a market where technologies such as NFC, biometrics, digital wallets,

blockchain, chatbots, virtual reality etc. are developing fast, banks need to invest in innovation within their IT platforms and R&D just as new disruptive players such as Adyen (The Netherlands, 2006), Stripe (Ireland, 2009) and Klarna (Sweden, 2005) have done. These companies have shown innovative, organic growth and have positioned themselves in attractive segments like e- and m-commerce, which have become crucial factors in accommodating increasing customer expectations and security requirements (behavioural scoring, new authentication methodologies, tokenisation). IT integration and data analytics are also increasingly required if banks want to keep up with merchants' requirements.

Worldline: the EU consolidator

After Worldline's annual financial results announcement in Q1 of 2021, the group stated that it will continue to look for consolidation opportunities and on 28 May 2021 Worldline acquired 92.5% of the share capital of Cardlink, the leading Network Services Provider in Greece. Worldline is specifically targeting consolidations that will enhance scale and generate synergies, as in the case of the acquisition of Ingenico which ticked all the boxes. This acquisition helped Worldline enhance its presence in key verticals such as large retail and in key countries like Germany, Sweden and the UK. It also expanded Worldline's product offering with the ability to serve global digital players that do not want to handle payments and treasury issues in-house, such as online travel agencies. Consolidation in the payments industry has become an unstoppable trend as more PSPs like Worldline look to build scale to sustain investments, ride an acceleration in digital payment volumes and establish a presence in key European markets.

What's next for the payment sector?

The payment sector has seen numerous disruptive fintech innovations over the past couple of years. So far, consumer trust has been the advantage of the incumbents but that is about to change as consumers find non bank-branded models increasingly trustworthy. This enhanced competition from fintech companies will lead more and more established PSPs towards consolidation with companies providing more advanced technology.

In the future, PSPs will focus on consolidating with companies that will provide them with tech to support concepts such as checkout-free stores. Here mobile apps play a key role in tracking data derived from shopping as they link the payment back to an enrollment and forward crucial data to the PSP that enrolled the consumer. Another large focal point in the payment sector, and one that continues to grow, is the payments ecosystems of the big tech players such as Alibaba, Amazon and Apple which have billions of global users. In 2019, Amazon hired over 4,500 employees sourced from the top US banks sending a clear message regarding the financial direction of its payments ecosystem going forward. With all of these possibilities for fintechs to compete on the same level as the incumbents in the payments sector, experts predict that the consolidation trend will continue for many years to come.



Worldline's Story

The story of Worldline's rise to a major global leader in the payments area started in 1973. It all began when the computer services company Sligos became the first to win a card transaction processing contract in a market dominated by cheque payments and fiat money.

In 1996, the rival company Axime offered to buy Sligos and this resulted in the successful merger of the two companies under the new name Atos. Atos soon acquired more companies and became a leader in the field of payment software and IT services integration activities.

In 2004, the company created the new subsidiary Atos Worldline to focus solely on payments and transactional services.

Two years later, the company acquired Banksys, which is responsible for securing and guaranteeing electronic payments in Belgium, and BCC, which manages the payment systems linked to the two largest credit card networks Visa and Mastercard¹. In 2013, the Atos Worldline division gained autonomy and one year later was listed by Atos as a new company - Worldline - for 26.59% of its holdings, worth 575 million euros, valuing Worldline at a capitalisation of 2.1 billion euros².

Worldline became the no. 1 European Payment Champion with over 11,000 employees and services in over 30 countries.

In November 2015, Worldline merged its electronic financial transaction processing activities with the Dutch payment processing company Equens to create equensWorldline. The launch in 2016 confirmed Worldline as the leader in the payment services industry across Europe.

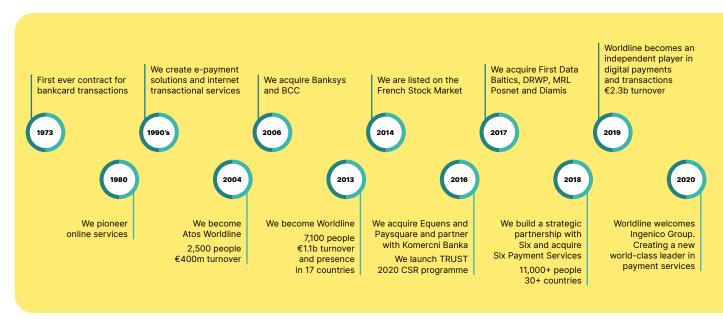
One part of Worldline's mission was to create and facilitate an ecosystem with easy integration of financial technologies for as many businesses as possible. Worldline therefore strengthened its position by acquiring Digital River World Payments (DRWP) and First Data Baltics in 2017.

In May 2019, Worldline became an independent company when Atos shareholders approved the plan to redistribute 23.4% of Worldline shares to their investors³.

At the end of 2020, Worldline expanded its international reach and signed a long-term strategic commercial acquiring alliance with Australia's third largest acquirer ANZ Bank.

This placed Worldline in charge of ANZ's merchant acquiring business to deliver value-added products and services to their merchant customers. The Australian market is highly relevant for Worldline as it is the 14th largest economy in the world and is experiencing substantial growth in digitisation⁴.

In May 2021, Worldline acquired 92.5% of the share capital of Cardlink in order to expand Worldline's Merchant Services business in one of the world's most promising markets. Cardlink is the leading network services provider in Greece and has unique access to the leading Greek payment acceptance network. For Worldline, this transaction will create a stronger reach toward the south of Europe in a country demonstrating a fast adoption of electronic payments⁵.



*Worldline's timeline

- 1 https://www.boursier.com/actions/actualites/news/atos-origin-rachete-bcc-et-banksys-pour-devenir-un-leader-europeen-des-services-de-paiement-194309.html
- thtps://www.bodusier.com/actions/actio
- 3 https://uk.worldline.com/en/home/newsroom/press-releases-general/2020/pr-2020_10_30_01.html
- 4 https://worldline.com/en/home/news-events/financial-press-releases/2020/pr-2020_12_14_01.html

Ingenico's story

In October 2020, a major addition joined the Worldline family Ingenico - creating a new world-class leader in the payment services industry6.

In 1980, Jean-Jacques Poutrel and Michel Malhouitre laid the foundations from which Ingenico would go on to become a global leader in seamless payments. For the following 30 years, Ingenico provided smart solutions to empower commerce across all channels, from in-store to online

In 1984 Ingenico deployed the first EMV (Europay, Mastercard and Visa) payment terminal. One of its greatest achievements in the 1990s was the acquisition of Bull and De La Rue's payment terminal activities as well as Epos in Germany.

One early major milestone for the company was when Ingenico became the first payment services company to obtain online/offline PCI-SSC PIN Entry Device (PED) Certification in 2005. Three years later, in 2008, Ingenico established its position as the world leader in payment terminals through the acquisition of the payment terminals businesses of Sagem Securité, principally Sagem Monétel, a subsidiary of the international high technology group SAFRANI⁷. Ingenico also expanded its presence in China through investments in 55% of Fujian Landi, one of the leading Chinese transaction solution providers and Point of Sale manufacturers8.

Ingenico reached another key milestone when it acquired Swedish Bambora in 2017. This acquisition complemented Ingenico's customer-centric approach with further technological skills by adding a dedicated direct-to-SMB sales channel to Ingenico's Retail Business Unit. It also increased Ingenico's online and in-store offer in the Nordics, North America and Australia9.

In 2019, Ingenico and PAYONE created a key joint venture making Ingenico the clear leading payment provider in Germany. At the time of merging, PAYONE was the second largest international card acquirer in Germany, which helped accelerate the joint venture's development covering the needs of in-store and online merchants as Ingenico's experience within the SMB market and larger retailers provided a great match in this field10.





Deployment of the FMV/ payment terminal

1984

International Pacific PTY is established in Australia

1987

offline PCI-SSC pin

2005

device certification

Ingenico is the first

to obtain online/

Ingenico becomes payment terminals

2008

STOXX Europe 600 index

2011

Revenues over

Becoming leading pan-European service provider Ingenico becomes Ingenico Group

2013

2014

Rise of omnichannel Payment Solutions

2016

1985

Listing on the Paris Stock Exchange 1990'S

and De La Rue Payment Terminal Activities and EPOS in Germany

2006 2007

Moneyline, Planet and Planet Elektronic

2008 2009

in Fujian Landi & Roam Data Mobile Payment U.S

2012

Arcom (Russia) PT Integra (Indonesia) Partnership with PayPal 2015

epayments brand combining Globalcollect & Ogone €2bn annual revenue

2017

Bambora, lecisa & Techprocess Creation of two global business units: Retail&Banks and Acquirers

*Ingenico's timeline

- https://uk.worldline.com/en/home/newsroom/press-releases-general/2020/pr-2020_10_30_01.html
 https://www.ingenico.com/press-and-publications/financial-documentation/acquisition/sagem-monetel.html
 https://www.ingenico.com/press-and-publications/financial-documentation/acquisition/fujian-landi.html
 https://www.ingenico.com/press-and-publications/press-releases/finance/2017/07/ingenico-ramps-up-its-transformation-acquisition-of-bambora.html
 https://www.ingenico.com/press-and-publications/press-releases/finance/2019/01/closing-of-the-combination-of-bs-payone-and-ingenico-in-germany.html

The New World-Class Leader in Digital Payments

In our 48 years, Worldline has expanded to 50+ countries all around the world and now employs over 20,000 talents. We have been a pioneer in the transformation of transactions since our inception, delivering our vision of a cashless economy by developing agile, customer-centric solutions that are rooted in a rock-solid technological base¹.

