

2016 Payments in Review

Trends, deals and launches shaping the industry



Plus: What's ahead for 2017



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Editor's Note: Investing in Innovation



Shortly before I began compiling stories and stats for our first year-in-review payments report, our sponsor The Bancorp announced the launch of its own innovation lab, Cube8. This is significant and not just

because The Bancorp is the largest issuer of prepaid cards in the U.S. and already partnering with the likes of Uber, Google and PayPal. Although it's not the first payments leader to launch an innovation hub, The Bancorp's decision to deepen its commitment to innovation is emblematic of a wider shift in the payments industry. We're seeing substantial resources pouring into fintech. Following \$19 billion in total funding in 2015, global fintech funding had hit \$15 billion by mid-August 2016, according to BI Intelligence. While we await the final tally for 2016, perhaps more important than the financial investments is a shift in mindset to one of partnerships.

A major theme I first encountered at Money2020 Europe last April, and continued to hear echo throughout 2016, was that fintech companies and financial services firms will do better together than as adversaries. Plenty of companies out there still want to knock incumbents off their thrones, but many of the firms getting the biggest investments are the ones with plans to partner with financial institutions. The exception may be in Europe, where regulators seem intent to increase

competition and encourage new market entrants. The reason for partnering, however, is simple. Financial institutions or other large established players can offer distribution, scale, compliance and infrastructure. Meanwhile, financial institutions like The Bancorp are showing their own commitment not to defeat these upstarts, but to partner, support and invest in a collaborative future that enables the best of each group to grow while expanding the pool of electronic payments through creativity and, yes, technology.

Whether it's chat bots that help consumers manage their accounts, refrigerators that can make sure you don't run out of milk, or a blockchain-based B2B payment, the future of payments and financial services is likely to include them all, as well as scenarios we can't yet imagine. There will be false starts, flashes in the pan and regulatory roadblocks—and perhaps some tailwinds. In the following pages you'll find the Top 10 Payments Stories from 2016, Trends to Watch and metrics throughout that point to what's to come in the next 12 months. The companies that thrive in this new normal of experimentation and unimagined commerce experiences will be the ones investing in innovation now and always looking for ways to go one step further.

Here's to an exciting and prosperous 2017!

Editor-in-Chief
Paybefore

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TOP 10

Payments Stories of 2016

From the CFPB's final rule on prepaid accounts to a shift in power in Washington and the U.K.'s vote to leave the EU, there's no shortage of events from the previous year that could affect your payments business in 2017. While political and regulatory developments could be the subject of their own top 10 list, our most-read stories of the year included a wider range of subjects. Here's a glimpse at what made the list and why they matter.

1

CFPB's Proposal Restricts Arbitration Clauses, Now What?

WHAT HAPPENED: The CFPB on May 5 unveiled a proposed rule that will place restrictions on arbitration clauses in financial services contracts. The proposal does not ban arbitration clauses, but covered institutions will be restricted from including class action waivers in their arbitration agreements and arbitration clauses will be required to contain notices to that effect.

WHY IT MATTERS: Industry critics of the proposal say this rulemaking could have the most far-reaching impact of any CFPB regulations to date and negatively affect consumers because arbitration, according to the CFPB's own data, is a faster, less expensive and more effective way for consumers to resolve disputes. Of the 562 class action suits studied by the CFPB, the average cash settlement was \$32.35 per consumer, and class action litigation took an average of two or more years. In contrast, the average amount received by consumers who

prevailed in arbitration was \$5,389, with an average arbitration time frame of two to seven months.

The threat of frivolous lawsuits has many in the industry concerned that disputes take longer and potentially lead to smaller awards for consumers. The threat also will increase costs across the board—costs likely to be passed on to consumers. And while the CFPB's proposal doesn't explicitly ban arbitration clauses, many in the industry feel the agency's goal is to effectively eliminate arbitration as an option, leaving class action as consumers' only method of redress. The comment deadline was Aug. 22, and the CFPB is reviewing the comments. The latest rulemaking agenda, published in December, didn't address timing for the final rule. Arbitration regulation is an area that has come under fire from House Republicans, already critical of the CFPB. (See [page 4](#) for more details.)

