



Predictions and Outlook: Payments and Technology in 2021

As we observed in a previous newsletter, it is most difficult to predict the future when it comes to the payments and treasury ecosystem and the overall macro economy. However, from our perch looking over the various money ecosystems, we do have a unique perspective as to what the year 2021 could look like.

While we are not of a gambling nature, we do feel very strongly about some of our prognostications but are less vehement with others. Overall, while we see some radical changes on the horizon, we still see some areas of continued stagnation. Our predictions are grouped by category, so let's start them off with the **Old and New Players**.

Old Players and New Players

- Many of the recent entrants into the FinTech world will fail, as there are too many similar business models and too much venture money flowing in
- Banks will finally “get it” and wage an offensive against the many new FinTech companies
- The MCX consortium (non-card based mobile payments) will dissolve
- There will be a new Card Network/Brand launched that will compete with the Big 4
- There will be the emergence of a New Payment System that will not use the current legacy payment rails
- The Federal Reserve will push the payments industry to launch a real time payment system that will mimic the Fed Wire System
- More banks will be added to the “Too Big To Fail(TBTF) List
- Know Your Customer(KYC)rules will become less problematic due to increased information sharing with B2B, G2B, G2C, B2C, etc.

Regulatory and Legislative

- FinTech companies, which have been able to work around and evade the many rules that banks have to abide by, will be faced with increasing regulations and scrutiny
- Technology advances related to new payments, alternative payments and faster payments will outpace existing regulations and legislation
- Payment (Credit) card Interchange will become regulated in the USA, just as it is in Canada, Europe and other countries

Technology

- The vast majority of payments will become digitized and the plastic payment card will fade into oblivion The act of swiping a card will disappear

- No single dominant form for mobile payments and mobile wallets will emerge. Fragmentation will continue
- NFC (an old radio frequency technology) will be replaced by a new technology
- The Apple Watch will end up on the dust heap of time
- Payment transactions will be verified with enhanced personal identity methods, such as biometrics, retinal scanning, etc
- EMV and Tokenization will be replaced by new security technologies

Consumer Preferences

- "In App" payment buttons will become the norm
- More online merchants will start to use "negative purchase" methods
- Brick and mortar retail will continue its death march
- Consumer paper checks will become nearly obsolete
- B2B paper checks will disappear as a form of payment
- Cash will NOT disappear and will continue at a stable rate of 5% all payment transactions

Global Economy

- The EURO will decline in use as nationalism takes hold in Europe
- More EU countries will revert to their native currencies
- The USA will shoot past the \$22trillion debt mark. As a result, there will be calls for the USA to return to the Gold Standard
- China will finally stop manipulating its currency and will let it float freely

While we do not advise anyone to place bets on our predictions, we remain confident that the world of payments, banking, and treasury operations will look vastly different in 4 short years. How are you reacting and planning for these changes?