By joining forces with Ingenico in 2020, Worldline became Europe's new world-class leader in payment services ranking us the fourth largest player in payments worldwide. Following this new merger, we stand even stronger in operating payment solutions that enable viable economic growth and reinforce trust and security in our societies. With our global footprint and dedication to excellence, innovation and sustainability, Worldline is set to accelerate the development of the European payments industry, further shaping new ways of paying, living and doing business.

A new initiative in recent years is the Worldline Scientific Community. It consists of technology and business experts from across the group and is chaired by Worldline's CEO and deputy CEO. The Scientific Community's goal is to identify, analyse, convey and predict how key trends in society, business and tech will evolve in the future. The experts' main focus is to transform the trends into strategic and specific insights for our customers in the shape of whitepapers and articles².

Worldline is a founding member of the European Digital Payments Industry Alliance (EDPIA) which was formed in 2020 to enhance the contribution to EU policy development affecting the European payments market. In January 2021, the EDPIA welcomed three new members: Aircash from Croatia, Buckaroo from the Netherlands and HiPay from France. This will strengthen and diversify the EDPIA's presence and ambitions to create a stronger Europe in payments. payments³.

Sustainable, trusted and secure solutions across the payment value chain



Payment processor in Europe

Accepting

3501

Payment methods

≈250,000 e-commerce customers and platforms

1,000+

Banks and financial institutions connecting customers to over 150 local acquirers



~5.6 billion

acquiring transactions per year



Online payment acceptance provider in Europe

#4

Largest player in the payments area

Globally

20,000

employees in over

50

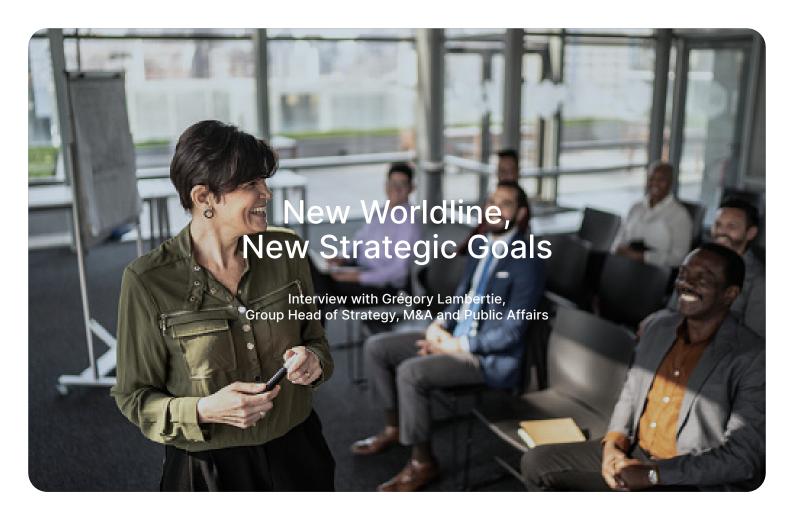
countries





~1,000,000 merchants

- 1 https://worldline.com/en/home/about-us.html
- https://worldline.com/en/home/worldline-scientific-community.html
- 3 https://worldline.com/en/home/pressroom/press-releases/2021/pr-2021_01_12_01.html



Former Senior Vice President of Corporate Strategy and Development at Ingenico, Grégory Lambertie, has joined the Worldline family as Head of Strategy, M&A and Public Affairs, following the merger with Ingenico. In this interview we discuss Grégory's expectations for his new position at Worldline, the opportunities created by the merger and how he thinks the consolidation trend in the payments industry will affect the future of the industry.

Can you tell us about Worldline's high-level post-merger strategy?

Worldline has a proven track record of successful acquisitions and integrations, which reached new heights with the acquisition of Ingenico in 2020. This friendly transaction was a major strategic milestone for Worldline and made the company the fourth largest payment player in the world.

In 2021, we will leverage our new constellation and pursue a transformation towards becoming an ecosystem enabler and trusted technology partner with an enhanced focus on payments acceptance. We will also, among other things, finalise and execute the strategic review of Terminals, Solutions & Services (TSS). The objective is to determine the best option for the long-term development and the transformation of terminal activity in the direction of a cloudbased Payment Platform as a Service (PPaaS) model, where cloud-based payment apps, API and orchestration modules allow an improved experience

for merchants and consumers alike at the point of sale (POS). In the end we want to ensure that Worldline, as the leader of today in technology at the point of acceptance, remains the leader of tomorrow¹.

We are also ready to explore opportunities outside of Europe, particularly those that offer high synergies with our existing business. As an example, we signed a joint venture with the Australian and New Zealand Banking Group (ANZ), which is our first major foray into a new continent and we're getting ready to close that acquisition towards the end of 2021.

E-commerce is another focus area we wish to explore at a time when the digitisation of commerce is accelerating. There are many opportunities for growth there and we have the financial means and cash flow generation necessary to achieve our ambition. We're cautiously optimistic as always, but we think there is potential. Finally, in terms of Financial Services, our ambition is to both add scale when

possible and think about next gen capabilities (cloud, realtime, multischeme).

Can you tell us about your post-merger strategic considerations that leverage some of the key areas of Ingenico?

The merger really added scale to our Merchant Services business. Given the current trends in payments, having an end-to-end value proposition for different merchant segments is a key success factor for us. In the last couple of years, both Ingenico and Worldline built a solid offering in omnichannel solutions for small and medium businesses as well as for large enterprise clients in Europe.

I think Worldline has materially improved its global offering in terms of e-commerce, and the combination of both companies' portfolios means we have the full product range and the customer breadth that is required when operating at this level. This has been recognised by our clients as well as by our shareholders – our stock price is

¹ https://worldline.com/en/home/pressroom/press-releases/2021/pr-2021_04_22_01.html

currently close to an all-time high. However, we're still looking into emerging opportunities that could complement our current offering, help us accelerate the group's growth or increase market share and I think that's where global e-commerce is coming into play.

Has Worldline's identity changed from a primarily European company to a more global one?

With the acquisition of Ingenico, Worldline has acquired a broader international perspective in the breadth of geographies that we serve and also because we have a business that caters to global digital players for whom we take care of a number of fund transfer services.



Grégory Lambertie

Head of Strategy,

M&A and Public Affairs

Essentially we manage their funds flow when they don't intend to set up complex entities across the world. We are also helping them grow without having the headaches of dealing with payments locally.

From a strategic point of view, where do Worldline and Ingenico complement each other well?

The combined company now has a very strong position in Europe from a market share perspective, as well as an increased footprint globally. Ingenico and Worldline complement each other very well both in terms of products and skills. Worldline has a strong track record of operational efficiency and streamlined processes that is allowing us to deliver the meaningful synergies we promised to the market.

The international aspect of Ingenico is also something that brings talent and cultural diversity as well as probably a stronger balance in terms of gender diversity. This is very good and it contributes to the possible improvement of our working culture.

Could you address the current market situation and the trends you are observing?

We have seen an acceleration of online, mobile and contactless payments over the course of the pandemic.

This trend benefits not only consumers but also the card issuers and payment players who streamline their processes and manage them increasingly online. Digital wallets are a part of the online mobile category and the number of digital wallet users is expected to reach 4.5 billion globally by 2025, which is almost double the 2.6 billion users in 2020. The total amount consumers will spend through digital wallets is also expected to double in that time period from \$5.5 to \$10 trillion². So that's a big move and the pandemic has accelerated that.



We will also see an acceleration of Buy Now, Pay Later (BNPL) options, which have become increasingly popular since 2020. Interestingly, the increasing adoption of BNPL is happening in all age categories versus only the younger generation as seen before.

The acceleration of P2P, peer to peer payments, is another notable trend that was stagnating slightly in some geographies prior to the pandemic. It has now accelerated with the limitation of cash payments. People are increasingly using apps to pay each other back. P2P payment may be more relevant for micro businesses and we are observing that tendency - for example, a plumber comes to your house without a terminal and you pay mobile to mobile through different rails. So, these use cases are becoming an integral part of large payment players' thinking as we get into the next phase of payment.

One other trend, finally, is embedded fintech and the seamless integration of payments and any other financial services into the merchants' software system so that the payment is no longer a separate action for the customer. This requires a lot of integration and not just having the card on file. It can be achieved by an embedded fintech layer, which is also a trend in itself.

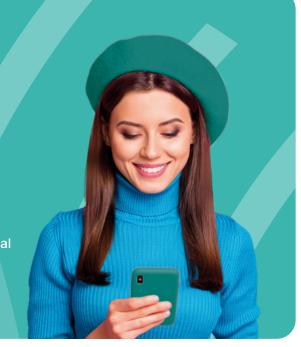
What are your ambitions for Worldline's strategy over the next three years?

We are now moving into the next phase of the Worldline journey where growth will be the name of the game.

We have very strong skills in terms of generating synergies and increasing margins. However, as merchants want us to accompany them through their growth journey, we will need to raise our game in terms of products and ability to grow. That is going to be our main challenge in the next three-year plan to get there.

Unifying Worldline under a new global brand identity

Interview with Claes Nyströmer,
Group Head of Brand and Digital Reputation at Worldline Global



Following the merger with Ingenico, Worldline has set out on its biggest rebranding ever, consolidating its brand portfolio and launching a new global brand identity. We talked to Claes Nyströmer, Group Head of Brand and Digital Reputation at Worldline Global, about the new identity, the rationale behind the rebranding and how it will benefit Worldline's clients in the future.

Why did you decide to launch a new brand identity and consolidate your brand portfolio?