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2

CFPB Issues Final Prepaid Rules; Expanded Definition Worries Industry

WHAT HAPPENED: The CFPB on Oct. 5 released its final rule on prepaid accounts, a move that expands the definition of prepaid—to the distinct displeasure of prepaid industry players. The new rules, which take effect Oct. 1, 2017, are quite similar to what the CFPB initially had proposed, with provisions tweaked in the final rule, rather than major additions or deletions.

WHY IT MATTERS: The definition of “prepaid account” in the final rule is so broad that it encompasses many of the more than 15 different types of prepaid cards in the market, some of which likely will not withstand the increased costs of compliance, according to Brad Fauss, president and CEO, Network Branded Prepaid Card Association. The rule applies to traditional GPR prepaid cards, mobile wallets, P2P payment

products and other electronic accounts that can store funds, according to the CFPB. In addition, the rule pertains to payroll cards, student financial aid disbursement cards, tax refund cards and certain federal, benefit cards.

What’s more, legal experts have pointed to outstanding compliance concerns, including whether existing card packaging materials will need to be pulled from inventory and retail shelves and replaced by Oct. 1, 2017, despite allowances in the final rule that would otherwise permit issuers to sell through existing card packaging materials produced in the normal course of business prior to the effective date; and how providers will limit liability for unregistered prepaid cards when providers often cannot determine the presence or absence of unauthorized use without knowing the identity of the accountholder.

3

Industry Views: What Trump’s Win Means for Payments

WHAT HAPPENED: Donald J. Trump wins the 2016 Presidential Election and Republicans pick up enough seats to control both houses of Congress.

WHY IT MATTERS: The early consensus among payments and financial services experts following the election is that change is coming—likely in the form of regulatory relief. Although Trump has been a vocal critic of the Dodd-Frank Act, he has yet to discuss specifics about what changes might be ahead for financial services reforms or the fate of the CFPB. An October ruling of the U.S. Court of Appeals for the District of Columbia (*PHH Corp. v. CFPB*), which deemed the single-director structure of the CFPB unconstitutional, paved the way for the new president

to change CFPB leadership at will. What’s more, Rep. Jeb Hensarling (R-Texas) in September introduced The Financial CHOICE Act (HR 5983), which represents a near-complete overhaul of the CFPB. The legislation—which had faced a near-certain veto from President Obama—would eliminate Director Richard Cordray’s position, replacing it with a bipartisan, five-member commission; make the commission subject to congressional oversight and appropriations; require the commission to obtain permission before collecting personally identifiable information on consumers; repeal its authority to ban bank products or services it deems abusive and annul its authority to prohibit arbitration. The legislation would have to be introduced again in the new Congressional session, but it might have new life

TOP 10

under the new administration. Retailers are concerned that the bill or other Dodd-Frank reforms could spell trouble for debit card interchange caps that resulted from the Durbin Amendment. More than 600 retailers sent a letter Nov. 15 to

House Speaker Paul Ryan (R-Wis.) and Minority Leader Nancy Pelosi (D-Calif.) urging them not to introduce legislation that would repeal financial reforms, they say, are “critical” to U.S. businesses and customers.

4

U.K. Votes to Exit EU; Payments Industry Faces Uncertainty

WHAT HAPPENED: On June 23, a majority of U.K. voters supported leaving the EU in a decision that casts doubt on whether London can continue to be the center for Europe’s financial services industry and the fintech hub of Europe.

WHY IT MATTERS: The U.K.’s biggest export is financial services. In terms of payment services, more than 75 percent of e-money and payment services firms operating in Europe are based in the U.K., according to compliance consultancy Neopay. For payments institutions and

e-money issuers based in the U.K., their ability to passport their licenses into EU countries is in jeopardy. Brexit also is likely to cause issues for major processors and cross-border acquirers for whom London has been a key European and cross-border processing center. European privacy and data security laws require these processing centers to be based in the EU. It’s still unclear what the U.K.’s position will be in this regard, but if it were treated as an off-shore country (which seems a logical outcome), payments processing operations of hundreds of companies could be forced to relocate to the continent.

