



Innovations and Card Payments



Michiel van Doeveren
Rui Pimentel



Seventh Conference on Payment and Securities
Settlement Systems, Ohrid 7-10 July 2014



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem

Outline

- Drivers of innovation
- Retail payment innovations
- Selected observations
- Success factors for retail payment innovations
- Outlook for 2020
- ECB report “Card Payments in Europe” (Apr 2014)



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem

Outline

1. Drivers of innovation
2. Retail payment innovations
3. Selected observations
4. Success factors of retail innovations
5. Outlook for 2020

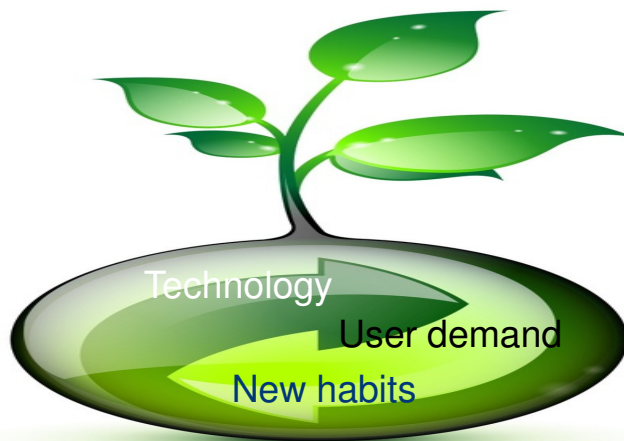


BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem

Drivers of Innovation



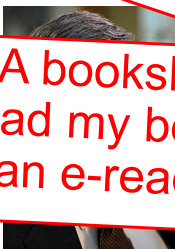
BANCO DE PORTUGAL
EUROSYSTEM




De Nederlandsche Bank
Eurosystem

“Never before in my history has
 inn... and promise
 “I cancelled my newspaper
 ne... read
 “Bank statements?
 I check my bank balances
 using my phone”

“A bookshelf?
 I read my books on
 an e-reader”



 BANCO DE PORTUGAL
EUROSYSTEM

 De Nederlandsche Bank
Eurosystem

Technological developments

1. Internet: e-commerce & social networks
2. Mobile phones & Near Field Communication (NFC)

...more and more powerful



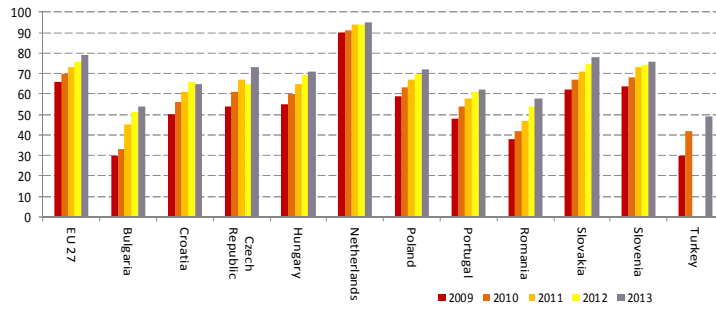



 BANCO DE PORTUGAL
EUROSYSTEM

 De Nederlandsche Bank
Eurosystem

Technology: internet access

Percentage of households having internet access
(Eurostat, March 2014)

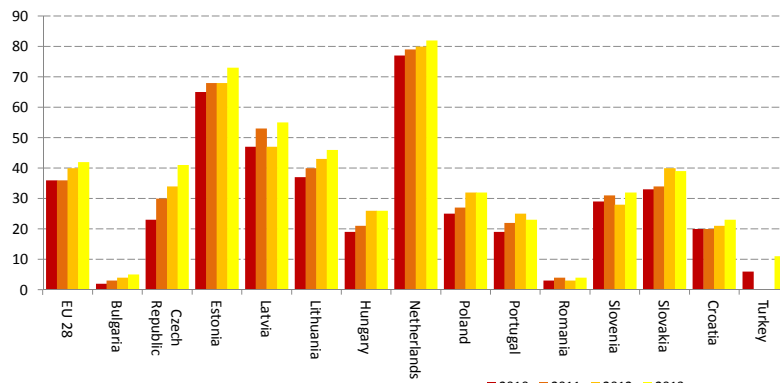


BANCO DE PORTUGAL
EUROSYSTEM



Remote trends – euro area

Percentage of households using internet banking
(Eurostat, March 2014)



