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Welcome to

PCBS



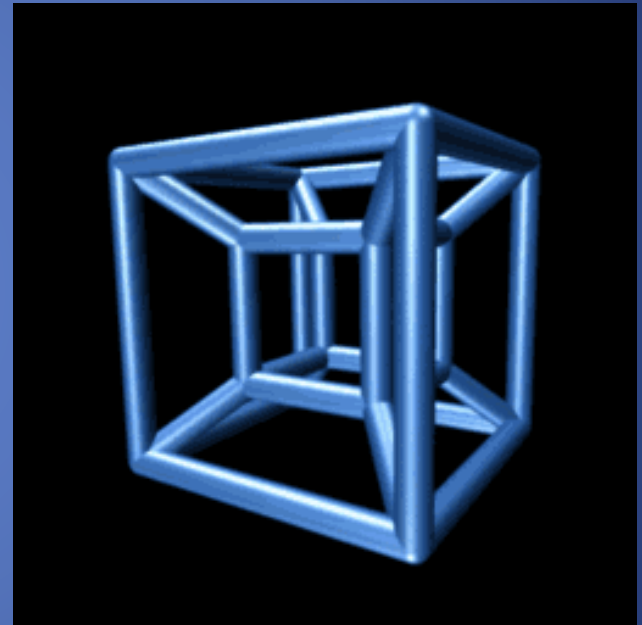
MASTERCLASS

Ever-Changing Payments Landscape

Tony DeSanctis

Payment Trends

- Digital
- Durbin
- Disruptors
- Dynamic Payments



Payments Market

‘Pay By Bank’ Trend Is Next Front In Merchants vs. Banks Payments War

Real-time payments are changing gig-economy, real estate payments at small banks

How Square is Building a Small Business Banking Powerhouse

Apple’s Strategy in Banking: Memoji, Marketing & Next Moves

Digital Wallets Could Cost Banks Billions in Lost Payments Income

How Capital One’s Bid for Discover Could Shift Payments Competitive Balance

CFPB puts credit card comparison sites on notice

Debit routing rule tables turned on regulators

Millennial, Gen Z consumers turning to BNPL services as costs rise:

Will FedNow and BNPL Dent Credit Card Use?

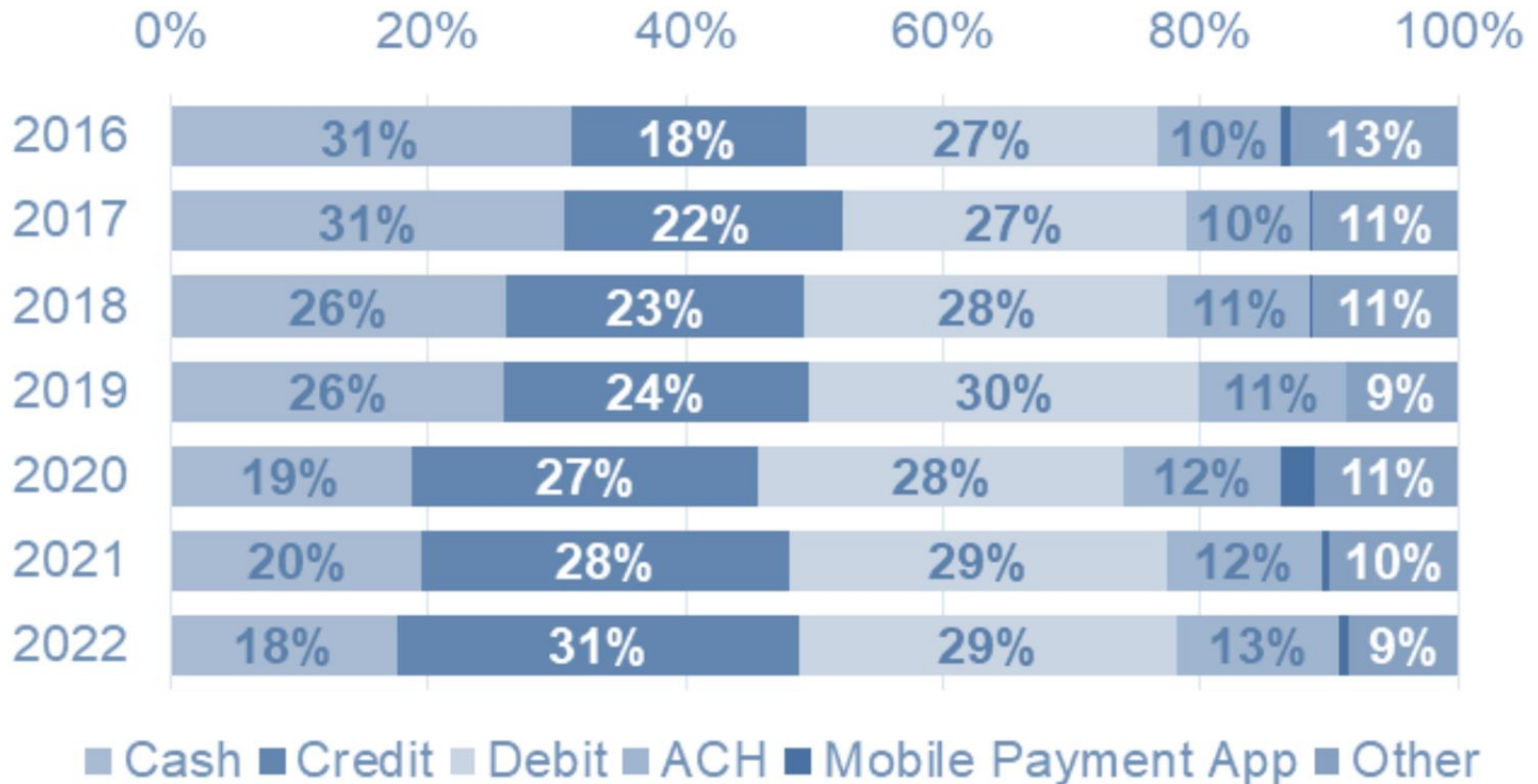
How real-time bill payments can reduce overdrafts