5

Deal Update: Visa Europe Sale Gets Final OK

WHAT HAPPENED: The European Commission in June granted final approval to Foster City, Calif.-based Visa Inc.’s acquisition of Visa Europe. The purchase agreement initially was reached in November 2015, with the sale price set at up to €21.2 billion (US\$24.1 billion), but the deal hit a snag when EU regulators called for Visa Inc. to pony up more cash up front and reduce future payments to Visa Europe. In April, Visa Inc. amended terms of the acquisition, increasing its upfront payment by €750 million (US\$852 million). With the amended offer approved, the transaction—which closed in June—brought the entities together for the first time since 2007. More than 3,700 European banks and payment services providers banded together to form Visa

Europe, a membership association, after splintering off from Visa Inc. prior to Visa Inc.’s IPO.

WHY IT MATTERS: Experts suggest that bringing Visa Europe back into the Visa Inc. business enables Visa to better compete for global business. What’s more, as the world goes more digital and innovation becomes increasingly important, the ability to leverage company resources more effectively without any intercompany issues will be key to technology developments. Meanwhile, at least one bank executive noted that the move could spur EU banks to form a Euro-centric payments network, similar to national networks in Russia and India, to compete with U.S.-based Visa and Mastercard.

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Mastercard Makes Big U.K. Play with \$1.1 Billion VocaLink Investment

WHAT HAPPENED: Mastercard in July announced it was entering a definitive agreement to acquire 92.4 percent of VocaLink in a deal that could total up to \$1.14 billion. A bank-owned consortium, VocaLink's technology underpins the British direct debit and credit payments system, as well as the LINK ATM network and the Faster Payments Scheme for real-time mobile and Internet payments. VocaLink processed more than 11 billion transactions in 2015, according to the company.

WHY IT MATTERS: In addition to giving Mastercard control of a major chunk of the U.K. transaction processing market, the deal helps Mastercard compete with the reunited Visa, while also giving Mastercard a leg up in the race to advance faster payments—i.e., real-time bank-to-bank transfers—which is a growing area of interest for multiple industry players.

7

Wirecard Stakes Claim in North America with Citi Prepaid Buy

WHAT HAPPENED: Wirecard AG made numerous deals and acquisitions in 2016 to expand its global footprint, but on June 29, it announced it had entered a definitive agreement to acquire Citi Prepaid Services, putting it firmly on the map in North America.

WHY IT MATTERS: Citi Prepaid Services, which is based in Conshohocken, Penn., has launched more than 2,500 corporate disbursement programs worldwide, primarily in North America. "While the entry to North America is intriguing to come via prepaid, this acquisition adds another

'arrow in the quiver' for Wirecard in its core international markets, particularly when the incentives business has global clientele," notes John Grund, partner at First Annapolis Consulting. "Relative to prepaid in the U.S., industry consolidation continues, but the entry of a global player into the U.S. adds a new dimension to the landscape." In addition, the move could spur significant adoption of virtual incentive cards in the numerous mobile wallets Wirecard supports. Citi Prepaid already works with Samsung Pay to instantly provision a prepaid rewards card in the mobile wallet—a feature that could make mobile wallets an attractive delivery channel for corporate clients.



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PayPal Cuts Deal with Visa, Abandons ACH Push

WHAT HAPPENED: On July 21, PayPal announced a strategic partnership with Visa where Visa would get preference—in both PayPal and Venmo apps—and PayPal said that it would “not encourage Visa cardholders to link to a bank account via ACH.” PayPal also said it would support and work with issuers to identify consumers who choose to migrate existing ACH payment flows to their Visa cards.

WHY IT MATTERS: The partnership signaled a change from PayPal’s past practice of steering cardholders to ACH payments, promised a

superior experience for consumers (who can sign up for PayPal more quickly and receive more information about their transactions), and increased PayPal’s in-store footprint to any terminal that accepts contactless Visa payments. The partnership, although exclusive to the U.S., was the beginning of a series of deals for PayPal, including similar ones with Mastercard and Discover, another with FIS and still another with Citi, that suggest there might be more cooperation among payments heavyweights as they seek to deliver on the promise of seamless commerce. (See Co-opetition in our trends section on [page 11](#).)