BANCO DE PORTUGAL
EUROSYSTEM



Technology: e-commerce



amazon

ebay



BANCO DE PORTUGAL
EUROSYSTEM

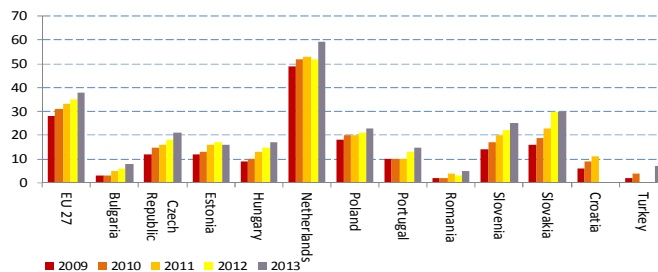


De Nederlandsche Bank
EUROSYSTEM

Technology: e-commerce

Individuals having bought goods online in the last three months
(Eurostat, March 2014)

Percentage of individuals



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
EUROSYSTEM

Technology: Social Networks & Virtual Worlds



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
EUROSYSTEM

Technology: mobile / smart phones & apps & NFC



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
EUROSYSTEM

User demand

Looking for:

- Convenience
- Speed
- “Real time economy”
- Safety & security
- Anonymity
- Financial inclusion



BANCO DE PORTUGAL
EUROSYSTEM



Outline

1. Drivers of innovation
2. Retail payment innovations
3. Selected observations
4. Success factors of retail innovations
5. Outlook for 2020



BANCO DE PORTUGAL
EUROSYSTEM



Retail Payment Innovations



Card



BANCO DE PORTUGAL
EUROSYSTEM



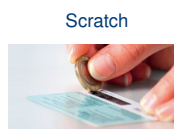
Internet



Mobile



De Nederlandsche Bank
Eurosystem



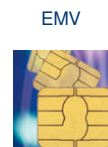
Scratch



Mag-stripe



Gift



EMV



Pre-paid



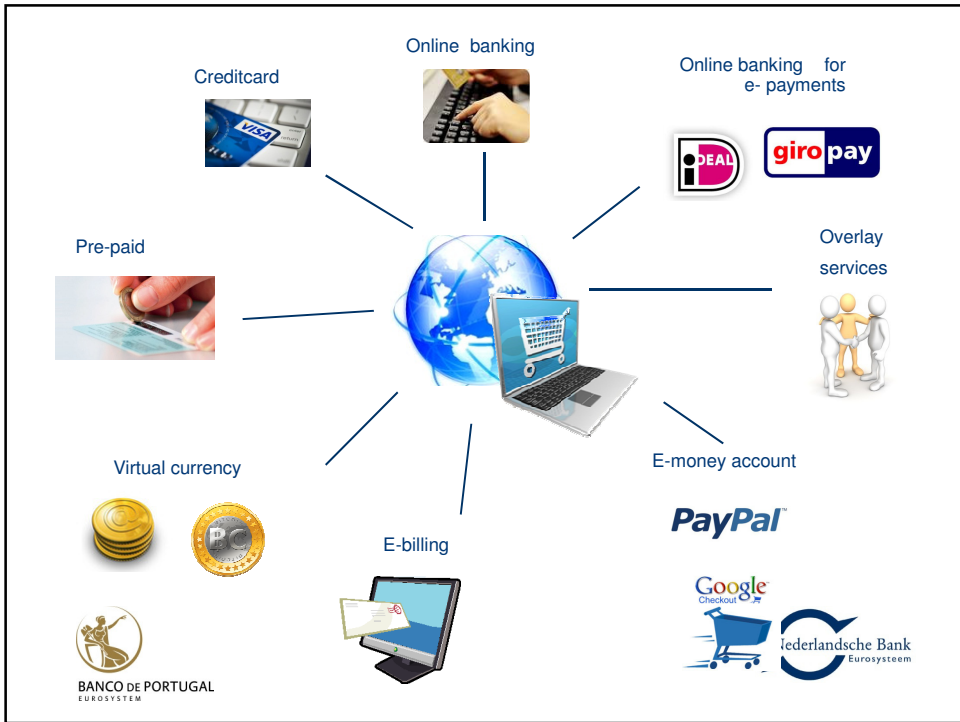
Contact & contactless



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem





Bron: Shopping 2020



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem

New Normal



Bron: European innovation academy



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem

Outline

1. Drivers of innovation
2. Retail payment innovations
3. Selected observations
4. Success factors of retail innovations
5. Outlook for 2020



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
EUROSYSTEM

Selected observations

- Dynamic market, but classics dominate
- Cross-border solutions are rare
- Increasing role of pre-paid accounts
- Increasing role of non-banks & cooperation



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
EUROSYSTEM

***“Innovation distinguishes
between a leader and a
follower”***

**“ Non-banks will take
the lead ”**

Steve Jobs



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
EUROSYSTEM

Outline

1. Drivers of innovation
2. Retail payment innovations
3. Selected observations
- 4. Success factors of retail innovations**
5. Outlook for 2020