Affirm: Transactions Per Active Customer Gain 30% Year Over Year

Get access to the FedNow Service via Plaid Transfer

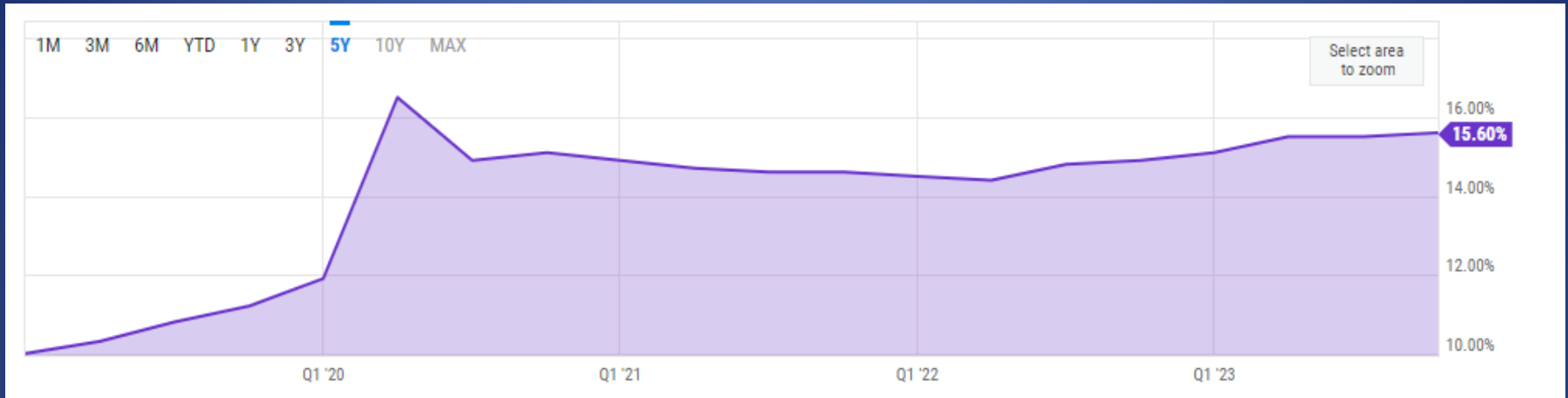
Consumer Payment Trends

Share of payment instrument use for all payments



Digital

Ecommerce is Commerce



- Ecommerce is 20% of Retail Purchases in 2023
- Projected to grow to 24% by 2026
- Growth rate of 10% is almost double traditional

