E-Payments Brief

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E-Payments Brief  
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APEC Fintech E-payment Readiness Index - Select Findings

Promoting GDP
1% change in online retail sales is associated with at least a 0.175% growth in Gross Domestic Product (GDP) per capita among six APEC economies.

Role of Government

APEC Fintech E-payment Readiness Index
Comprised of four pillars and 44 indicators, Index constructed to gauge readiness and capacity of APEC economies to engage in e-payment and develop overall e-payment ecosystem.

Mobile a Key Driver

Addressing Gaps
The gap between high and lower income economies most obvious in infrastructure - bridging the digital divide essential to fully leveraging opportunities in e-payments.
Asia Pacific is focal point of Fintech investment and innovation

Fintech investment in Asia-Pacific

Sources: OECD, Kiplinger

Mobile contributing to economic and social development across the region

Accelerating moves to mobile broadband networks and smartphone adoption

MOBILE ECONOMY ASIA PACIFIC

Sources: Bloomberg, IMF, World Bank, UNESCO, GTMA, World Steel Association, International Telecommunications Union, The Economist Intelligence Unit

*pre-IPD analyst consensus
Managing and Moving Money in AP
Consumer Trends shaping the worlds’ future middle class

- Dominance of mobile
- Popularity of Digital Wallets
- Explosion of Marketplaces
- Social Selling creating economic opportunity

- P2P payments a part of life
- Last mile critical for access to money
- Gaming entry point for engagement
- XB shopping = access to the global economy
Thank You!

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E-Payments Panel Discussion

Moderator: David Katz
Deputy Head of Global Government Relations and Head of Asia Pacific Government Relations, PayPal Inc.
Panelists:

Matthew Gamser
CEO, SME Finance Forum
International Finance Corporation

Thomas Olsen
Partner, Bain & Company
Southeast Asia

Catherine Simmons
Managing Director
Head Asia Pacific Government Affairs
Citibank N.A.
Electronic Payments
And Small Retailers

Matthew Gamser
CEO, SME Finance Forum
April 2017
Retailers sit at the crossroads of the cash economy

Retail expenditure makes up the lion’s share of consumer payment value

**Consumer expenditure (value)**
Percent 2015, Global

- 100% = US$41.5 tr
- Retail sales: 45%
- Other consumer expenses: 55%

In addition to retail sales: supplier payments and employee salaries

Payment flow in the retail supply chain

Together with their suppliers and customers, retailers account for an overwhelming majority of regular payments value and volume and can therefore be a lever to enhance economic development and increase access to financial services

Large untapped opportunity: $19 trillion paper-based P2B, B2B$^1$ and B2P

1 B2B payments include only those from the retailers to immediate suppliers

Global
Total: $34 trillion
Electronic: $15 trillion (44%)

High-income OECD
Total: $11.1 trillion
Electronic: $7.9 trillion (71%)

Middle East & North Africa
Total: $1.3 trillion
Electronic: $0.4 trillion (30%)

Latin America & the Caribbean
Total: $3.5 trillion
Electronic: $1.5 trillion (46%)

East Asia & Pacific
Total: $9.5 trillion
Electronic: $2.7 trillion (31%)

Sub-Saharan Africa
Total: $1.5 trillion
Electronic: $0.4 trillion (25%)

South Asia
Total: $4 trillion
Electronic: $0.8 trillion (20%)

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1 B2B payments include only those from the retailers to immediate suppliers
Six main obstacles hold back the adoption of current electronic payment solutions among merchants:

1. Merchant value proposition
2. Product Economics
3. Customer Demand
4. Distribution Models
5. Technology and Regulatory infrastructure
6. Business Formalization
Five key innovation trends to expand merchant e-payment solutions

1. Comprehensive business solutions: Expanding retailer acceptance
2. Non-card payment models: reaching retailers in developing markets
3. The use of data: Providing value-added services to merchants
4. The supplier’s role: boosting retailer adoption of electronic payments
5. Partnerships: reaching merchants via non-traditional payment actors

SOURCE: World Bank Group Analysis
E-Payments
Policy Considerations

APFF, Seoul, April 25, 2017
Catherine Simmons, Managing Director, Government Affairs Asia Pacific
Digital Finance

Digital finance has led to new products, services, platforms and providers.

Individuals, firms and governments have been impacted at the local, regional and global level

The move to digital has brought both opportunities and challenges for policymakers
Establishing Identity

Establishing identity can be difficult but is key

- Extensive Anti-Money Laundering (AML), Counter Terrorist Financing (CTF) and Know Your Customer (KYC) requirements.
- The difficulty of meeting requirements is being recognized by financial regulators particularly those seeking to promote financial inclusion.
- Bank of International Settlements (BIS) consultation in Nov 2016 seeking to examine the real risks and solutions.
- National identity systems such as that used in India can help reduce the problem.
- Technology like biometrics may also provide solutions.
- Use of using AML/KYC utilities to pool information being explored.
Regulatory, Legal & Policy Issues

The rapid emergence of digital finance poses governments and providers with a range of regulatory, legal and policy issues

- Digital data and advanced systems need to be managed by highly-trained professionals backed up by reliable IT infrastructure

- Data collected needs to be effectively utilized by business to enhance competitiveness and efficiency while ensuring privacy of individuals

- Data needs to be secured against fraud, criminal activity, including cyber attacks, as well as natural disasters in an increasingly complex and interconnected world

- Cross-border data transfer, processing and storage needs lead to discussions about onshore versus offshore activities

- It is important that policymakers regulate according to the risk posed by the activity, not the actor to manage risks across the system and equalize costs
The Way Forward

Governments and firms have an important role to play in promoting e-payments

• Collaboration between regulators and market players key to encourage innovation while providing protections

• A level regulatory playing field for traditional providers and new entrants can help manage risks to consumers and the system

• Important to identify and act on regulatory changes needed to extend the reach of e-payments nationally and across borders

• Allowing for a broader range of products and services to be delivered online via smartphones and ATMs is an important step in extending access

• All involved should strive for cost-effective, efficient, open and interoperable systems to make the most of the benefits technology provides
Discussion
THANK YOU