



Payments Journal

May 2020

A summary of key Payments-related news in Canada and globally.



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EXECUTIVE SUMMARY

May 2020 will be remembered, at least from our perspective, as one of the most vibrant months when it comes to the payments industry in Canada and worldwide. Certainly, COVID-19 was a major reason for most of the news headlines. However, the payments and digital innovation world has had a number of positive stories that promise a bright future in these uncertain times.

Macleans' story behind the CERB setup, Shopify's rise to stardom and move to B2B banking, Mastercard's international remittance partnership with National Bank, Visa's patent for a crypto currency, and the European Central Bank's step closer to central-bank crypto currency are just some of the success stories in this journal. Lastly, it seems cash is not as unsafe as we thought after all.

When it comes to Open Banking, Prodigy Labs' partner Flinks has launched an innovative API platform called "Digitization in a box," while its competitor Plaid has announced a similar approach in the future – Plaid Exchange.

On the other hand, Canada has disappointed again since the committee for open banking has pointed to COVID-19 as the reason for slowing down in moving closer to the mandate. We are praising our government agencies for setting up the CERB, CEWS and other programs in such a short time, but we must question the amount of fraud and errors, caused by outdated technology and inefficiencies in validating the applicants. Also, we wonder how much fraud and errors would there be if the adoption of digital identity was higher in Canada, the open banking mandate was in place, and the real-time payments solution (backed by the ISO 20022 standard) launched in 2019 as originally planned by Payments Canada.

Enjoy the journal!

Marko Pavlovic

Digital Payments Practice Head at Prodigy Labs



COVID-19 IMPACTS

1

HIGHLIGHT

Macleans' article provides all the "behind-the-scenes" details of such historical undertaking in setting up the CERB program

Hats down to Canada Revenue Agency (CRA) employees, Service Canada programmers, senior officials at the Department of Finance, Employment and Social Development Canada, Governor General Julie Payette, deputy minister Graham Flack, Ian Shugart, the clerk of the Privy Council for setting up the Canada Emergency Response Benefit (CERB) that helped millions of Canadians in times of need. Check out what it took to set up the CERB in such a short period of time.

[Article: Pulling off a bureaucratic miracle: How the CERB got done](#)



COVID-19 IMPACTS

2

HIGHLIGHT

Government relief programs have shown weaknesses and raised some questions

Even though a turnaround for creating the CERB and other government relief programs was very fast and Canadians received the necessary funds, CBC news revealed that some two hundred thousand payments went into the wrong hands, either by mistake or due to fraud.

Article: Liberal finance chair says government hasn't been clear enough about risks of pandemic benefit fraud

3

That means that in 2021 the government of Canada will need to invest further funds to track down and clean up the errors made in setting up the CERB. How much will Canadians need to pay for errors to be fixed? We are wondering, could fraud and errors setting up the CERB have been prevented if digital identity, open banking and real-time payments solutions (backed by ISO 20022) were in place, and not slowed down by the government and the financial eco-system in Canada?

Article: Pandemic benefit cheats could get caught by new CRA measures — but not soon



COVID-19 IMPACTS

4

HIGHLIGHT

Canadians spending habits will never be the same after the COVID-19

A recent study published by Payments Canada revealed that COVID-19 has changed Canadians spending habits:

- 75 per cent of Canadians are spending less than pre-corona times
- 62 per cent are paying less cash
- 42 per cent of Canadians are avoiding shopping at places that don't accept contactless payments
- 44 per cent of Canadians are reporting income decreases
- 51 per cent are reporting a negative impact on their retirement savings and investments
- Paying bills on time is a problem for 26 per cent of Canadians

Article: COVID-19 pandemic dramatically shifts Canadians' spending habits



COVID-19 IMPACTS

5

HIGHLIGHT

Is cash really the least safe payment option?

If you are not paying with cash, thinking it is not the safest payment option during the COVID-19 times, then you might want to check out the following news articles.