9

MCX Delays CurrentC, Shifts Focus to FI Partnerships

WHAT HAPPENED: Retailer consortium MCX postponed the rollout of its CurrentC mobile payments service and shifted its focus to partnering with financial institutions. MCX launched a test run of CurrentC in Columbus, Ohio, in 2015, and the results of that pilot were partially what compelled MCX’s decision “to concentrate more heavily in the immediate term on other aspects of our business including working with financial institutions, like our partnership with Chase,” said MCX CEO Brian Mooney.

WHY IT MATTERS: Experts’ opinions varied on this news, some pronouncing the death of MCX after it was slow to market and plagued by competition from its own retail members. Others were calling it a roaring success at building a universally accepted, merchant-controlled digital wallet that circumvents traditional payment networks (and avoids interchange fees). With big-name merchants at the helm—Walmart, Target and Best Buy to name a few—MCX is an alluring partner for banks that want to ensure their wallets are accepted at the largest merchants. That said, the tradeoffs in terms of slashing fees may be workable for only the largest financial institutions.

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10

Chasing the Competition: U.S.'s Largest Bank Debuts Chase Pay App

WHAT HAPPENED: A little more than a year after the bank announced plans for its Chase Pay mobile wallet—and just in time for Black Friday—customers of the U.S.'s largest bank by assets finally were able to use the Chase Pay app in stores, online and for in-app payments.

WHY IT MATTERS: The Chase Pay mobile app, which follows Capital One and Wells Fargo m-wallets to the market, enables consumers to

pay at more than 7,500 participating Starbucks locations in the U.S. and nearly 1,400 Best Buy stores using QR codes—with Touch ID capability to be added later. Chase said in November that more retailers would be added soon. The industry will have to wait and see if this is the watershed moment for mobile wallet adoption some payments experts have predicted, but with more than 90 million account holders, Chase theoretically can get its wallet into the hands of one in every two U.S. households.

METRICS THAT MATTER

Top 5 Features for Mobile Wallets²

1. Loyalty Programs **67%**
2. Coupons **62%**
3. Order Delivery Updates **57%**
4. Mobile payment via credit card **55%**
5. To be able to display boarding passes **55%**



73%

of consumers are more likely to use mobile payments if **loyalty discounts** are automatically applied.



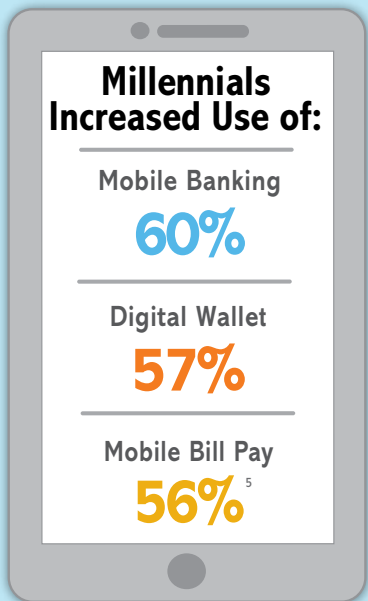
of consumers who don't use mobile banking cite security concerns as the reason³

METRICS THAT MATTER

Mobile Gains Ground

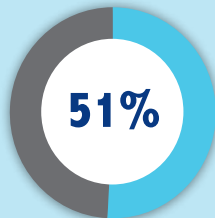
M-Payments Reached
\$180 billion
in 2016

Will Reach
\$410.5 billion
by 2020⁴

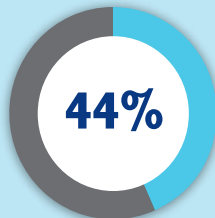


Mobile Banking on the Rise

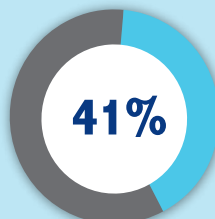
Of the **40%** of respondents who used mobile banking within the 30 days prior to the survey, more than half reported using the service more now than they did the prior year.