Worldline has been deeply transformed by its organic evolution and a series of strategic acquisitions, with Ingenico being one of them. These acquisitions have significantly contributed to our transformation into a global leader, with 20,000 people across 50 countries. With this size and scale, combined with a portfolio of more than 10 brands, it was important to us to come together as one unified organisation.

Over the last couple of years, we've been steadily moving towards a deeper integration of our Group in terms of operations, teams and culture, so that we think and act as One Worldline. Rebranding most of our brands to Worldline is an important step, and a powerful symbol of this unity. Standing united under one main brand will allow us to move together into the future, and bring even more value to our clients around the world. At the same time, we also wanted our brand to better reflect the Worldline of today, and this was the perfect time to launch a new global identity. To put it simply, this rebranding aligns our brand strategy with where the Worldline Group is today.



Claes Nyströmer

Group Head of Brand and Digital Reputation at Worldline Global

From a branding perspective, how would you describe the Worldline of today?

Worldline is the European leader in digital payments, and number four globally. We have arrived at this position by building on our commitment to excellence and our reputation for delivering sustainable, trusted and secure solutions. This will always be at the heart of Worldline, and it is also reflected in our new brand identity. Our new corporate vision is to enable sustainable growth, and reinforce trust and security in our societies. This highlights our deeply held sense of purpose and reaffirms our values and our commitment to corporate and social responsibility. We strongly believe that success in the payments sector requires a balance between economic growth and the prosperity of people and the planet.

What is the story behind the new visual identity?

It really is a story about trust. Worldline is trusted to provide infrastructure for millions of people and businesses around the world, and we take that very seriously. Our new logo conveys how Worldline, through the transactions we enable, brings together different worlds and connects lives, with the Group at the centre, passing on trust. The nature-referenced colours in our palette reaffirm our commitment to sustainability and convey the authenticity and clarity of our approach, rooted in trust. And just as important for Worldline, our new visual identity is another step on our eco-branding journey. All visual ingredients have been conceived for minimised carbon impact. Wherever we can, and no matter how small the impact, we will cut out carbon emissions.

How will this rebranding benefit your clients?

Our clients can be assured that they will receive the same high quality of service as always. And going forward, operating under a unified brand will enable us to demonstrate how being one of the world's largest players in payment services can benefit our clients even more. We will be able to offer a unique value proposition under one brand with a unified experience. This means that wherever our clients are, and however big they want to grow, Worldline will have the solutions, products and expertise to help them succeed.

Want to see more? You can explore Worldline's new brand identity at http://www.worldline.com/new-worldline-brand



The Australia and New Zealand Banking Group (ANZ) has recently entered into a joint venture with Worldline. In this interview with Mark Hand, Group Executive Australia Retail and Commercial Banking at ANZ, we take a look at the advantages of the partnership, the challenges it will address and the benefits ANZ's customers can expect in the future.

Congratulations on the joint venture between ANZ and Worldline. Seen from your perspective, what are the main points of the collaboration?

The most important motivation from ANZ's point of view is the increased competition in banking, which has become very significant in recent years, from new players in fintech, payments organisations, the token industry, neobanks and challenger banks.

Particularly, the buy now pay later schemes are disrupting the banking industry here in Australia. There are a few ways you can respond to this disruption: you can invest and build a world-class capability; you can acquire a company that has the required capability; or you can find the right partner who already has that capability and then tackle the issue together.

So, from my point of view, the most important aspect of this deal is that we are partnering with a company which does indeed have a world-class capability and will enable us to bring that to market for our customers sooner and in a much more comprehensive way than if we tried to do it ourselves. We are going to be much better at serving our customers and remain

relevant to the market much quicker and much more effectively than we could by doing it alone.

This is the main driver of our interest in the deal. We asked ourselves how we could meet our customers' demands better and quicker and we decided that a partnership with Worldline was the best way to do that.

What are the key challenges you expect the joint venture with Worldline will address?

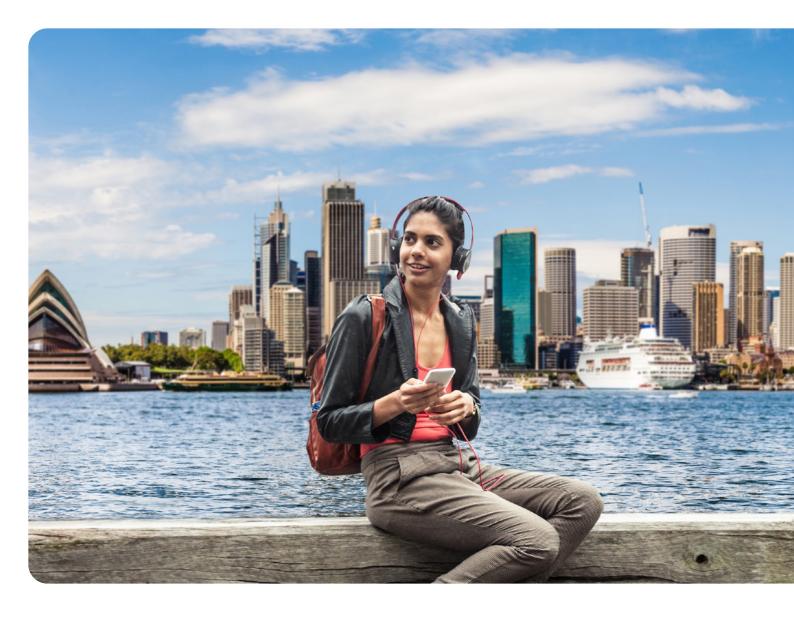
I think the nature of payments is changing very rapidly. We have traditionally been strong in situations where consumers need payment terminals, such as retail outlets. While this is a strength of ours, and we continue to grow in that area, we do have a weakness in the online space. So, part of the opportunity presented by the joint venture is that Worldline brings capabilities in areas that we are

either weak in or have not yet sought to develop propositions in. The partnership has given us the opportunity to accelerate the development for our customers much more quickly than we would have been able to by ourselves. I think that this partnership and the accompanying speed to market will be critical to our customers.

Which services and new developments do you predict ANZ's customers will have access to in the coming years following the joint venture with Worldline?

I think we will see services such as more omnichannel solutions where customers have more payment options, whether it be on devices or access points or even through apps like WeChat or AliPay. This is something more and more of our customers are demanding.

There are a few ways you can respond to this disruption: you can invest and build a world-class capability; you can acquire a company that has the required capability; or you can find the right partner who already has that capability and then tackle the issue together.



Quite a lot of these payment options relate to digital capabilities as cash has been disappearing in Australia at a fast rate, especially during Covid-19, and so our customers are increasingly looking for alternatives to cash when in a store. Digital or online payment options, like using a wallet capability on a phone, are going to be at the forefront of our customers' demands.

One of ANZ's goals is to create a simpler and more digitally-focused bank. Which future payment trends do you expect will lead you in that direction?

By participating in some forms of digital gateway services we will be even more relevant to our customers. Wallet payment is clearly one such service that has emerged around the world and, in time, we want to participate in those types of payments as well as any digital payment services that add a layer of security.

We know that cybercrime and fraud are prevalent in the payment industry and we have got to be the best in the market on this issue. I think that being able to offer our customers digital payments in a very secure way and to

be one of the most secure banks out there is going to be critical for our customers' peace of mind and their willingness to bank with us going forward. This is a key area that we need to participate in and one of the main reasons we chose to partner with Worldline is because of its expertise in digital security.

We were looking at the various players in the market and ANZ was keen to partner with a company that we felt was a good cultural fit for us as an organisation. We needed a capability that was clearly proven and provided the ability for our customers to take a big step forward. Security is also absolutely at the forefront of our minds when we work with our customers. These were the reasons why we chose Worldline and, in the early stages of the partnership, we were pleased to find similarities in our ways of doing business and in our cultures in terms of our goals for our customers and our willingness to get things done and expand.

Australia is seeing a strong adoption of digital payments, which may well be connected to adapting to the era of the pandemic. Do you think that the market in Australia will have a head start in the new payment trends post Covid-19?

I think that we are on the path of becoming highly digital in the terms of payments. We have seen a rise in the use of digital wallets and Apple Pay during Covid-19 and we are significantly ahead of much of the world in this area.

We are seeing an increased preference for shopping online and paying digitally and electronically in shops when the opportunity is present and in general there is significantly less cash usage. Looking at other countries, Sweden still has a lower use of cash than we do although we are well down that path in terms of the use of cash continuing to decline here in Australia. We believe that we will remain on that path until the inevitable happens and cash is close to elimination.

Do you think that we will see a difference in payment trends in Australia vs. the rest of the world?

I don't know if there will be a massive difference as such although, in Australia, we do tend to be early adopters in this space even if we tend not to be the developers of the leading solutions we see around the world. I don't think we will find areas where



Australia deviates from the trends we are seeing around the world but I do think that we will be at the forefront of the adoption of digital payments as well as buy now pay later schemes, which we have embraced very quickly here in Australia. We have always been ahead of the curve in a lot of these financial adventures and new technologies.

Our larger customers will see, as a result of this joint venture, not just more payment options and more secure options but also more data insight that will help them run their businesses better than they can today. We will have the ability to provide information for our larger customers about their payment activities, such as insights into their own customer base, which will help them form their own decisions about their business.