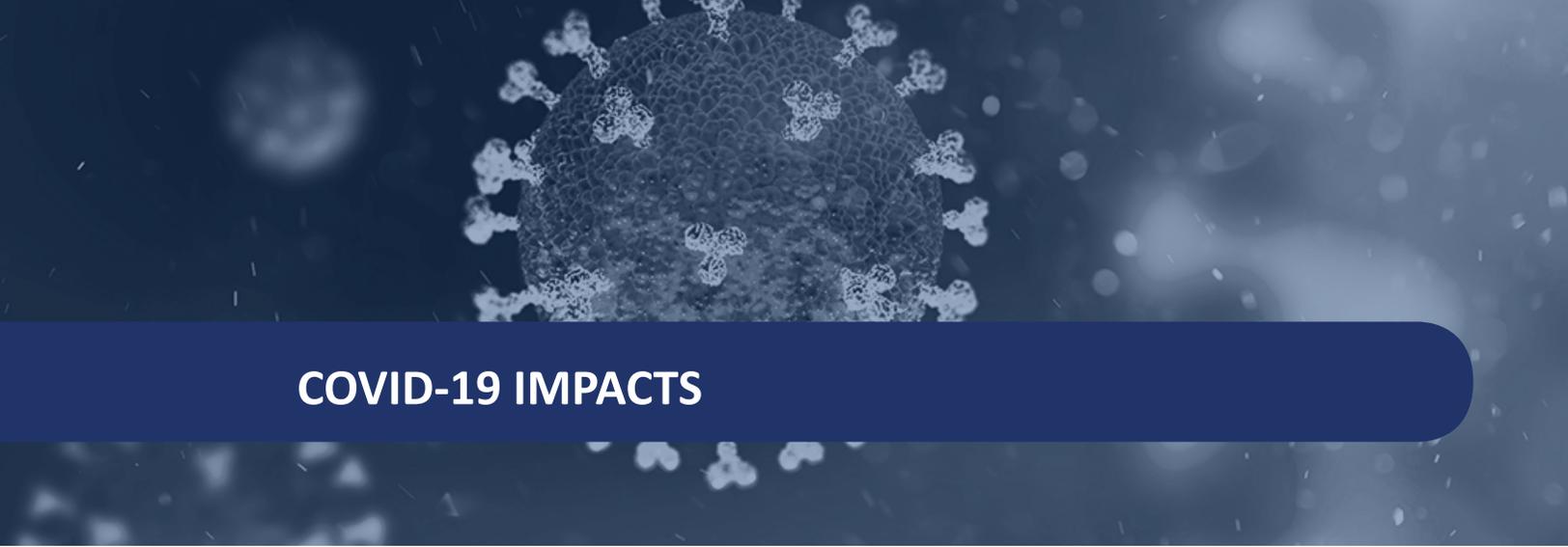
A LendEDU study tested bacteria samples on payment cards (debit and credit), paper bills and coins, and even though this study was done last year it came handy in 2020 during these unprecedented times. The study has shown that most of the tested bacteria was found on credit/debit cards (average germ score was 285), in second place was cash (160), and in third place, with least bacteria on it, was on the surface of coins (136).

Article: Debit and credit cards collect more bacteria than cash, study says

6

In addition, the World Health Organization (WHO) announced with capital letters that they did NOT say banknotes would transmit COVID-19, nor have they issued any warnings or statements about cash transmitting COVID-19. Think again if you have concerns around your payments options these days.

Article: World Health Organization: 'We did NOT say that cash was transmitting coronavirus'



COVID-19 IMPACTS

7

While humankind is turning its back on cash, the following article might trigger some thinking if we should really be a completely cashless society. This National Post article has pointed out that the Canadian Central Bank has warned that refusing cash can be disastrous for some underprivileged groups. University of Toronto's associate professor Walid Hejazi, adds that the number of people relying on cash is far more than we think.

Article: COVID-19 pandemic could accelerate shift to cashless payment, experts say

8

HIGHLIGHT

Accenture's study points out the future for global payments

According to Accenture, the worldwide Coronavirus pandemic will have several significant long-term impacts on global payments. Key findings are:

- Movement towards a cashless society
- Greater need for fraud protection
- Difficult market for paytechs
- Tighter cash flow management
- Growth in the e-commerce industry
- Greater digital innovation

Article: Top eight ways COVID-19 will impact payments



E-COMMERCE

1

HIGHLIGHT

Shopify – Canada’s brightest star in these unprecedented times

After reporting a strong demand for its services and revenue growth, Shopify Inc. became Canada’s most valuable company in May, while announcing a few innovative products that will take this company to a new level of success.