Consumer Preference - POS

North America POS payment methods

Share of transaction value 2022-2026

Credit card



Debit card



Digital wallet



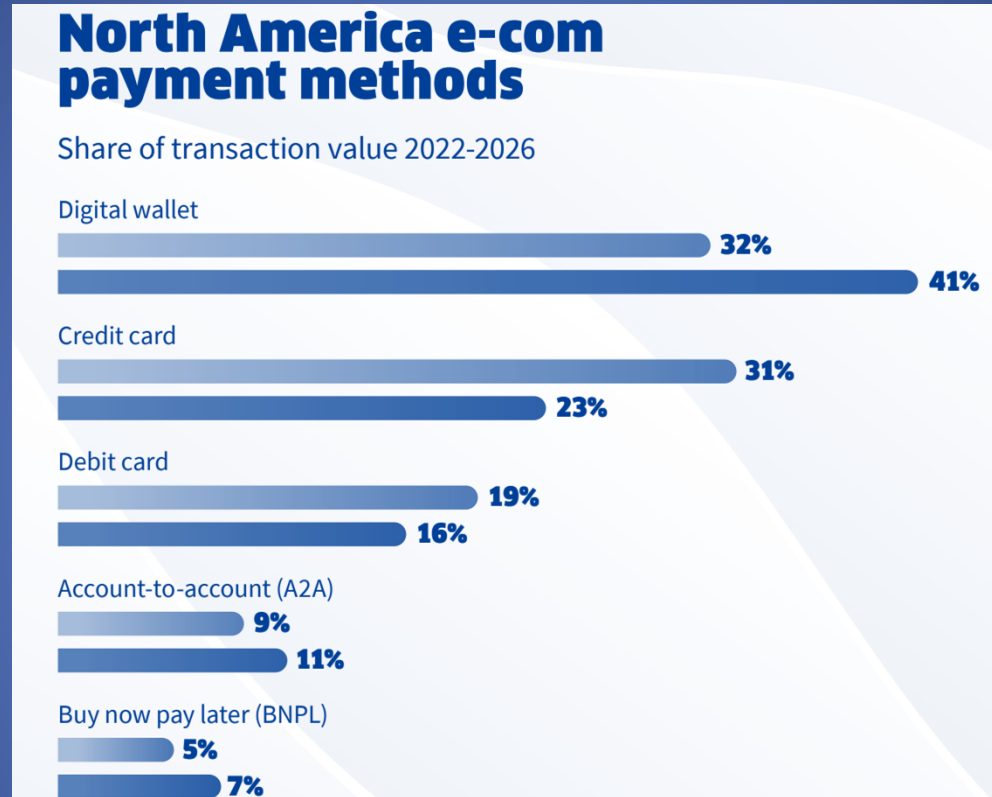
2022  2026* 

*Forecast

**"Others" include cryptocurrencies, prepaid cards and PostPay.

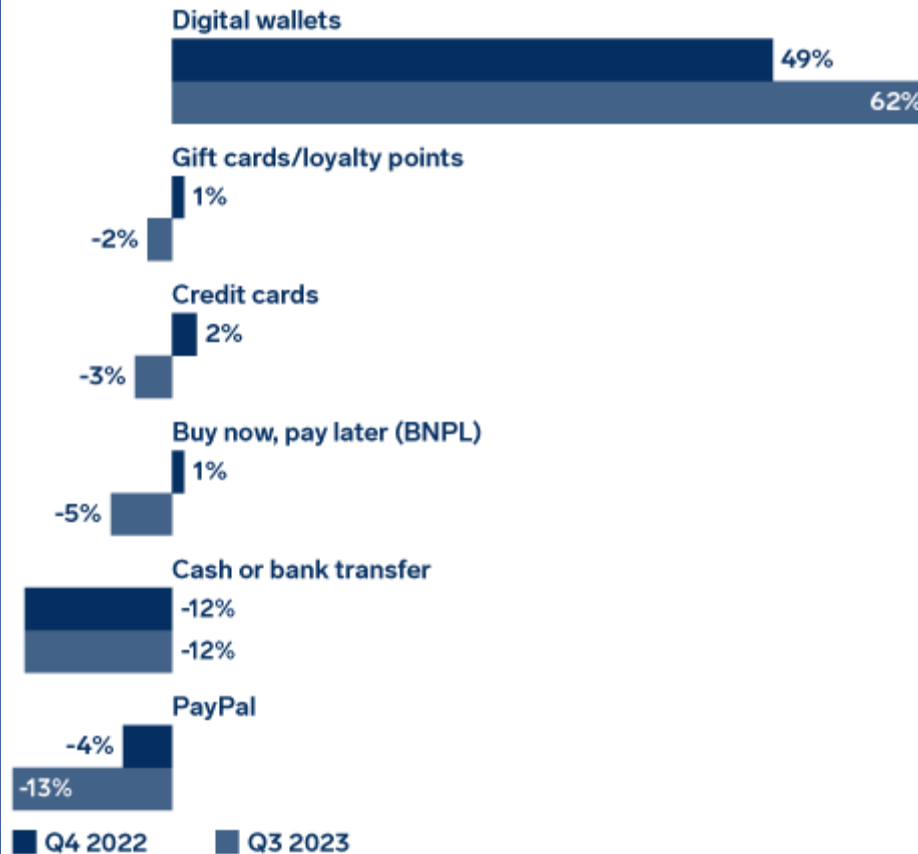
Totals may not equal 100% due to rounding.