said mobile will change the way they bank



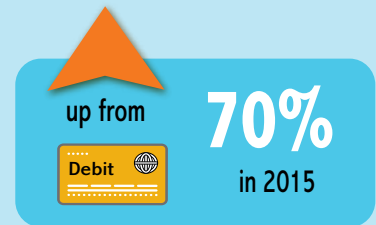
said mobile already has changed the way they bank



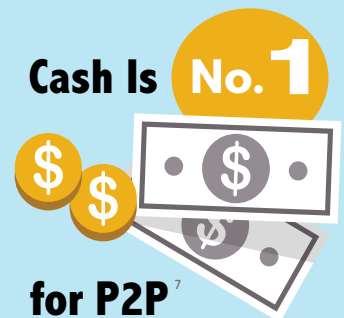
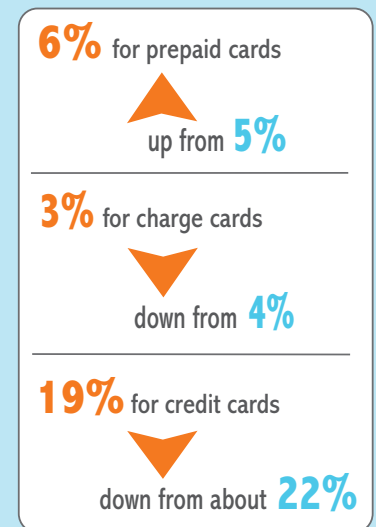
of millennials (ages 18 to 35) said they "would leave their wallet at home if they could store all of the information they need in a digital wallet they could access and use anywhere."⁵

Debit Dominates

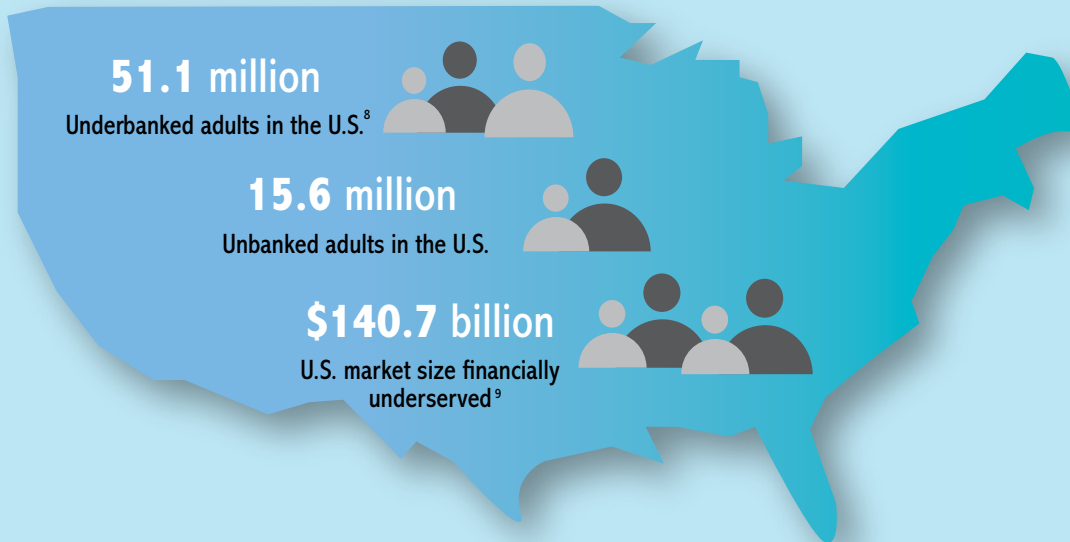
Debit cards in 2021 will account for



That compares with:



METRICS THAT MATTER



921 million

Global prepaid card base in 2021

46% from

624 million

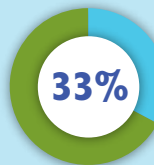
as of Dec. 31, 2015¹⁰



138 Million Europeans

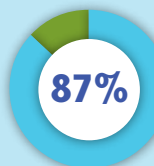
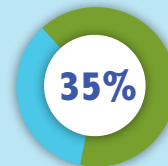
Lack access to formal banking services¹¹

Who Are They?