I think that this will be one of the extra benefits they will see following this joint venture and if we take a look at some of the smaller customers we have around the country, they will quickly get plug-and-play solutions that they do not have access to today. One of the things we need to improve is the way we treat our smaller customers and this could be, for example, by offering smaller versions of the larger scaled solutions for our very large retailers. I believe that the option of having smaller solutions makes it easier for our customers to choose the best option for themselves and quickly adopt that solution, while being able to receive new types of payments will benefit our smaller customers greatly. In the beginning, there will be less focus on data analytics and more focus on being able to accept different types of payments very quickly which will then, in time, provide them with data.

In the future we can build solutions that link into, for example, practice management software that medical organisations use to make sure that the payment is very well captured and monitored and links directly to their accounting software. This will help small business owners save time by helping them manage their payments much more comprehensively than they are currently able.

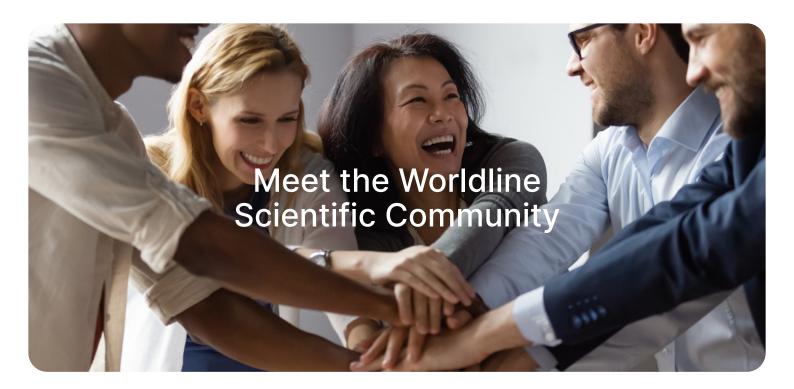
The message from me is that this is now a much more powerful proposition that we can present to our customers because we are bringing the best of our two organisations together. I think the speed at which we can develop and

bring really great solutions to market once we are up and running is going to surprise our competitors. The exciting part for us is our customers seeing real benefits come out of this.



Mark Hand

Group Executive Australia Retail and Commercial Banking at ANZ



The Worldline Scientific Community identifies and analyses key trends in society, business and technology. By predicting how these trends will evolve, the community creates valuable strategic insights for our clients, helping them to prepare for the future.

We asked David Daly, who is the Editor-in-Chief for the community, to tell us more.

Can you tell us a bit about who is in the Scientific Community?

It is a really diverse group, spanning many regions and areas of our business and including people with different backgrounds. We have people from sales, compliance, as well as deep specialists in AI, cryptography and blockchain, to name just a few.

This diversity is deliberate as we see it as the best way to cross-fertilize ideas and challenge ourselves to think outside of our usual comfort zone. What we all have in common, however, is an innovative, free-thinking, curious mindset, as well as a commitment to investigating trends and sharing insights with our clients.



Editor-in-Chief for the Worldline Scientific Community

All members of the community make this contribution alongside their main role, which ensures that we keep our thought leadership firmly anchored in reality.

Can you tell us a bit about what the community is working on currently?

One of our main activities is to publish thought leadership material. We have already released the following papers:

- Harnessing ai to achieve hyperautomation in payments
- The IOT payment revolution
- In-store payments re-imagined

In October we will be publishing our "Navigating Digital Payments" report. In this significant document, we will explain the key trends that are set to make the payment landscape more complex in the near- and mid-term. On the other hand, we will also detail how people's expectations as citizens and consumers are trending towards increasingly simple and seamless payment interactions. Our goal is to help businesses understand how they can successfully bridge this gap between complexity and simplicity.

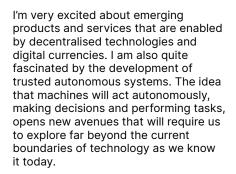
This kind of publication is just one aspect of our work. We are also committed to bringing innovative topics to life with our clients, collaborating with them through innovation sessions that we regularly organise and deliver. I often find that, when we bring together the right expertise from Worldline and the client side, and we focus on real challenges and needs that they are facing, that's when the magic happens and we can quickly conceive exciting innovations.

Meet Some Members of our Scientific Community



Aisling Connolly

Cryptography and Privacy Researcher, France



As a researcher, it can be very easy to get tunnel vision and focus on a single technical aspect of one particular topic. Being part of the Scientific Community allows me to see different topics in a broader context and understand how everything fits together to impact the payments industry as a whole.



Sunil Rongala

Head of Strategy, Innovation & Analytics for Worldline South Asia & Middle East, India

In the Scientific Community I have been focussed on how the in-store digital payments ecosystem will continue to transform. It is fascinating how technology will enable new, immersive in-store experiences and how payments will become even more seamless and frictionless than they are today. Being in the Scientific Community is also fun and I genuinely look forward to our meetings and love listening to the varied viewpoints from people with diverse backgrounds working together towards a larger common goal.



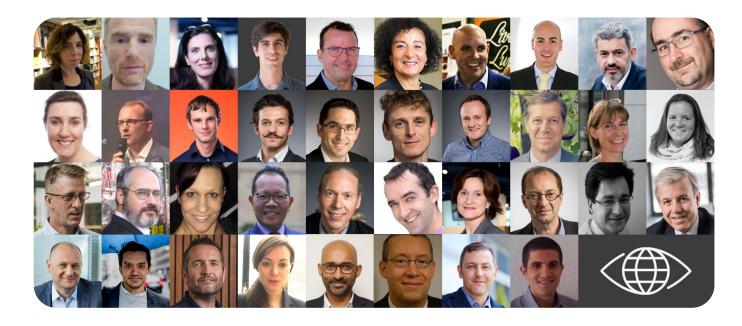
Pauline Schrooyen

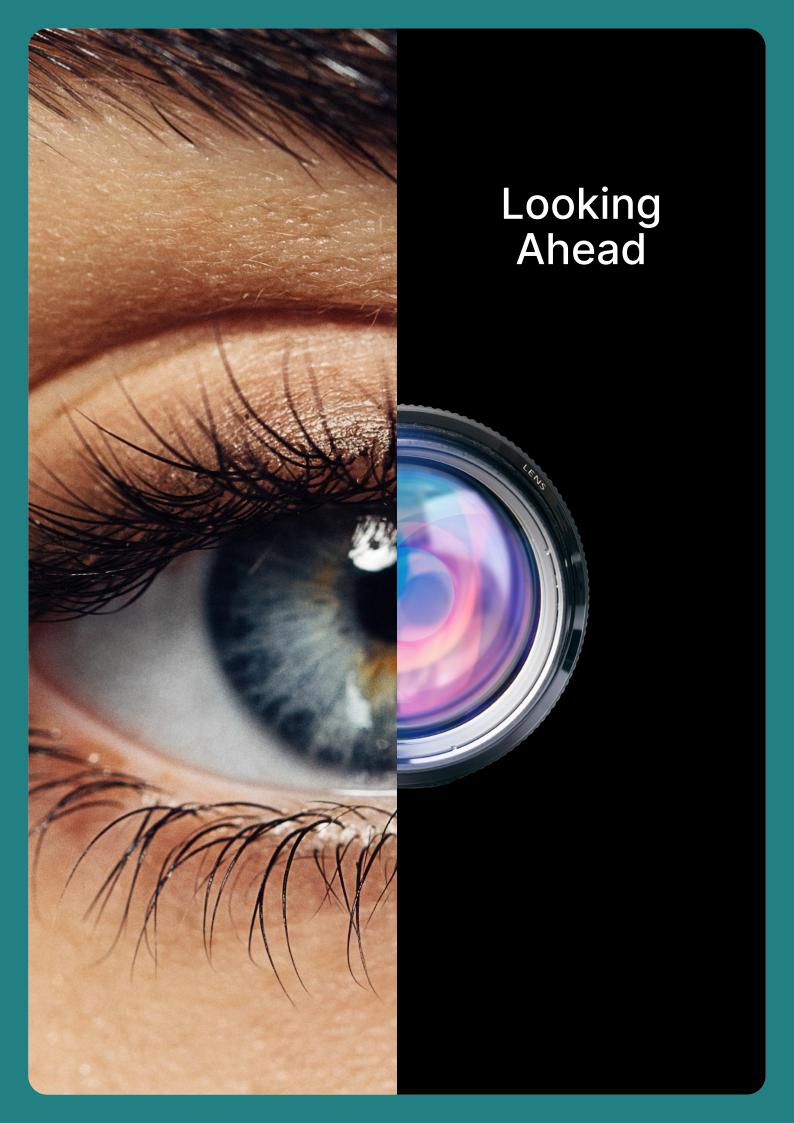
Regulatory Compliance,

Scientific Community members feed each other interesting questions and share in-depth information based on a mutual desire to learn more and understand better. It is a true exchange in every sense of the word, and encourages us to think freely beyond our own expertise/training and day-to-day responsibilities.

Personally I am particularly interested in how the regulatory landscape is interacting with digitalisation. GDPR and PSD2 have already become part of our 21st century narrative. In the coming years I expect this will also become the case for digital wallet, digital identity and digital currency.

You can find out more about the Worldline Scientific Community and its latest publications by visiting Worldline Scientific Community





Megatrends in Global Payments

Worldline dives into the biggest trends that are affecting the global payments industry. This article guides financial institutions and merchants on how best to accommodate these trends, while mapping the challenges and opportunities that they will bring.

Buy Now, Pay Later

Buy Now, Pay Later (BNPL) is a fast-growing alternative to the traditional fee- and APR-based credit card models of consumer financing. It provides greater flexibility to consumers, removing the need for credit approval, with only 'soft' credit checks being carried out by the companies offering BNPL. While the BNPL phenomenon started as a digital payment solution, and online use of BNPL has increased among consumers and a growing number of merchants offer it, it is now offered for in-store purchases too. Payment service providers such as Klarna and PayPal take on the credit risk while merchants receive the full transaction amount immediately.