Consumer Preference - Ecom



Payment Type Transaction Growth Worldwide, Q4 2022 & Q3 2023

% change vs. same period of prior year



Note: represents activity tracked by Salesforce; broader industry metrics may vary
Source: Salesforce, "State of Commerce," Jan 9, 2024

284592

Insider Intelligence | eMarketer

So What!

Manage and measure
POS and E-Commerce
mix!

Aggressively promote
and drive digital
adoption!

Durbin

Three Key Regulator Changes

- Durbin 1.5 – CNP Dual Network Change
- Durbin 1.0 update – Lower interchange
- Durbin 2.0 CCCA – Credit Card

Durbin 1.5 – CNP Dual Network

- Took effect July 1, 2023
- Impact will be significant but gradual
- Sad Math



Estimated Monthly Impact

Current Situation

Transactions	CP	CNP	Total
Signature	225,000	405,000	630,000
Pin	225,000	45,000	270,000
Total	450,000	450,000	900,000

Transactions	CP	CNP	Interchange
Signature	50.00%	90.00%	\$315,000
Pin	50.00%	10.00%	\$64,800
Total	100.00%	100.00%	\$379,800

Post Durbin 1.5

Transactions	CP	CNP	Total
Signature	225,000	225,000	450,000
Pin	225,000	225,000	450,000
Total	450,000	450,000	900,000

Transactions	CP	CNP	Interchange
Signature	50.00%	50.00%	\$225,000
Pin	50.00%	50.00%	\$108,000
Total	100.00%	100.00%	\$333,000
Total Monthly Impact		180,000	(\$46,800)

Assumes \$.50 per SIG transaction and \$.24 per PIN transaction for Interchange
 The average \$1-3B Bank in the Performance Vault has ~36,586 cards performing an average of 26 transactions each month (~950,000/trans/mo)



Durbin 1.0 Update

Adjusted Interchange – Fed Rate Change for Non-Exempt Institutions

Under the proposal, the base component would decrease from 21.0 to 14.4 cents, the ad valorem component would decrease from 5.0 basis points (multiplied by the value of the transaction) to 4.0 basis points (multiplied by the value of the transaction), and the fraud-prevention adjustment would increase from 1.0 cents to 1.3 cents.

Durbin 1.0 Update

Total Cards	Active Cards	Active %
330,000	255,000	77.27%
26,000	9,000	34.62%
356,000	264,000	74.16%

	Current State			
	Spend	Interchange	Transactions	Per Trans
Consumer Sig	\$186,761,472	\$2,357,119	4,456,908	\$0.53
Business Sig	\$22,358,040	\$507,271	211,053	\$2.40
Total Signature	\$209,119,512	\$2,864,390	4,667,961	\$0.61
Consumer PIN	\$109,603,462	\$776,505	2,560,394	\$0.30
Business PIN	\$6,817,288	\$59,525	90,030	\$0.66
Total PIN	\$116,420,750	\$836,030	2,650,424	\$0.32
Total	\$325,540,262	\$3,700,420	\$7,318,385	\$0.51

