Capgemini Contacts:
Courtney Finn
Weber Shandwick for Capgemini
cfinn@webershandwick.com
+1 952 346 6206

Marta Saez (EMEA)
msaez@webershandwick.com
+44 20 7067 0524

RBS Contacts:
Anita Berthier
Media Relations Manager, RBS
anita.berthier@rbs.com
+44 207 678 0669

Alastair Fairbrother / Zoe Gray / Abbie Daniels
Fishburn Hedges for RBS
rbs@fishburn-hedges.com

Global Non-Cash Payments Expected to Top 333 Billion says World Payments Report 2013

Strong growth in non-cash transactions signals two-speed recovery for global payments industry

Dubai, Paris, London – September 16, 2013 – Global non-cash payments volumes are expected to top 333 billion transactions in 2012 after transactions grew by 8.8 percent in 2011, according to the latest available data from the World Payments Report 2013[1] published by Capgemini and RBS.

Central Europe, the Middle East, Africa (CEMEA) and Emerging Asia are leading the charge with growth in transaction volumes of more than 20 percent, while Latin America recorded growth of 14.4 percent. Growth in these emerging economies outpaced that of the developed markets of North America, Europe and Mature Asia[2], which recorded single digit growth rates, though mature markets still account for more than two-thirds of global non-cash transaction volumes with a 76.9 percent share. Forecasts show, however, that for all the growth in the surging economies of Asia and Latin America, it will still take at least 10 years for emerging markets to overtake mature markets in transaction volumes.

"The unabated rise of non-cash payments is a sign of the interconnected lives we live today. With estimates showing 8.5 percent growth in 2012 non-cash payment transactions, that's nearly 47 transactions per year for every man, woman and child on the planet. In the developing markets, mobile payments are giving more people access to financial transactions, while customer-centric innovation has helped prepaid cards and virtual currency gain traction in the more developed markets," said Kevin Brown, Managing Director, Global Head of Transaction Services, RBS International Banking.

[1]The World Payments Report 2013 is an annual report which examines the latest developments in the global payments landscape, including payments volume trends, payment instruments (such as cards and checks), key regulatory initiatives and their impact on strategic considerations and options for banks. The data in the report is from 2011. It makes a projection for 2012. Data is not yet available for 2013.
[2] Mature Asia consists of Australia, Japan, Singapore, and South Korea.

Debit and Credit Cards Still Leading Electronic and Mobile Payments

Debit and credit cards continue to be the most popular non-cash payment instruments, ahead of e- and m-payments[3]. Debit card use grew by 15.8 percent (to 124 billion transactions) globally during 2011[4] and credit cards grew by 12.3 percent (to 57 billion transactions). Industry estimates suggest online and mobile payments will grow at 18.1 percent and 58.5 percent respectively through 2014. E-payments are expected to reach a total of 34.8 billion transactions by 2014, alongside 28.9 billion mobile payment transactions in the same year. However, the World Payments Report 2013 raises some important questions about the veracity of these estimates.

A statistical 'black hole'?

Assessing non-cash instruments such as e- and m-payments, prepaid cards and virtual currency (offered by banks and non-banks) and growing transaction volumes in regions such as Africa, the World Payments Report has uncovered a significant statistical 'black hole' due to inconsistent reporting of payments. This inconsistency is emerging as new regions become more active and non-banks take an increasing share of the market via instruments such as e- and m- payments. Analysis in the report suggests that industry estimates of the size of the mobile payments market could be optimistically inflated by a factor of up to 50 percent, raising the question of whether reliable, centralized data collection is needed. The Report calls for more statistical accountability in the industry and urges regulators to facilitate such a move. Improved statistical data collection would help payment services providers (PSPs) make more informed investment decisions as well as help combat future market risk.

"Reducing market risk and regulatory complexity continues to be a challenge for banks and other PSPs alike, particularly as regulations proliferate and the overlap between individual initiatives continues to increase,' said Jean Lassignardie, Chief Sales and Marketing Officer, Capgemini Global Financial Services. *"PSPs can 'cluster' how they implement individual regulatory initiatives[5] to take into account cascading effects across geographies, complementary reinforcement effects and competing effects."* In North America, most new regulation is focused on transparency and customer convenience. In Asia Pacific, the regulatory focus is on standardization and bringing new participants into the financial system. While in Europe, SEPA[6] regulations are dominating the landscape as regulators concentrate on increasing competition and improving transparency.

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[3] Electronic payments (e-payments) are digital payments made over the internet for e-commerce activities. and Mobile payments (m-payments) refer to when the mobile phone is as a payment method – not just as an alternative channel to send the payment instruction – and the payment flow takes place in real-time.

[4] Estimates for 2012 are based on data and events collected in 2011.

[5] New regulatory initiatives have emerged around the world during the past year, focused on increasing consumer convenience, improving payments security and transparency, strengthening fraud prevention, and stimulating innovation.

[6] The Single Euro Payments Area (SEPA) is an initiative of the European banking industry that will make all electronic payments across the euro area – e.g. by credit card, debit card, bank transfer or direct debit – as easy as domestic payments within one country are now. Source: http://ec.europa.eu/internal_market/payments/sepa/

Driving fragmentation and innovation in payments acquisition space

Payments acquisition[7] has emerged as the area with greatest potential for customer-centric innovation. Drivers for innovation in payment acquisition for PSPs include: desire for proximity to customers, need to meet new and changing demands, and the fragmentation of the value chain. Through payments acquisition innovation, PSPs can offer both retail and corporate customers' choices between instruments, locations, channels and currencies which is increasingly being demanded. Innovation is evolving in consumer-to-business (C2B) acquisition towards 'any form,' 'anywhere,' and 'anytime' payments which can be found in alternative models from PayPal (Order Ahead application with Jamba Juice) and WorldPay (accepting multiple instruments.) In business-to-business (B2B) acquisition, innovation is seen in the SWIFT (3S Key security solution) and ErsteConfirming (supply chain solution.)

"Both new and legacy payments providers recognize that not all players need to provide end-to-end services and are focusing on the four 'Innovation Value Hotspots' of origination, acceptance and capture, security and fraud, and value-added services," said Lassignardie.*"In choosing one or more of these hotspots, payments providers have an opportunity to differentiate and meet the new and changing needs of both retail and business customers."*

The Report concludes that the trajectory of change in the payments acquisition space is too steep for PSPs to stand still. Strategies must be revisited and reformed in order for PSPs to stay in the game and to benefit from the changes innovation will deliver.

The report is available for download at www.worldpaymentsreport.com

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[7] 'Payments acquisition' refers to enabling sales/commerce by bringing buying and selling entities together in both Customer-to-Business (C2B) and Business-to-Business (B2B) contexts, allowing the acceptance of any payment instrument based on customer choice, and facilitating sales agnostic to location, channel, or currency.

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