Article: Shopify overtakes RBC as most valued Canadian company as online services in demand

2

Shopify’s business bank account or simply “Shopify Balance” could change the small-medium business banking world as we know it. Shopify has an enormous merchant base that offers to make deposits, withdraw funds, pay bills, and track transactions through the no-monthly-fee, no-minimum-balance account. This means that merchants will be able to choose between traditional business banking, which doesn’t really serve small and medium clients well, and Shopify’s banking services that offer no-fees banking and superior, tailored services. Shopify Inc. has announced that bank accounts will be available in the US in late 2020, and then in Canada at some point in the future.

Article: Shopify to roll out Shopify Balance and Shop Pay Instalments



E-COMMERCE

3

“Shopify POS” has been announced as the new point-of-sale (POS) system available for Shopify’s merchants across the world with a focus on creating an omni-channel experience that brings the best of in-person and online shopping together.

Article: Shopify launches new POS connecting brick-and-mortar with online sales

4

HIGHLIGHT

For some it’s challenging times, for PayPal it’s, unexpectedly, the best of times

PayPal processed more transactions on May 1 than on Black Friday and Cyber Monday of 2019. It also reported that April 2020 was also a record-breaking month in terms of net new active accounts – 7.4 million or 250 thousand per day.

Article: PayPal Processed More Transactions On May 1 Than On Black Friday

B2B PAYMENTS, REAL-TIME PAYMENTS, AND ISO 2002

1

HIGHLIGHT

PayTechs of Canada's Executive Director Doug Kreviazuk raised a few important questions in his blog post around the critical role of the payments system in Canada, and the absence of real-time payments.

- Should we accept 3-5 days or possibly a 10-day delay in securing emergency relief funds to Canadians?
- In a national emergency, are these timelines acceptable?

Mr. Kreviazuk is also criticizes Canada's usage of cheques while pointing out the fraud concerns and lack of execution in bringing the real-time payments system to Canada. Excellent read!

[Article: Emergency relief: the critical role of the payments system](#)

2

HIGHLIGHT

The Prairies credit unions have joined the forces with IBM in offering a modernized payments system

An eight-year agreement will enable credit unions from the Prairies, to design a new payments system as demand for digital payments is growing. Are the other credit unions going to follow the same steps or stick with Central 1?

[Article: Credit unions partner with IBM Canada for payments revolution](#)

B2B PAYMENTS, REAL-TIME PAYMENTS, AND ISO 2002

3

HIGHLIGHT

Mastercard has announced the commercial launch of the Track™ Business Payment Service, an innovative payments service for all buyers' and suppliers' needs

Mastercard is fulfilling its vision of modern B2B payments with Track™ Business Payment Service which will provide greater control over payments and richer data exchanges which will enable automated reconciliation for its users. This overlay service will provide businesses with a better control over their cash flow management, thus providing operational efficiencies that are highly needed during these challenging times. The Track Business Payments Service has been launched in the US with various distribution partners, including [Global Payments](#), [AvidXchange](#), [Corporate Spending Innovations \(CSI\)](#), [FiservTesorio](#), [Veem](#), [VersaPay](#) and others.

[Article: Mastercard Track™ Business Payment Service Launches in the U.S., Brings Efficiency Gains and Faster Access to Working Capital to Suppliers and Buyers](#)

B2B PAYMENTS, REAL-TIME PAYMENTS, AND ISO 20022

4

HIGHLIGHT

Ripple is planning to adopt ISO 20022 while Swift and ECB are in confrontations over the delay of ISO 20022's migration date for cross-border payments

Finextra reports that Ripple is claiming to be the first blockchain-focused payments company to join the ISO 20022 standardization committee, thus strategically getting ready for messaging protocol's adoption. Ripple will benefit from the adoption of ISO 20022 in its efforts for improved interoperability with payment networks as well as pushing XRP (their cryptocurrency) towards regulatory legitimacy.

Article: Ripple gets ready for ISO 20022

5

Ripple's article came at the same time as the European Central Bank (ECB) and Swift were having a heated debate over the ISO 20022 migration date for cross-border payments, which was moved from November 2021 to end of 2022. Finextra has obtained letters that show that the European Banking community is asking Swift to take the responsibilities over this decision and mitigate any potential risks.