Klarna claims that brands with instalment financing have seen a 58% increase in average order value and a 30% increase in conversion rates: British fashion brand Next is one of those retailers offering their own interest-free instalment payment plans. Now that PayPal has entered the market with their 'Pay in 4' instalment programme, combined with the recent shift towards e-commerce and the huge increase in m-commerce, over the next five years a sharp rise is likely in new payment models such as BNPL. Following this trend, there may be an increase in partnerships and consolidations to make way for payment models such as BNPL.

However, a point of concern in the BNPL market, unlike the payment card market, is the lack of regulation. The only current exception is the UK, where the Financial Conduct Authority has announced that all BNPL activities will be regulated. Despite consumers' risks of taking on credit and increasing their debt, BNPL is ready to expand globally due to high customer demand, whether or not it is regulated¹.

Account payments

Account-based payments are not a new trend, since payment systems such as iDEAL in the Netherlands and Swish in Sweden have been used by consumers and merchants for years now.

According to the PSD2 regulation, all European banks now have to offer interfaces to enable licensed third-party providers to initiate account-to-account payments via SEPA credit transfers. Worldline predicts market penetration for account-based payments will reach 10% of all payments over the next five years.

In contrast to card payments, account-based payments allow the consumer to pay higher amounts more securely with their smartphone. The consumer controls the payment initiation and does not need to sign any mandate, as they would with direct debits. Account-based payments also greatly benefit merchants, as this payment method can lead to a considerable reduction in costs by removing interchange and scheme fees. Additionally, the settlement is faster and no additional payment guarantees need to be provided, because the payment transaction is irrevocable.

Advanced analytics

With new fintechs competing for their attention, consumers have become used to customised user experiences, seamless data-sharing capabilities and 24/7 accessibility when managing their finances. With a Personal Finance Management (PFM) app, consumers can monitor their finances with the help of AI, smart analytics, automation and open banking, but without traditional banking features such as the ability to transfer money between accounts and pay bills. Digital-only banks rely heavily on PFM solutions as a substitute for the advisory services offered by traditional banks. While PFM solutions have existed for a long time, they have become increasingly sophisticated and are moving in the direction of predictive and even prescriptive analytics².

Self-service and investing

During the Covid-19 pandemic, many people have become more engaged in managing their finances, saving for financial security or perhaps even investing money for the first time. The emergence of cryptocurrencies and the rise in Bitcoin's value, widely reported in the media, are also likely factors. The growing interest in investing could also be due partly to media attention given to Gamestop in January 2021, when amateur investors managed to raise the value of its shares by 1,700%³.

Cashless societies

The world's response to the Covid-19 pandemic has accelerated some pre-existing trends⁴ such as moving towards contact-free environments and cashless societies. Most governments around the world see significant benefits in digitisation and financial inclusion, with people having bank accounts.

Essentially, cashlessness comes down to identity infrastructure: identity is central to the use of digital financial services. India has mandated The India Stack, a series of pieces of technology enabling citizens to access different elements of government services. In the process, India managed to register 1.3 billion people who can now open bank accounts with their new official IDs. Official citizen IDs enable governments to shift from high-risk cash payments to direct deposits, and increase the value of digital payments.

Denmark, also, has a national digital ID scheme resulting in the majority of the adult population in Denmark having a bank account. Over the last 20-30 years the Danish government has pursued a strong digitisation agenda including ID, financial services and online public services, which has encouraged cashlessness as a side-result⁵.

- 1 Top 10 Fintech & Payments Trends 2021 by Juniper Research
- 2 Beyond open banking 2021 by Bud
- Beyond open banking 2021 by Bud
 Beyond open banking 2021 by Bud
- 4 https://www.forbes.com/sites/advisor/2020/10/22/the-pandemic-is-fast-forwarding-us-to-a-cashless-society-and-making-life-harder-for-the-unbanked/?sh=5872832f7f1f
- 5 https://globalfintechprnetwork.com/2020/06/06/consult-hyperion-webinar/

The cloud

Global eCommerce, with its associated digital payments, is growing exponentially, being expected to hit \$4.5 trillion in transaction value by 2023. Contributing to this growth are consumers expecting and demanding immediate payments, increasing access to smartphones, and worldwide government initiatives promoting digital payments. Banks are also prioritising new technology investments in payments automation, particularly automation technologies such as artificial intelligence (AI).

Despite digital payments' popularity with consumers, financial institutions are still at high risk of chargeback fraud, and report difficulties and high costs when updating their legacy systems to accommodate instant payment systems. This can compromise the onboarding process and customer experience and, ultimately, lead to loss of customers to more agile fintech competitors⁶.

A competitive solution for banks is running their payment services in the cloud, which can give scalability and agility to their payments strategies. This enables banks to pay only for what they use, resulting in significant cost savings. Digital payments have evolved swiftly during Covid-19, and signing up with a cloud provider and moving to more resilient cloud platforms, instead of investing in on-premises hardware, makes it easier for banks to adapt as digital payments evolve.

By migrating to the cloud, banks can leverage their ondemand infrastructure and address many of their traditional payments pain points, such as Black Friday and Singles' Day, which require extra processing power.

Cloud-native solutions will also prepare banks for potential regulatory challenges. Many banks were late to meet the revised Payment Services Directive (PSD2) and the sector has now been given extra time to meet the EU's new Strong Customer Authentication (SCA) rules. Although the regulatory landscape is constantly changing, banks working with a cloud solution, together with a proven software vendor, will find that adapting and complying to new regulations is faster and requires fewer resources⁷.

Al-powered innovation in user experience

Social distancing during 2020 caused bank customers to pay fewer physical visits to bank branches, and turn instead to digital banking, meaning that banks now deploy even more resources in their digital operations, and focus more on the digital user experience. In a highly saturated market such as banking, Al-powered UX can also play an important role in digital banking differentiation. Digital-only banks offering insightful and easy-to-use UX designs have expanded rapidly. Al can play a key role, providing insights into spending and customisation of the user experience: these features are an important part of digital banks' appeal, while Al cannot leverage analytics unhindered within traditional banks due to legacy infrastructure. Digital-only banks continue to acquire users because they meet customers' new expectations, which smartphones have helped to shape, as they have made insights and analytics easy to access.

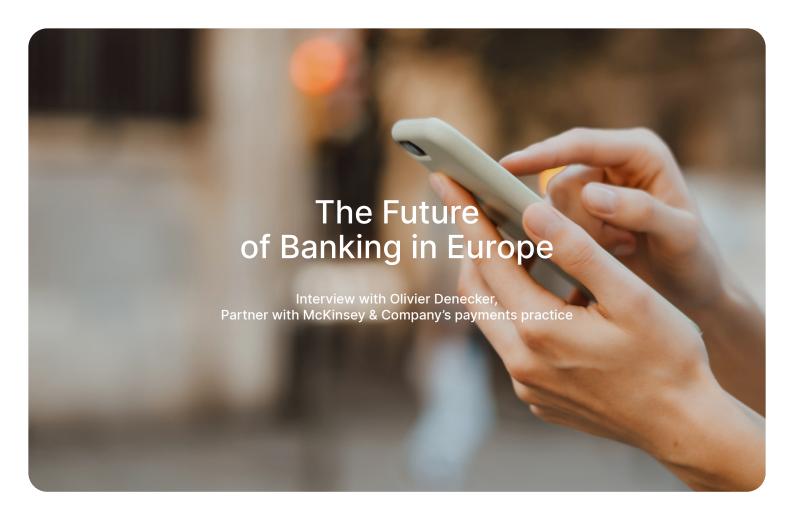
If traditional banks want to retain their customers, they need to invest in a compelling and seamless UX. By deploying new Al-powered technology that complies with local regulations, traditional banks can provide their customers with more detailed insights into their spending habits and savings, making money management easier and more accessible and, in the end, amplifying customer engagement⁸.

For banks, this digital transition enables them to serve more customers, expand market shares and increase revenue at a lower cost. Banks can also access the bigger, richer data sets required for powering advanced analytics (AA) and machine-learning (ML) decision engines. Ultimately, these decision-making capabilities, powered by AI, can generate additional value for a bank's customers, partners, and the bank itself. When leveraging machine-learning models to calculate the best way of engaging with each customer in (near) real-time, banks can increase value by crafting highly personalised messages at each step of the customer acquisition journey, enabling them to continuously and intelligently engage with their customers and strengthen their relationships while lowering costs, by automating tasks such as document processing, reviews and decision-making⁹.

Competing in the future

Fintechs are well-funded and popular with consumers. If banks want to compete with their new fintech rivals, they must provide their customers with easily accessible insights and analytics regarding their spending habits, savings, budgeting etc. Banks also need to rethink their UX, making it as seamless as possible. This could involve a transition towards cloud solutions to reduce any friction the customer might experience on busy banking days or during regulatory adaptation periods.





European banks' market share is under serious threat from the emerging fintech companies offering bank customers more user-friendly and agile banking alternatives. According to data from Mastercard, 25% of European bank customers are considering changing to a digital-only bank by 2022. To retain their customers, banks must focus their efforts to compete with the new tech companies.

Olivier Denecker, a Partner with McKinsey & Company's payments practice, shares his assessment of how European banks can act in the changing market and address customer demands. We also asked Wolf Kunisch, Head of Group Strategy, Public and Regulatory Affairs at Worldline Global, to share his observations at the end of this article.