	Post Durbin			
	Spend	Interchange	Transactions	Per Trans
Consumer Sig	\$186,761,472	\$779,959	4,456,908	\$0.175
Business Sig	\$22,358,040	\$36,934	211,053	\$0.175
Total Signature	\$209,119,512	\$816,893	4,667,961	\$0.175
Consumer PIN	\$109,603,462	\$448,069	2,560,394	\$0.175
Business PIN	\$6,817,288	\$15,755	90,030	\$0.175
Total PIN	\$116,420,750	\$463,824	2,650,424	\$0.175
Total	\$325,540,262	\$1,280,717	7,318,385	\$0.175

Gap		\$2,419,703		\$0.331
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Durbin 2.0 - CCCA

Networks Reduce Interchange for All

- Margin for all financial institutions would be impacted as Visa and MC will lower interchange rates to compete with secondary networks
- Lower margins will lead to lower profitability and force reductions in rewards to members/customers
- Lower margins will force lenders to be more restrictive with their offerings and not be able to lend as deep leaving less people with access to credit

Networks create Rates based on Assets

- Margins at FIs under \$100B will be unaffected because the interchange will not be reduced
- Merchants will be encouraged to promote using regulated cards over non-regulated ones.
- Smaller issuers will be impacted by merchant attempts to reduce costs by only accepting BOA, Chase, and Capital One
- Even if they are forced to accept all cards, there is nothing to prevent them from surcharging a higher fee for FIs under \$100B

So What!

Continue supporting bank associations in advocating for your interests

Measure and optimize interchange to ensure you minimize the impact of these regulatory headwinds

Disruptors

Primary Financial Institutions



Source: Ron Shevlin, Forbes

Get paid up to two days early[^]

Once you enroll in our online checking account—which also includes a savings account—sign up for direct deposit to receive your paycheck up to two days early.

Overdraft coverage with no fees[^]

Overspent by accident? No problem. You'll be covered up to \$50 with no fees with direct deposit of at least \$1,000.

Roundups on all debit card purchases

Earn more with automatic roundups on all debit card purchases. Roundups are transferred to your savings Vault, where they can continue to grow.

Personal Loans
Pay off high-rate debt

[View more](#)

Banking
Get up to 4.50% APY and no account fees[^]

[Start now](#)

Credit Score & Insights
Track your score and earn rewards

[View more](#)

Private Student Loans
Finance your education

[View more](#)

Student Loan Refinancing
See rates & flexible terms

[View more](#)

Invest
Explore all-in-one investing options

[Start now](#)

Mortgage Loans
\$0 origination fees[^]

[View more](#)

Credit Card
Earn 2% cash back rewards

[View more](#)

Insurance
Review protection for auto, life, home & renters

[View more](#)

Travel
Access member savings on travel

[Book now](#)

Earn cash back on local purchases[^]

Earn up to 15% cash back when you use your SoFi debit card to make purchases at qualifying local businesses.

Access to 55,000+ ATMs[^]

Use your debit card to access funds anytime and anywhere, with more than 55,000+ ATMs in our network.

Do it all in one app

Pay bills, [deposit checks](#), [send money](#), and manage your digital wallet all in the SoFi app.

SOFI CREDIT CARD

Unlimited 2% cash back rewards* and no annual fee.[†]

Celebrate simplicity with the SoFi Credit Card. With 2% cash back rewards on every purchase and no annual fees[†], it's the only credit card you'll ever need.

[Get started](#)