Article: ECB steps in over Swift's ISO 20022 migration delay

B2B PAYMENTS, REAL-TIME PAYMENTS, AND ISO 2002

6

HIGHLIGHT

The US pandemic payments are a mess

The following quote from Aaron Klein, policy director at the Brookings Institution's Center on Regulation and Markets, which was published in an American Banker's article perfectly explains the pandemic payments situation in the US: *"It's a debacle that it takes longer in 2020 to give everybody pandemic cash than it took in the 1960s to send a man to the moon and back. Why is it that we are unable to get people money? It's a combination of three things. One is how fast can you move money from Account A to Account B. Two, does the U.S. Treasury Department know people's accounts? And three, what share of the people don't have accounts?"*

Article: Coronavirus prompts renewed calls for postal banking, faster payments

B2B PAYMENTS, REAL-TIME PAYMENTS, AND ISO 2002

7

HIGHLIGHT

Is SWIFT's B2B cross-border monopoly under a threat?

B2B cross-border payments have been dominated by Swift over the decades which is not a surprise given that the co-op payment network has been used by the biggest global banks. However, with other existing cross-border payments providers (Earthport/ Visa, and Hyperwallet/PayPal) leveraging both ACH and real-time payments, and new entrants on the market (Currencycloud, Ripple, Transfermate) the situation is changing in the B2B cross-border market. The author of this article, David Gustin, is even challenging Swift's positioning which he characterizes as a monopoly.

Article: Is SWIFT's cross-border B2B payment monopoly under threat by new entrants?

8

HIGHLIGHT

European payment processors are partnering to advocate for real-time and frictionless payments in Europe

New European Union advocacy group has been formed by four European payment processors in order to push the policy agenda for instant, secure and frictionless payments in Europe. Ingenico Group, Nets, Nexi, and Worldline have joined forces in creating the European Digital Payments Industry Alliance (EDPIA).

Article: European Payment Giants Join to Form an Industry Alliance

OPEN BANKING

1

HIGHLIGHT

The Open Banking mandate in Canada is slowing down, again.

Finance Minister Bill Morneau released the report on the open-banking advisory group's findings in January and promised further consultations with individuals and companies this spring, which was halted due to COVID-19. Somewhat expected but disappointing since Canada is not only behind other countries but these crises have shown that Canadians are in a desperate need for open-banking, real-time payments and other fintech innovation mandates. If we add fintechs into this equation, then the frustration grows even more since they are competing against the big banks and need the Open Banking mandate as soon as possible. It is expected that consultations will continue sometime into the fall.

[Article: Open banking review faces 'worrying' delay as pandemic drives Canadians to fintech](#)

OPEN BANKING

2

HIGHLIGHT

Open Banking global adoption is on the rise

Finastra's research on the adoption of Open APIs has shown that 86% of global banks are looking to share APIs with third party providers in the next 12 months. Open Banking was originally met with skepticism by banks world-wide, due to lack of innovative vision and fears of security threats. However, the latest research reveals a shift to a positive approach towards Open Banking. Digital innovation has been identified as a primary focus for 774 banks worldwide surveyed by Finastra which also revealed that 30% of the banks are already seeing improvements in customer experience by the use of Open APIs. Like Canada, other jurisdictions are still burned with slow regulatory progress and 48% of banks are stating 'not enough government or industry support to foster innovation'.

[Article: Banks worldwide warm to Open Banking](#)

OPEN BANKING

3

HIGHLIGHT

Flinks has launched a seamless solution that does not require developers!

Prodigy Labs' partner, data-connectivity and enrichment platform Flinks has launched their "Digitization in a Box" solution which will enable seamless accessibility to financial data. Flinks is claiming that Digitization in a Box does not even require developers! The solution's key value proposition includes no code integration, visualization of complex data, effortless sandbox creation and access. "Digitization in a Box is geared towards lenders and companies looking for faster execution of their POCs.

[Article: Introducing Digitization in a Box: The Road\(map\) to Digital Just Got Shorter](#)

OPEN BANKING

4

HIGHLIGHT

New platform by Plaid called Plaid Exchange will be the banks' gold mine

Data-connectivity firm Plaid, who was acquired by VISA in January this year, has announced the launch of their new platform called Plaid Exchange. The platform's key value proposition will not be open banking but the data updating capabilities when new data is available, which was identified by the banks as a key need. Plaid's solution can be used as an integration layer for data aggregators or fintechs that want to connect to banks.