You have been working with payments and consolidation processes at McKinsey for more than 22 years. What are some of the major changes in banking catalysed by Covid-19 that you think will affect how consumers, as well as banks, will act and prioritise in the future?

The transformation of the payments industry landscape started long before the pandemic, although Covid-19 has certainly accelerated it. The behavioural changes among consumers and businesses have been profound. In North America, for example, online card payments exceeded the physical point of sale card payments for the first time ever. Also, cash usage in Europe and many other parts of the world dropped quite dramatically during the pandemic. These are very positive developments in that they help advance the adoption of new technological infrastructures, with retailers and consumers connected to faster payment systems. Other new trends such as open banking have also seen a substantial uptick in adoption during Covid-19.

This pandemic-induced acceleration of ongoing change in the payments ecosystem seems to have been powerful enough to have pushed us into next-generation payments. On this side of all the lockdowns and other health and safety restrictions, cash is considered much more of a "low-value" payment mechanism, generating no data or additional revenue. Which bank customer trends do you predict will increase and how do you see the banks turning that to their advantage?

Customer requirements have increased quite dramatically compared to ten years ago when payments were just something that needed to work in the background. Payments have become much more tangible and experience-driven, especially for merchants, but also for consumers. In the past, the payments function stayed below banks' strategic radar, with a lot of help from big technological partners. Today it is one of the most visible aspects of the changes in banking.

Banks are the second-most used service provider by consumers, next to social media, and payments are the number-one driver for that. These days, bank customers rarely go to a physical branch although they make at least one payment a day. This point of contact is very important. It has made banks increase their focus on payments and this shift comes with the increasing needs and demands of clients, growing competition and massive investment requirements to stay competitive and compliant. All of this has become a bit of a burning platform for banks as it's a lot to sustain.

Another aspect of the acceleration brought on by the pandemic is changes in the positioning along the value chain, which has also been underway for a long time. An example of this is several international card players transitioning from being focussed on cards only to branch out into the merchant space by buying companies that complement e-commerce gateway plays. In Europe, for example, we are seeing a lot of acquirers looking to expand in this way and asking themselves how they can use scale on one hand and focus

on the other. We believe that focus creates value for everyone in the value chain. Banks have to make sure that they do what they think they do best and have a vision of what they want that to look like in the future. They also have to ask themselves whether they need to build everything themselves or consider scaling through partnerships and other alliances.

What would you advise banks to focus their attention on to survive and even benefit from the technological and digital disruption wave in the payments industry?

The strategic questions every bank should ask are 'Where do we want to be?' and 'What do we want to be known for?'. While many of the products that banks offer are must-have products where one bank cannot really be much better than the rest of the market, there are areas where it is possible to differentiate. Once the direction is defined, the bank should continue to the next question: 'How good are we, really, compared to other banks?'. Combining those two dimensions, they can find out if they want to be a leader or a follower in certain segments. If a bank has the vision and yet still is not good enough, then they need to invest.

If a bank has great ambitions, strong management and wants to be a leader within its field, then the problem is how to maintain focus.



Olivier Denecker

Partner with McKinsey &

Company's payments practice

Most banks want to be everything for everyone, which is increasingly difficult unless we are talking about a major bank with a major budget. If a bank does not have the ambition of differentiating itself within payments, they still need to update their products and systems to keep up with the market. Unfortunately, most banking systems are not geared to change rapidly.

In recent years, banks have experienced increased competition from new players in fintech, payments organisations, the token industry, neobanks and challenger banks. In order to properly compete, banks can invest in new technologies, but they can also partner. Do you believe a partnership is sometimes the right solution for the banks, and which main challenges can partnerships solve?

Banks can seek a partnership with a player helping them build their skills and solutions, or they can hand over some of their businesses to a partner that can develop this even better than the bank could itself. Most banks choose to focus on creating value by partnering with other banks or specialists at creating utilities or outsourcing services. Banks can also partner in the areas where they want to differentiate to find a partner that can bring distinctive skills, whether it is in analytics, or distribution, etc. Through partnerships, banks can accelerate the road to market and to skills and spread the investment over a number of players.

Of course, there is no one-size-fits-all in banking. There are banks with a 5% share in 15 countries and banks that have a 50% share in one country. Some banks have mostly retail customers, and other banks have mostly corporate customers. The investment required to serve everyone is a very difficult element that is driven in various measures by technology, competition and regulatory concerns. All in all, it is a very big burden. The problem is that only a small part of banks' investments go into things that are differentiating. Most of it goes into keeping up with the demands of the market and regulatory requirements.

The whole world is shifting toward digitisation and banks will benefit from this, as will everybody else. The question is, which banks will be able to adjust and gain from this new context the fastest? Banks still have a very strong position when it comes to trust and, if banks succeed in combining trust and the digital experience, they have a nice winning formula. But not all banks are equally equipped to win.

Banks must reflect on where they want to lead and where they want to follow. It is also important for banks to be conscious of where they are in a really good position in terms of core technology, or scale, etc., and where they are less so. Depending on that overlay, banks might want to double down on investing in things they really want to grow and know they are good at while in areas where they want to continue their transaction business but have no real need to differentiate, they can seek to benefit from a partner's or a community's investments to accelerate development or reduce the cost. Outsourcing does not mean that the banks lose focus; it means that they have chosen a focus. They ensure they can allocate managerial attention and time to specific initiatives because they can trust that the rest will be done in the right way.



As a supplement to our interview with Olivier Denecker of McKinsey, we asked Worldline's Head of Group Strategy, Public and Regulatory Affairs, Wolf Kunisch, a couple of questions within the same field.

"The strategy of banks in payments is key for Worldline."

Wolf Kunisch

Do you believe a partnership is the right direction for the banks?

Partnerships are about specialisation and investments. Banks today have a high value because they have consomer relationships, and they need to make the best out of them, which can be difficult for them because they cannot invest. So, they need to find a good equation of either doing a commercial partnership where the bank can leverage its client relationship to generate susiness with a specialist or even enter into an equity based partnership, where you can allocate the value of leveraging investments versus owning customer relationships in a different way. I think that there is a good beason as to why some banks do not want to move out of the game completely, but I can also see why they might have a hard time investing or competing under the specialisation that is required.

How do banks maintain their level of security when entering new partnerships?

There is a special level of security requirements in payments which is different from the average banking security. The most obvious example is PCI-DSS (the Payment Card Industry Data Security Standard), which has been around for 15 years and started as a driver for banks to look for partners and processes because they did not want to do PCI-DSS on the whole scope but would like to outsource it. It is a very old example, but all of the new requirements also in terms of regulations, rules, PSD2 etc., make it hard for a bank to keep up from an investment perspective. The whole specialised payment security is probably best done by payment companies or by those banks that have enough money to throw at the problem.

Can banks maintain a seamless customer experience when partnering?

We should not forget that this is mainly B2B. I would argue that merchants in the B2B space are used to having a single contact person at the bank and then they have to deal with different parties for different things, which will be transparent if it is well done. As long as the bank keeps the customer ownership, they can easily partner with someone for the execution.

Towards a European Token Economy Driven by the EU Commission

In this interview with Dr Joachim Schwerin, Principal Economist in the Directorate-General Internal Market, Industry, Entrepreneurship and SMEs at the European Commission, we talk about his and the Commission's approach to the future of the token economy in Europe. With the MiCA Regulation the Commission has taken a bold step. What is the story behind the new regulation and what is the vision?

Dr Joachim Schwerin would like to stress that in this interview he expresses his personal views, which do not necessarily represent an official view of the European Commission.

The recently announced MiCA proposal has been received quite positively in the blockchain and crypto space where regulatory clarification is hugely needed. Could you put some words on your – and I suppose, the Commission's – vision behind MiCA?

The proposed Markets in Crypto Assets (MiCA) Regulation forms part of a broader package, the Digital Finance Strategy, adopted on 24 September 2020. This strategy has several elements, two of which have particular relevance for applications built on distributed ledger technologies: MiCA and our innovative pilot regime for market infrastructures based on distributed ledger technology (DLT), which creates a safe regulatory environment for testing innovative DLT-based financial market infrastructures in the EU.

When it comes to the vision, the approach is even broader than this. The Digital Finance Strategy itself is closely linked to the EU Digital Strategy (adopted on 19 February 2020) as well as, for instance, our EU SME Strategy (adopted on 10 March 2020). The latter already includes two specific blockchain-related actions for SMEs, i.e. digital education and the objective of enabling SMEs to issue crypto assets and digital tokens. All of this is embedded into one of the Commission's principal priorities: the digitalisation of our economy.

I think that the generally positive market response to the MiCA proposal stems from a careful balancing between improving legal certainty and supporting the significant innovation potential of DLT. We chose a carefully calibrated risk-based approach that creates a new category of tokens: crypto assets that are not subject to securities laws but a lighter regime. It fosters innovation by speeding up token issuance, harmonising rules within the Internal Market and allowing every type of token to operate within the EU if it complies with the clearly phrased set of rules laid out by MiCA. This, in essence, is a market-driven, bottom-up path to digitalisation and tokenisation that, from a philosophical perspective, benefitted from insights we gained when we started studying - without prematurely harmonising decentralised alternative finance and crowdfunding a decade ago.

When did you realise that blockchain and crypto were about much more than shady scams and that it had to be taken seriously?

I have never believed that blockchain and crypto were shady scams, and I am not aware that anyone in the Commission ever expressed such an opinion. I liked the first emerging cryptocurrencies because of the principles they represent: entrepreneurship, decentralisation, privacy and resistance against a Big Brother mentality that increasingly infiltrates our societies. However, of course, it took time for me – as for everyone involved – to grasp the full potential of cryptocurrencies, and until six or seven years ago I thought that cryptocurrencies were nice gimmicks and not much more.