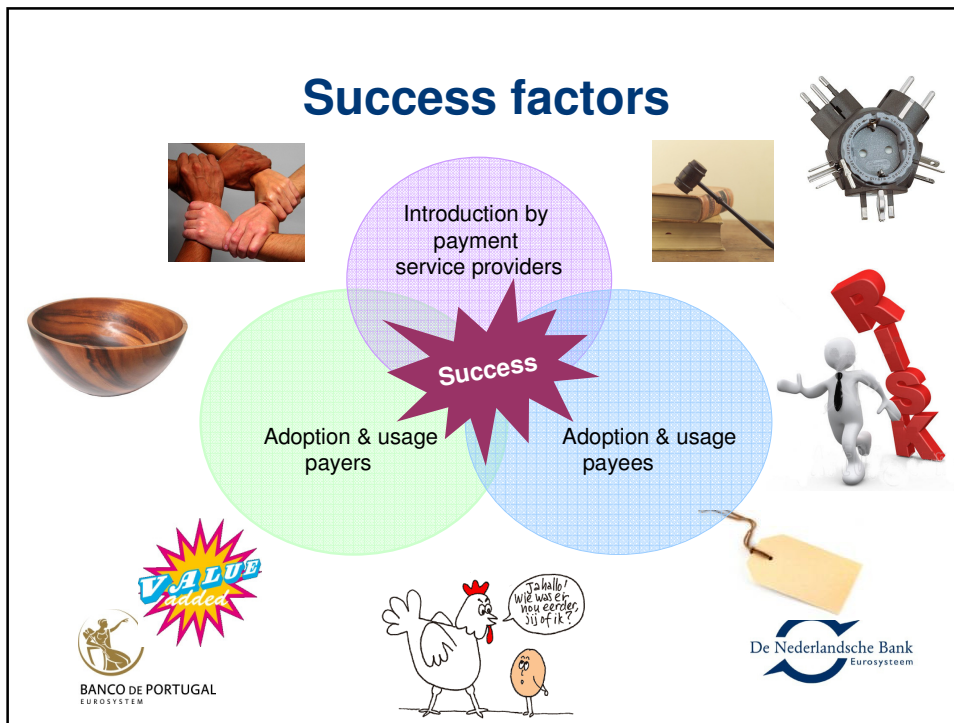


BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
EUROSYSTEM

Success factors



Outline

1. Drivers of innovation
2. Retail payment innovations
3. Selected observations
4. Success factors of retail innovations
5. Outlook for 2020

Future: Outlook 2020?

“Cash & other paper based instruments will gradually disappear”



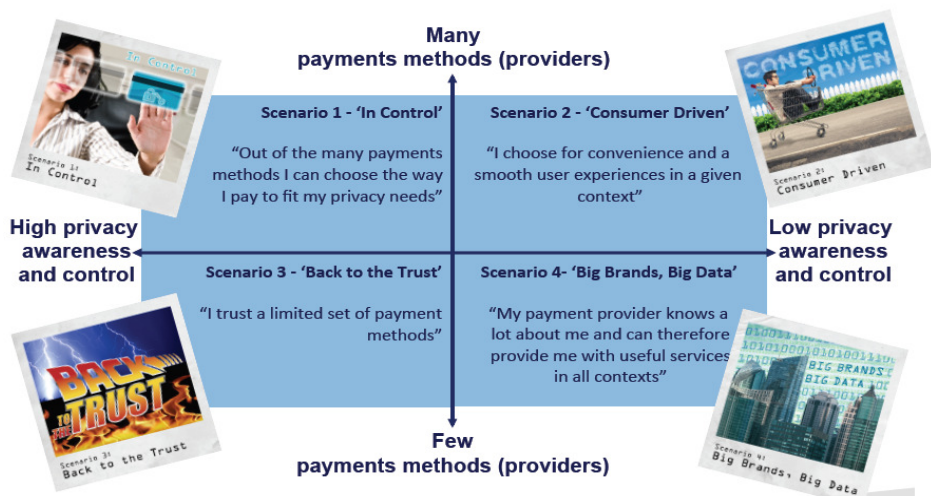
BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem

Outlook 2020

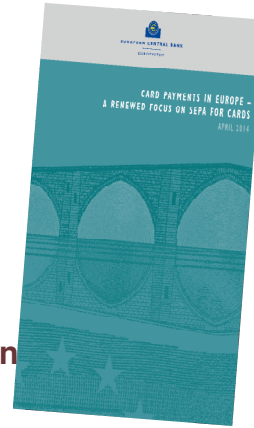
‘Shopping2020’: four payment scenarios emerge from these trends, shaping development of ‘transactions’ towards 2020