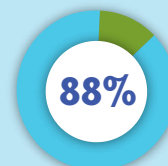
have jobs

are between ages 18-34



have lived in the same country their whole lives

pay for nearly everything in cash



Trends to Watch

Co-opetition: Big companies came together in a big way in 2016, seemingly changing the rules of play. While PayPal made headlines with its Visa, Mastercard, FIS and Citi deals (see [page 7](#)), Mastercard and Visa also joined together in a bid to help fast-track the adoption of tokenization for mobile and online payments—and, eventually, payments via connected devices within the Internet of Things (IoT). A partnership between the rival networks enables tokenized Mastercard payment credentials to be provisioned into Visa Checkout and in turn tokenized Visa credentials to be provisioned into Masterpass. At the same time, banks and fintech startups seem to have come to a détente—realizing that partnerships may be more beneficial than competition. Banks have the scale, distribution and compliance chops, while startups have the innovation, speed to market and agility required to meet market demands. This shift began in 2015 when there was a 138 percent increase in investments in fintech startups with plans to work with financial services institutions, according to data commissioned by the Center for Financial Services Innovation. What's more, 60 percent of companies applied innovative strategies through partnerships with fintech firms in 2016, and 76.7 percent of executives see fintechs as an opportunity for partnership, rather than a threat, a potential acquisition or irrelevant, according to Capgemini's "World FinTech Report 2017".



Mobile wallets flood the market, but consumers aren't convinced yet. Wells Fargo, Citi and Chase launched mobile wallets in 2016, while other "Pays" gained significant ground. Apple Pay transaction volume increased 500 percent in the company's fiscal fourth quarter of 2016, compared with the same quarter in 2015. A little more than a year into its launch, Samsung Pay celebrated 100 million unique transactions. But despite those gains, most consumers aren't using mobile wallets, particularly at the point of sale. Javelin estimates that of the \$410.5 billion in mobile payments spend forecasted for 2020, only \$91.7 billion will be proximity payments. That means many providers are looking to gain a competitive advantage for in-app and mobile browser-based payments. Consumer security concerns remain

a stumbling block for mobile wallet adoption; however, adding instant loyalty rewards could be an important element to get consumers to try mobile wallets and continue using them, according to an Urban Airship report.

Regulatory headwinds and possible tailwinds: The CFPB was busy in 2016, finalizing its landmark prepaid accounts rule and proposing rules on arbitration and short-term lending, all of which have potential to dramatically affect the businesses that would have to comply. For more details on prepaid and arbitration, see [pages 3](#) and [4](#). Meanwhile, European policymakers reeling from terrorist attacks sought to stifle terrorist financing by placing restrictions on prepaid cards that the Prepaid International Forum criticized as likely to harm the industry, while doing little to actually curb terrorist financing. In addition, the European Banking Authority in 2017 is set to release its online transaction rules in response to the revised Payment Services Directive (PSD2), which calls for "strong customer authentication" for online payments. The authority wants to tighten authentication for online transactions of 10 euros (US\$10.60) or more. The rules would apply to domestic e-commerce operations and foreign Websites selling to European consumers. The plan faces



Trends to Watch

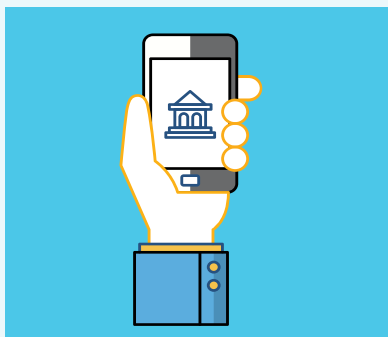
industry criticism as Visa and PIF argued that the requirements could spell the end for one-click checkout. Payments businesses and e-money issuers in the U.K. will be dealing with the potential fallout from Brexit (see [page 5](#)), but financial services businesses in the U.S. are gearing up for regulatory relief promised by President Donald J. Trump and his Republican allies in Congress (see [page 4](#)).