I will not surprise you when I state that the turning point was, of course, the distinction between the first, rather crude applications of blockchain and the technology as such. While we are all entitled to play with gimmicks, there needs to be more to them if a public institution spending taxpayers' money engages with such a new technology. There must be benefits to the public that go beyond speculative gains for investors.

"Blockchain, once seen from a broader perspective, clearly delivers such benefits. It does so by decreasing costs and time needed to execute transactions of all sorts, but much more importantly, it creates a trusted and secure environment anywhere and at any time for strangers not trusting each other elsewhere. This is the core of what we now call the token economy."

Do you remember any particular occasions that convinced you about the potential of blockchain technology and the emerging crypto space?

A true game-changer was a brainstorming exercise within the European Commission in 2015 when all Commission officials were asked to propose EU innovation priorities for the next decades. Based on what I have just described, I proposed blockchain and its applications in fintech and beyond, meaning applications in the real economy throughout all sectors and value chains.

Blockchain emerged from this brainstorming also as a favourite topic in many other policy fields, and at the end of the day, we published in 2016 a report titled "Opportunity Now: Europe's Mission to Innovate", which summarised the Commission's firm intention to "make together ... some bolder bets on potential breakthrough technologies, notably genomics, the brain, distributed ledgers and quantum." Blockchain was one of the four game-changers among all sorts of innovation in 2015/16, and this mental exercise half a decade ago, in my opinion, gave the Commission the head start to very seriously engage with the different players in the blockchain/crypto universe and to gain experience and credibility.

When the initial coin offerings (ICO) hype began in 2017, we were ready to understand its potential and to prepare for action, despite the manifold flaws that at that time still prevailed in many business models.

How would you like to see the development of the blockchain and crypto space going forward?

Personally, my preferred scenario is a token economy, i.e. the emergence of a disintermediated ecosystem in which SMEs of all sizes and sectors – after all, 99% of businesses in the EU – can interact seamlessly with trading partners, customers and investors in a secure, digital environment. Disintermediation does not mean an absence of all intermediaries but the emergence of trustworthy intermediaries that add real value, without all the gatekeepers that prove so costly in terms of finance and data drain without providing real benefits.

In this token economy, supply and demand interact directly on secure and interlinked platforms while all data remains the property of the data subject, in line with fundamental rights as we define, protect and enforce them in Europe.



Dr Joachim Schwerin

Principal Economist in the Directorate-General Internal Market, Industry, Entrepreneurship and SMEs at the European Commission

Transactions of tokens – i.e. bundles of digital rights and obligations – are based on smart contracts in combination with digital (micro-)payment systems, governed by civil law and effectively enforceable. Value chains will be fully integrated and based on a pan-European, non-oligopolistic blockchain architecture. As most SMEs are embedded in a local environment, the empowerment of the local crowd, both as customers and micro-investors, is critical.

What are the most significant challenges and opportunities in this scenario?

The challenge is twofold. First, as it is currently a very long way off, we must not be discouraged by setbacks such as the occasional technological dead-end or some petty crypto fraud that will be instrumentalised by the legacy system. Second, we must protect the basic principles on which a token economy rests: privacy, social inclusion and technology-enabled trust outside the reach and control of allegedly "interested parties" that only drive their private agenda.

Against this stand the opportunities of such a token economy, which are perfectly clear; in a sense, what we are talking about is an all-encompassing democratisation of finance, production and trade.

Several countries have proven to be quite progressive in the field of blockchain and crypto – such as Switzerland, Germany, Liechtenstein and others. To what extent has your work been inspired by some of these countries – and perhaps by progressive countries outside Europe?

We live in an epoch of incredibly rapid technological change in many different fields of technologies, and as these fields increasingly interact, the rate of innovation will accelerate further. Entrepreneurs drive this process from bottom-up, not countries from top-down. In my opinion, countries are "progressive" if they incentivise and enable regulators to understand the needs of entrepreneurs and if they limit regulation to the absolute minimum that safeguards protection against clearly defined and significant risks but not against anything that might look incomprehensible or dubious at first glance.

An increasing number of countries are preparing or have already adopted allegedly pro-innovation rules. If, however, the objective is to gain short-term advantages or if these rules remain limited to parts of the crypto empire, this strategy will fail.

Being progressive in a sustainable manner means starting with profound philosophical, ethical and socioeconomic reflections that result in coherent changes not only of regulation but also of civil law, taxation, governance models that involve all citizens starting at a municipal level and, first and foremost, education. It is no surprise that countries that have a long and rich culture of liberal democracy and entrepreneurship, such as some Scandinavian countries and also Liechtenstein and Switzerland, are particularly progressive in the crypto domain. Also, it helps not to have a rigid legacy system that blocks innovation by default, which is why so many smaller countries are becoming fierce competitors in the crypto space that no one had on their radar ten years ago.

At the end of the day, it doesn't matter where good ideas come from, as long as they can disseminate. Moreover, there is more than one way towards the top. As an economic historian by trade, I compare the current epoch with the era that started more than 500 years ago – namely, that of Europe reaching out globally to discover the planet, settle and trade. Half a millennium ago, two small countries took the lead in this, Portugal and the Netherlands, with two very different governance models and similarly successful.

This is what we will also see in hindsight two to three decades from now. Europe has a lot of diverse yet competitive democratic and market-based business and governance models in the running. Some will prevail. We just do not know yet which, but this does not matter. Variation is the precondition for successful selection and this is the early stage in which we find ourselves today. We do not know what the future will look like, but we can have a lot of confidence that our values will prevail.

The Customer is King: UX and European Banks

European fintech companies and digital-only banks have seen tremendous growth within the past few years. In 2019, 24 financial services start-ups, including Orange Bank and Revolut, reached a valuation of over \$1 billion¹. Fintech will add new services to traditional banks and consumers have embraced the new fintech alternatives because of their user-friendly and fast responding interfaces. Despite the increased competition, banks still have several options for improving their user experience while not compromising their level of security. This article is based on a conversation between Michael Salmony, Executive Advisor at Worldline, Gregory Lambertie, Head of Group Strategy at Worldline, Johan Tjärnberg, Chairman of the Board at Signicat and Antoine Larmanjat, Technical Director at Google Cloud.

Seamless customer experiences are more important than ever with fintechs and big tech challengers threatening the position of traditional banks. However, increased security measures passed by the EU to enhance a safe banking experience could potentially become an involuntary obstacle to a frictionless customer experience. Despite the various anti-fraud regulations described in PSD2 and its technical standards, we at Worldline have accumulated expert knowledge on how to create a convenient and safe customer experience in a heavily regulated environment. In addition to Know Your Customer (KYC), seamless onboarding, motion design and authentication transactions, the awareness of the customer experience as a continuously ongoing process are all key components in combining the seamless customer experience with the necessary security. Designing the optimal customer experience is a matter of trying out different features based on various customer data in parallel, thereby learning which features customers prefer and then constantly investing in and iterating on the successful parameters.

New security services such as SCA and Al-driven fraud management will play an increasing role in risk assessment for banks in the future.

Antoine Larmanjat, Technical Director at Google Cloud

Although traditional banks are starting to prioritise developing their UX internally, they still do not have the same access to well-funded experience labs as large tech companies and merchants do. In the past, sufficient funds were not the only obstacle and the very mindset of banks could also present a challenge. That mindset, however, is now slowly adapting to accomodate 24/7 availability and convenience etc. rather than simply relying on the history and establishment of traditional banking in society. Banks are beginning to look at private tech companies and merchants and are working towards building an internal culture putting the customer first. While this can be achieved in-house, banks can also consolidate with a partner with much more experience in this field².

As an example, Bank of America invested \$50 million in its online banking registration application and saw a 45% increase in customer conversion³. Research from Forrester, meanwhile, shows that every dollar invested in UX returns 100⁴.

As the financial industry has gone through major changes over the last few years, it has gone with a low to nothing switching cost for customers on the merchant side or the banking side, which is also a result of the digitisation of services. So, the end user power continues to increase and UX is one of the main choosing criteria for today's customer.

Gregory Lambertie, Head of Group Strategy, M&A and Public Affairs at Worldline

Worldline's take on CX

Worldline's aim is to be a partner who deals with the complexity on behalf of its clients, e.g. developing smoother SCA for its bank clients and its online merchants clients while also improving and learning from these processes to benefit both current and future clients. Worldline has entered a number of partnerships with a group of around 400 German savings banks. In this case, Worldline has concentrated the whole experience in one suite of products while leaning on existing in-house solutions to increase the banks' market shares. Having feature-rich yet easy to deploy APIs should be a major focus point for all transaction and payment providers as it is essential for customer integration. This also helps banks connect and interact easier with their standards and tailor-made solutions.

Good customer experience, however, starts in-house. Developers are in high demand and providing them with a good working experience in the shape of well-documented and easy-to-use APIs is key to attracting the best in the field. In order to do that, Worldline has designed specific HR employee experiences by creating scientific communities where its experts can dive into relevant topics and develop thought leadership for the sector. It is also hosting expert community hackathons where developers can showcase the products they are currently working on and get feedback from their peers.