Bron: Innopay

Card Payments in Europe A renewed focus on SEPA for Cards

- Overview of card schemes and card payment trends in Europe: **there's room for growth of card usage!**
 - Security of card payments: **key factor**
 - Card schemes and processing
 - Business practices and rules
 - Functional standardisation
- Continued effort towards market integration**

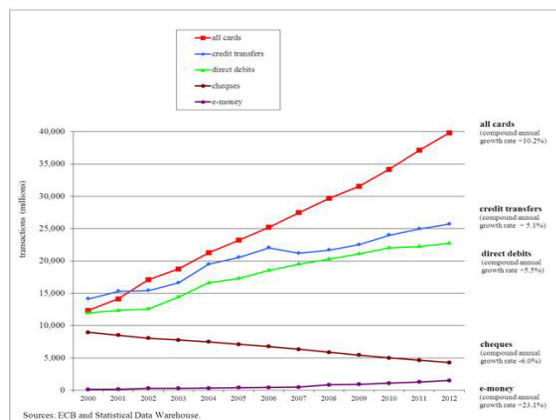


BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem

Use of payment instruments in the EU



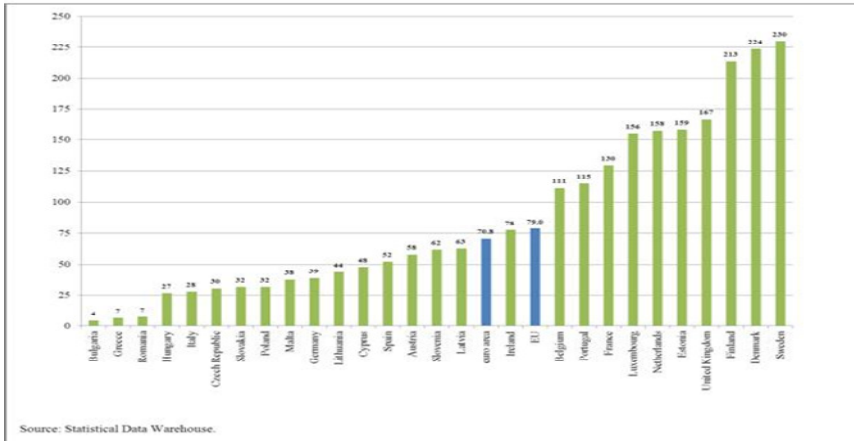
BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem

Card Payments in the EU (1)

Chart 2: Number of card payments per inhabitant and per year (2012)



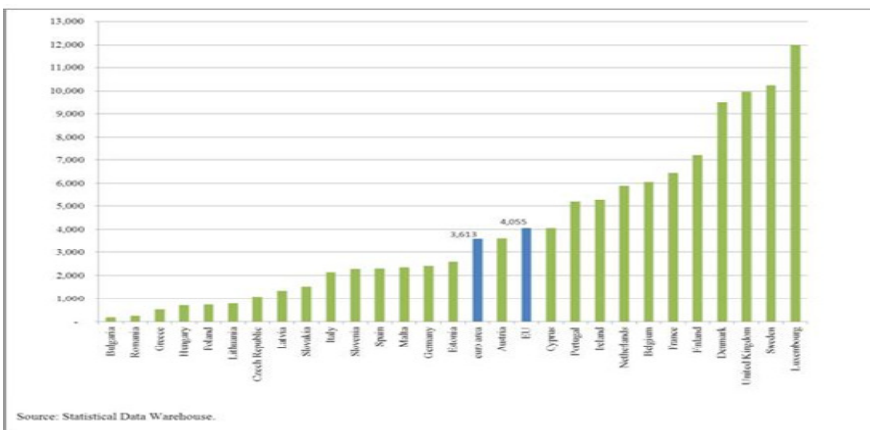
BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
EUROSYSTEM

Cards Payments in the EU (2)

Chart 3: Total value (in euro) of card payments per inhabitant and per year (2012)



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
EUROSYSTEM

Policy advices and trends for medium term

- Card Not Present: Adoption of the recommendations of SecuRe Pay Forum.
- Card-present: full migration to EMV.
- Separation of card schemes en card processing.
- Build a SEPA Card Processing Framework based on the SEPA Card Framework.
- Interchange fees should not hamper competition.
- Card schemes should offer EU-wide issuing and or acquiring licenses.
- Harmonisation of security certification for cards and terminals.



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem

Any questions?



BANCO DE PORTUGAL
EUROSYSTEM



De Nederlandsche Bank
Eurosystem