Blockchain Development, Investment Grow: Blockchain, the distributed ledger technology underpinning bitcoin, stole headlines from bitcoin in 2016. Much of the investment seems to be moving away from digital wallets and cryptocurrency applications and toward corporate payments and trading applications, where proponents say blockchain can cut costs and improve security. Capgemini estimates the global market for blockchain technology will hit \$400 million in 2019. Goldman Sachs and JP Morgan Chase in 2016 said they plan to invest up to \$20 million in blockchain startup Axoni. Based in New York, Axoni “helps banks and other institutions develop blockchain software to run capital markets processes.” The company has supported transactions involving credit default swaps and foreign exchange. Goldman Sachs previously had supported the blockchain consortium R3, but departed in 2016, along with Spain-based

Banco Santander, according to CoinDesk. Microsoft and Bank of America in 2016 said they will team up to further develop blockchain technology, and BNP Paribas said Dec. 21 it had completed its first cross-border B2B payments between corporate clients using blockchain.

Amazon and Walmart Got Busy: When the biggest retailer and the biggest e-tailer start making moves, people pay attention. Amazon gained traction with its digital checkout at other merchants (Pay with Amazon) and made waves in IoT with Alexa. Starting in March, Amazon’s Alexa, the digital voice assistant found in the retailer’s Echo and Fire TV devices, enabled consumers to conduct voice-activated banking with Capital One. Amazon customers can, for instance, check their account balances or pay their credit card bills by asking Alexa to do so via those devices. Meanwhile, Walmart became the first big box store to offer a mobile payments app of its own. While Starbucks has had the market cornered on successful retail mobile payments apps, Walmart reported a 45 percent jump in Walmart Pay transactions by the time it was rolled out nationally to all 4,600 U.S. locations. The retailer is looking for more usage in 2017 by tapping its 20 million active mobile app users.

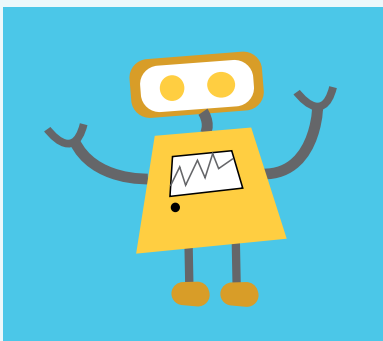


Challenger Banks: Although the term challenger bank is most often used in Europe, where startups are trying to cater to mobile-first consumers and more than 138 million consumers without formal banking relationships (according to Mastercard research), mobile-based account providers are popping up in the U.S., as well. The FDIC’s latest data estimate 51.1 million adults are underbanked and 15.6 million are unbanked in the U.S., but many providers say they can offer better services than traditional banks and are targeting millennials as well as disenfranchised bank customers. Joining Green Dot’s GoBank and Simple, Varo Money launched in 2016, offering private-label checking and savings accounts through its relationship with The Bancorp. After closing a \$27.4 million funding round in May led by Warburg Pincus, Varo initially began targeting millennials.

Trends to Watch

Meanwhile, Atom Bank in the U.K. opened its virtual doors with an invitation only rollout to pre-registered customers in April. In October, the company opened to the whole of the U.K., and by December it was reporting deposits exceeding £110 million (US\$136 million) across its Fixed Saver accounts.

Everyone Wants to Uber-ize Payments: While companies are seeking to replicate the simplicity—and invisibility—of payment for an Uber ride, Uber delved deeper into payments with some key partnerships. The ride-hailing service now pays millions of its U.S. drivers with a GoBank Uber debit card or via an Instant Pay service that taps Mastercard Send technology, enabling payments to nearly any Mastercard, Visa or Discover debit cards, including prepaid debit cards and debit cards associated with traditional checking and savings accounts. What's more, Uber tapped The Bancorp as the issuer for its physical and digital gift cards, which became available at national retailers, including Walmart, Target and Kroger, in September. Uber is likely to continue to be cited as a model for a seamless payment experience that others will try to emulate, much like the Starbucks mobile app has become the standard of excellence for mobile payments and loyalty.



Artificial Intelligence: From chat bots to engage and service cardholders or enable purchases via social media to machine-learning fraud tools, AI burst on the scene in 2016. Although it's still in its early days, the largest banks (Bank of America, Santander UK and RBS) and networks, including Mastercard and American Express as well as startups like Varo Money, are launching chat bots or virtual assistants to help cardholders manage their money. Integrating chat bots into messaging platforms like Facebook Messenger and WeChat also is on the rise. Companies whose bots are available on Facebook have access to 1 billion users in 200 countries who use Messenger monthly, and developers and businesses have built more than 30,000 bots for the app, according to the social network.