[Article: Plaid Launches API Exchange To Accelerate Open Banking And Digital Transformation](#)

BLOCKCHAIN AND CRYPTO

1

Visa has filed a patent application with the U.S. Patent and Trademark Office (USPTO) in order to create its own digital currency, most likely on the Ethereum network. Visa stated that the purpose of this patent is to remove the physical currency from circulation in a fiat currency system by digitizing dollars and other world currencies used by central banks. Visa's application explained that the stability of this process will be maintained by a central entity that will remove a physical dollar every time a digital dollar is generated.

Article: Visa files patent for digital currency development

2

Finextra reports that the European Central Bank is getting closer to creating a central-bank backed digital currency which can be a game changer for retail customers. There are still some serious policy questions related to the disintermediation of commercial banks and the possibility of digital bank runs. It will be interesting to see how long it will take Europeans to finalize the process.

Article: European Central Bank steps up focus on retail CBDC

MOBILE PAYMENTS

1

HIGHLIGHT

Is Samsung heading into lending?

Samsung Pay is launching a physical debit card with the introduction of their money management tool to follow. Samsung has partnered with SoFi for this project, given that SoFi offers refinancing, loans, and investment products to students and small to medium sized businesses. It is somewhat expected that Samsung Pay clients will be offered the same SoFi services in the near future.

[Article: Samsung Pay Launches Debit Card, Money Management](#)

MOBILE PAYMENTS

2

HIGHLIGHT

Facebook to offer WhatsApp Pay soon in India

After failing to launch WhatsApp Pay in India for now more than two years, it seems that the wait is over. Facebook has gotten the approval from the National Payments Corporation of India to enter the Indian market in partnership with ICICI Bank, Axis Bank and HDFC Bank. It is expected that the State Bank of India (SBI) will join as the fourth bank after the initial launch.

Facebook is going to launch payment mode in WhatsApp called WhatsApp Pay in India. Facebook Inc. has been struggling to launch this model in India for two years after the beta version of WhatsApp Pay rolled out in February 2018. However, the organization has gotten a nod from the NCPI to enter the Indian UPI market now.

[Article: WhatsApp Pay Going To Hit Indian Market By End Of May](#)
[| Know Details](#)



INTERNATIONAL REMITTANCE

1

HIGHLIGHT

National Bank announced international money transfer solution leveraging Mastercard® and Interac®

National Bank's personal banking clients will be able to send money internationally for free until July 31, 2020 by leveraging National Bank's online banking platform. In cooperation with Mastercard® and Interac® this solution will cover 19 Eurozone countries with additional countries to follow for a total of approximately 100 countries. After July 31, 2020 the service fee per transaction will be \$5.95.

Article: National Bank Now Offers International Transfer by Mastercard® and Interac® to its Personal Banking Clients

2

HIGHLIGHT

Potential Impact of COVID-19 on the Global Remittance Market

With the COVID-19 pandemic outbreak, the topic of global remittance finds its relevance. The World Bank's latest estimates suggest that "global remittances are projected to decline sharply by about 20% in 2020 due to the economic crisis induced by the COVID-19 pandemic and shutdown."

Article: How the coronavirus lockdown transformed moneygram

FINTECH, PAYMENTS AND MORE

1

HIGHLIGHT

Koho helps Canadians to avoid predatory loans and maintain financial stability

Canadian fintech Koho has announced a partnership with Hyr, enabling Hyr users to have early access to a portion of their pay at no cost. Hyr is a platform for shift and gig workers who will now receive their paychecks directly to Koho accounts. After the first paycheck deposit, each Hyr user will be able to access \$100 USD of their pay early and without any fees or interest.

[Article: KOHO and Hyr announce partnership](#)

2

HIGHLIGHT

Libro Credit union is the first financial institution in Canada to offer scheduled Interac e-Transfer®

Libro Credit Union, the southwestern Ontario credit union, in partnership with Central 1 Credit Union, is offering its clients to schedule Interac e-Transfers®, the electronic money transfers sent through Interac.

[Article: Libro Credit Union is first in Canada with new digital service](#)



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