- 1 https://thinksmobility.com/branchless-banks-are-taking-over-europe/
- 2 https://www.brighttalk.com/webcast/18085/459675
- https://www.odellkeller.com/the-value-of-user-experience-design/
- 4 https://www.forbes.com/sites/forbestechcouncil/2017/01/23/how-ux-is-transforming-business-whether-you-want-it-to-or-not/?sh=36c65632580e

How partnerships can enhance CX

Most banks recognise that they have lost significant market share when it comes to merchant services. However, being secure while also being convenient is achievable for banks now that they are able to compete with their new fintech opponents such as Stripe, Square etc. Digital payments are expected to grow 12% over the next 4-5 years and as Buy Now, Pay Later and account to account solutions gain momentum, banks can leverage this development to their own advantage. Multiple banks have rolled out biometric solutions for authentication which is a major step towards a seamless user experience. Banks have another huge advantage in the shape of already existing customer relationships, which is a great differentiation point compared to other players. To achieve both convenience and security, banks can combine this asset with partnerships with fintechs or payment experts. This applies for all banks whether they are tier 1, 2 or 3 because it all depends on what kind of partnership they can build. The right partnership can provide a bank's merchant clients with the right digital environment and international reach whereby their foreign customers can pay in a way that the bank may not have been capable of facilitating by itself.

The future of CX

When observing consumer preferences globally, there has recently been a significant demographical shift. In the European market, for example, consumers between 25-35 years old prefer to pay digitally via a debit solution, which is not necessarily via card. In Asia, there are now billions of digital wallet users. Fintechs need to educate banks on how to cater to these consumers' behavioural changes because fintechs such as neobanks have excelled at onboarding new customers. A very important part of the bank customer experience is that of using a mobile banking app. Interacting with their finances is something most people now do quite often and it is therefore an area banks need to invest in to remain relevant in the eyes of their customers.

We are getting to an inflection point where cards are losing momentum on the back of the development of the Buy Now Pay Later solutions, account to account solutions etc. Here, the banks have a good opportunity to get back into the game as they sit on the bank accounts funding the BNPL bills.

Johan Tjärnberg, Chairman of the Board at Signicat

As users and consumers, we will always lean towards solutions with the least amount of friction. However, as citizens, privacy and fraud management are our main concerns. It will therefore be up to the banks and their fintech partners to identify their key assets and find a manageable balance between usability and security from a consumer, business and geographical point of view.





Latin America has embraced the benefits of digital payments. This development is happening fast, and the entire region is adopting digitisation. We spoke to Daniel Passarelli, Executive Managing Director for Latin America at Worldline in São Paulo, about the impressive development in the region in the shape of Pix in Brazil, QR code-based transactions, cryptocurrencies and more.

Can you tell us about the recent growth and development in the Latin American payments market?

Let's start with instant payments which has become the main agenda of the Brazilian central bank. The central bank has created an instant payments initiative called Pix, which was launched in November 2020. The purpose of Pix is to enable consumers to send money through peer-to-peer (P2P) transactions 24/7. This solution is very similar to other products around the world, e.g. Venmo and Zelle: the difference is that the Brazilian central bank took the leadership on this agenda and had the banks develop the Pix system for P2P transactions. The next step is to make it possible for consumers to pay merchants using Pix through QR codes in in-store environments or via e-commerce platforms.



Daniel Passarelli

Executive Managing Director for Latin America at Worldline

There are currently 102 million users of Pix, and over 885 million transactions were made in July 2021 alone (just eight months after the launch). From an e-commerce perspective this is huge, because it will change the way people pay merchants through e-commerce platforms throughout Brazil.

Pix is highly relevant now because it can be used by consumers without credit cards: this will democratise transactions through e-commerce. Unlike a CBDC (Central Bank Digital Currency), Pix is not blockchain-based but an infrastructure overseen by the central bank. All banks, PSPs (payment service providers) and financial institutions in Brazil had to integrate Pix through this new set-up created by the central bank, which is why it is growing and getting traction so fast. Its popularity, both with consumers and merchants, is due to its convenience and high level of security.

Meanwhile, the Brazilian central bank is working both on an open banking agenda and on a blockchain-based CBDC, unrelated to Pix.

WhatsApp Pay by Facebook is another popular instant payment alternative that was launched recently in Brazil. WhatsApp Pay is integrated with schemes such as Visa and Mastercard, using the local acquirers in Brazil. Currently the solution allows the 100 million WhatsApp users in Brazil to transfer money through WhatsApp Chats.

What makes Worldline the best match for Latin America?

Worldline's main advantage and value proposition is that we truly are a global company with a global mindset and reach in over 50 countries. We've built local integrations with the main local acquirers and partners in the main regions in Latin America. So, we have a very good coverage in terms of integration with acquirers covering the main regions of Latin America such as Brazil, Mexico, Colombia, Chile and Argentina, with an average of 70-80% market share in those countries. We want to 'sell' Latin America as a growth market to our enterprise global accounts. For instance, if we have a large merchant already connected to Worldline in a different

region in Europe, the US or Asia who wants to expand to Latin America, Worldline would be the best alternative, as we already have local integrations and can expedite and accelerate their operations in Latin America. Having a team of local experts here is mandatory.

Today, Worldline has two different offerings in Latin America; we have Gateway+ for e-commerce which connects local acquirers with global merchants. Worldline can provide the full transaction process and all the reporting, reconciliation and invoicing that merchants need. This offering is for merchants who already have a local entity in the region. We also have our cross-border Money Remittance solution, designed for merchants who do not have a local entity in Latin America. For instance, we have the leading provider of music streaming services as a client: we process all their transactions in the region and remit the funds to the client in another region. Through this set-up, the merchant can accept payments from national credit cards as well as all the alternative payment methods, such as Pix, Boleto, instalments etc.

During Covid-19, Latin Americans have become more open to using e-commerce from home. They have realised that digital payment alternatives are feasible and secure, and also that they are available for everyone, even the unbanked.

What is the current state of the Latin American payments market?

In Brazil the five largest banks have over 80% of the market share. However, the new digital banks have grown a lot during the past 5-10 years, together with fintechs and other digital alternatives for consumers. An example is the Brazilian NuBank, which is the largest digital bank in the world and currently has 40 million customers.1 They are challenging the traditional banks and creating not only a different approach to consumers, but also different digital products. Brazil has also seen the growth of different initiatives such as PicPay that are quite similar to the ones emerging in China and Asia in general, such as WeChat Pay and Alipay. This is resonating with consumers, who find these alternatives much more customer-centric and cheaper to use, tapping into a change in consumers' behaviour and their approach to finance. The new fintechs are currently changing the market, and consumers are now evaluating alternatives instead of maintaining their relationship and bank accounts with the traditional banks.

Unfortunately, fraud is very present in Latin America and that is why the entire banking system and payments ecosystem have become stronger during the past years. Worldline has all the assets we need in order to offer fraud management, and we also have very good partners in the region, whose algorithms can recognise the specific fraudulent behaviours that are characteristic of the region.

Can you tell us about the open banking rules in Latin America?

The open banking regulation is related to bank concentration in Brazil. Brazil's central bank is taking the leadership of the open banking agenda: they are currently pushing the whole market and ecosystem to build an open banking infrastructure. They expect to have the first phase of open banking ready by the end of 2021. The reason why the central bank is pushing this agenda is that it will be much more relevant to consumers and the merchants, giving more control and transparency, and letting the economy grow through this kind of infrastructure. This development is happening very fast because the central bank is leading it, and the fintech and start-up ecosystems are moving together and supporting the central bank in the open banking agenda.

Mexico and Colombia have been quick to capitalise on these new developments. Trends such as the use of stablecoins have become extremely popular with Mexicans living in the US: this new development allows them to send cryptocurrencies to their families in Mexico without the associated fees. Their families can then pay merchants in crypto, which will appear as pesos on the merchants' accounts. Both Mexico and Colombia are going in the same direction as Brazil which, historically, has been the leader in terms of payments and banking in the region.

As a country with over 211 million citizens, Brazil needed to advance not only from a technology perspective but also in terms of regulations and fraud prevention. They have seen venture capitalists bringing a great deal of investment to Brazil within the past three to five years, providing the fintech ecosystem with exponential growth, and causing market share to grow as well. We will, without doubt, see even more comprehensive development throughout the entire region in the near future.

Boleto

Boleto, which is currently used in Brazil, is a different kind of cash payment and is used when a consumer wants to buy an item on a website. If the consumer wants to pay using Boleto, they print out a voucher and pay via their bank, either in a physical branch or online. After two days the merchants will recognise the payment and ship the items. This payment method is popular in Brazil because the number of credit card users is relatively small. In Latin America as a whole, 70% of the population is unbanked or underbanked (meaning that while they may have a bank account, the holder may not own a credit card). Boleto is a way for the unbanked or underbanked to pay for an e-commerce purchase: Mexico has a similar solution called Oxxo.

¹ https://www.statista.com/statistics/882274/brazil-number-customers-nubank/

About Worldline

Worldline [Euronext: WLN] is the European leader in the payments and transactional services industry and #4 player worldwide. With its global reach and its commitment to innovation, Worldline is the technology partner of choice for merchants, banks and third-party acquirers as well as public transport operators, government agencies and industrial companies in all sectors. Powered by over 20,000 employees in more than 50 countries, Worldline provides its clients with sustainable, trusted and secure solutions across the payment value chain, fostering their business growth wherever they are. Services offered by Worldline in the areas of Merchant Services; Terminals, Solutions & Services; Financial Services and Mobility & e-Transactional Services include domestic and cross-border commercial acquiring, both in-store and online, highly-secure payment transaction processing, a broad portfolio of payment terminals as well as e-ticketing and digital services in the industrial environment. In 2020 Worldline generated a proforma revenue of 4.8 billion euros.

worldline.com



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