[†]See Pricing, Terms & Conditions
^{**}See Rewards Details

This card is recommended for customers with good or excellent credit**

- 9.5 MM Accounts as of YE up 45%
- 2.9 MM New Accounts in 2023

chime®



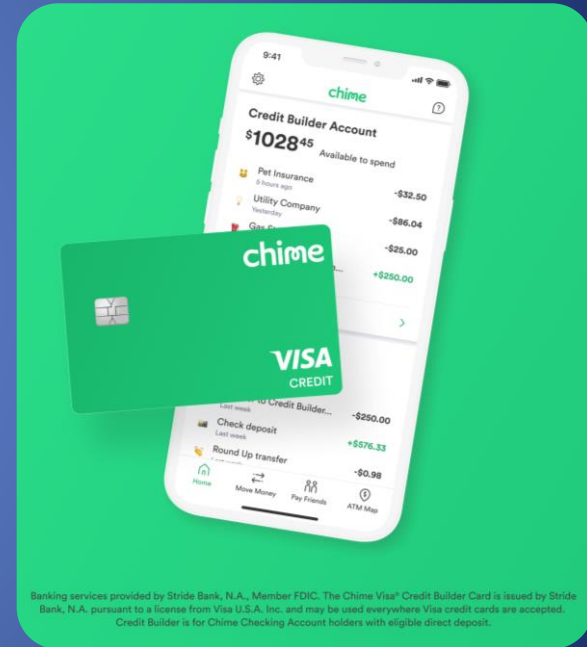
Get paid early with Early Direct Deposit

Get your paycheck up to two days early¹

Get your paycheck early¹ with direct deposit. That's up to two more days to do more with your money. Stop waiting and start getting paid early!

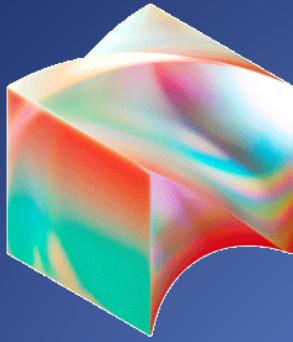
Overdraft fee-free with SpotMe

We'll spot you up to \$200 on debit card purchases with no overdraft fees. Eligibility requirements apply.²



Banking services provided by Stride Bank, N.A., Member FDIC. The Chime Visa® Credit Builder Card is issued by Stride Bank, N.A. pursuant to a license from Visa U.S.A. Inc. and may be used everywhere Visa credit cards are accepted. Credit Builder is for Chime Checking Account holders with eligible direct deposit.

- 14 MM Accounts
- 9 MM Primary Accounts



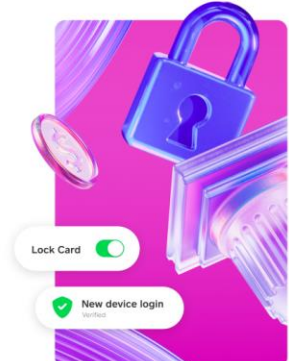
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stocks or bitcoin**



It's safe and secure

With real-time transaction alerts and fraud monitoring, our advanced security features protect your money at your speed.

[Learn More](#)

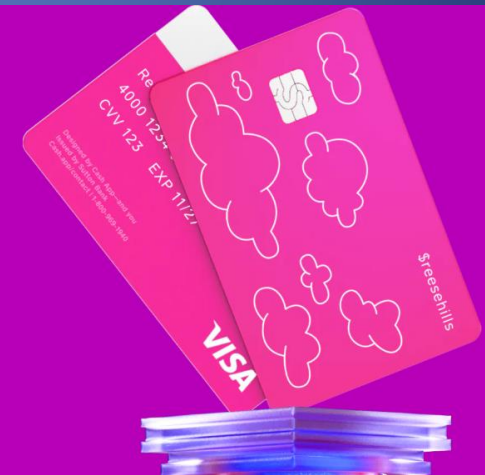
- 56 MM Customers
- 23 MM Card Active Accounts
- 2 MM Primary Accounts

BANK THE WAY YOU WANT

[Learn More](#)

A faster, simpler way to
bank—without all the fees

Cash App is a financial services platform, not a bank. Banking services are provided by Cash App's bank partner(s). Prepaid debit cards issued by Sutton Bank.





DISCOVER[®]

Dynamic Payments

Commercial Payments



Importance of
Remittance
Information



Payment
Speed and
Innovation



Push to
Digital
Payments

Dynamic Payments



Faster
Payments



Real-Time
Payments



Payment
Hubs

Dynamic Payments Use Cases



Business-to-Consumer (B2C)

Paying employee wages
Disbursing insurance claims



Consumer-to-Business (C2B)

Bill Pay
Medical Expenses



Business-to-Business (B2B)

Payments for inventory or services
Purchase Order Invoicing



Business-to-Government (B2G)

Federal or
State tax payments

Checks Are the Most Common B2B Payment Method



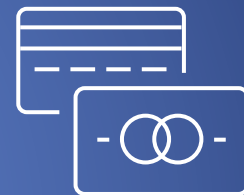
81%

of US companies still make B2B payments using paper checks



64%

use ACH



48.2%

use credit or debit cards for B2B payments

<https://www.pymnts.com/news/b2b-payments/2022/persistence-checks-poses-biggest-barrier-digitizing-b2b-payments/>

Faster v Real-Time



Faster Payments

- Process faster than traditional payments, but ***do not settle not in real-time***
- Credit and debit
- Providers
 - NACHA:
Same Day ACH
 - Venmo/CashApp
 - MasterCard Send
 - Visa Direct



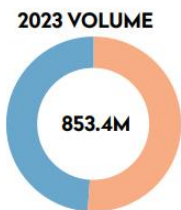
Real-time Payments

- Payments are initiated and settled in real-time
- 24x7x365 network availability
- Credit only
- Providers
 - The Clearing House
 - Zelle
 - FedNow

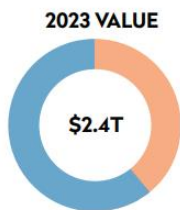
Faster v Real-Time

SAME DAY ACH 2023

853.4M Payments Totaling \$2.4T

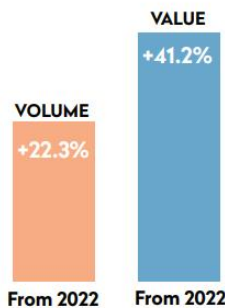


437.3 Million Debits
416.2 Million Credits

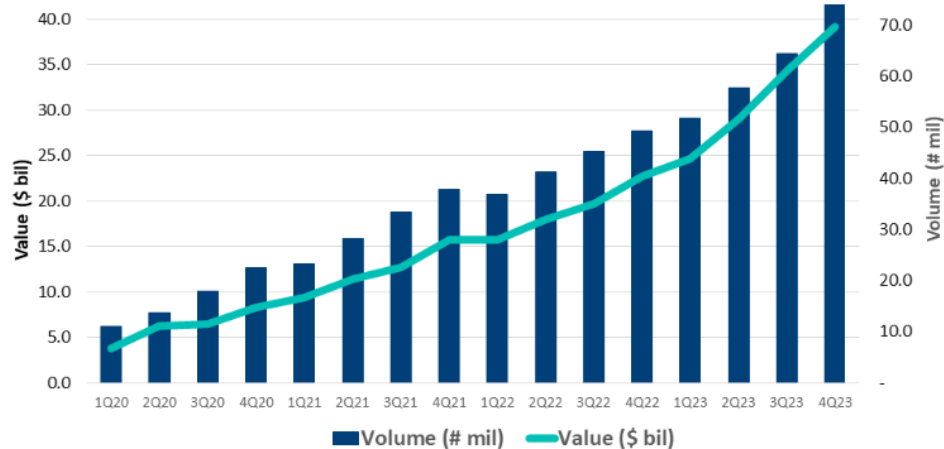


\$859.4 Billion Debits
\$1.6 Trillion Credits

*Totals do not add due to rounding



RTP Quarterly Payment Activity (4Q23)



4Q23

- 74 million transactions for \$39 billion
- 15% volume growth and 14% value increase from 3Q23

- \$2.4T Same Day ACH vs \$135B RTP
- Volume growth for Same Day ACH 41% vs for Same Day ACH v 15% for RTP

So What!

Banks will be
expected to support
Real-Time Payments
Receive!

RTP Send will be
case by case,
depending on the
needs of
commercial clients!

Blockchain – Payment Rails Plus?



- JPM Coin Programmable Payments
 - Transactions made 24/7
 - Predefined criteria can determine payments
 - No human processing or intervention
 - No Batch processing
 - Dynamic Transfer
 - Optimize Float
 - Recently Enabled Euro Denominated Coins
 - \$10B per day in JPM Coin Transactions



- Tassat
 - Transactions made 24/7
 - \$1.4T in transactions to date
 - Integrated into Fed Wire and Fed Now
 - Built-in Smart Contract
 - Private Blockchain Security & ESG Benefit
 - Digital Interbank Network of FDIC insured Banks

Pay by Bank – Embedded Invoice

JPMorgan and Mastercard Pay-by-Bank Tool Goes Live



Plaid and Adyen Partner to Power Pay by Bank



Fiserv racks up merchants for pay-by-bank services





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