B2B Payments: Final Frontier: Despite the number of check payments falling at an annual rate of 4.4 percent between 2012 and 2015, the value of check payments in the U.S. alone is \$26.83 trillion, according to the latest Federal Reserve Payments Study released in December. The largest single opportunity to cut into that check volume is in the area of B2B payments. Sixty percent of B2B payments still take place via check, according to Q Insights, with cards accounting for only 3 percent of those transactions. Many financial institutions, such as Bank of America Merrill Lynch and U.S. Bank, as well as payments startups, have launched digital corporate payment products. B2B payments will continue to be a growth area for electronic payments in 2017, with everything from virtual prepaid cards to blockchain payments being tested and deployed to displace checks. At the same time, B2B is one of the biggest targets for the faster payments initiatives in 30-plus countries, where governments, banks and others have launched or are developing infrastructure to replicate the success of the U.K.'s Faster Payments Scheme. The winners will be those that can offer businesses simple integration, speed to market, cost reduction and security. Service providers, such as The Bancorp, are active in this space and see continued growth potential.



Trends to Watch



Internet of Things: Top-level printers ordering their own ink cartridges, refrigerators that can buy more milk when you're running low and Amazon's Dash Buttons enabling consumers to reorder household supplies with a single touch. Those are just a few examples of the commerce possibilities in the increasingly broader Internet of Things (IoT) landscape. The spread of such technology led Federal Trade Commission Chair Edith Ramirez last year to call on Congress to craft laws to protect consumer security and privacy as the IoT—already backed by heavyweights such as Amazon and Google—continues to attract more users. Numerous analysts and research firms, often in their 2017 prediction lists, say it's only a matter of time before cybercriminals turn serious focus to IoT, through which they can gain access to sensitive consumer and payment data. Forrester Research, for instance, anticipates a “large-scale IoT security breach” in 2017. And the Smart Card Alliance is calling for adding embedded security to IoT devices, similar to that which already is being used in mobile devices, payment chip cards and secure identity tokens. Such measures regulate how communications with IoT devices are authenticated, how access is controlled, how data are protected, how IoT devices are managed and how the IoT device might affect other systems. Meanwhile, providers consumers already trust and that make it easy to pay—as in card-on-file payments with Amazon or PayPal—may have an early advantage in IoT payments.

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Conclusion: What's ahead for 2017

As companies implement their strategies over the next 12 months, there's no doubt that the stories and trends discussed here will influence their decisions and the industry as a whole. While we may not know exactly what to expect from our political leaders, we can expect more industry partnerships, launches and M&A activity with an eye toward capitalizing on the fintech boom, taking advantage of opportunities to improve efficiency, reduce security threats and the compliance burden, all while delivering a top-notch customer experience.

For The Bancorp, what lies ahead for its payments business and throughout the organization will be nothing if not innovative, according to Chief Innovation Officer Pete Chiccino, who is at the helm of the bank's innovation hub. “Cube8 is a space where The Bancorp is exploring unconventional—even radical—ideas in financial technologies to inspire changes or new opportunities that could enhance the organization's business strategies, contribute to operational efficiency and generate incremental revenue,” he says.

The division, which is separate from The Bancorp's daily business activities and based in West Chester, Penn., initially will focus on digital lending, digital payments, mobile payments and blockchain. Cube8 also will explore ways to improve efficiencies in AML/Bank Secrecy Act sphere, big data and artificial intelligence. Chiccino notes that revenue could come from licensing as well as the creation and commercialization of new technologies.

“We believe that we can take truly powerful and innovative ideas and turn them into business-driving and industry-leading services for The Bancorp,” he says.

Stay tuned to Paybefore.com for the latest developments from The Bancorp and other payments industry players. And be sure to share your news with our editorial team. You might find yourself in next year's report. 📢



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*—Pete Chiccino, Chief Innovation Officer,
The Bancorp*



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About The Bancorp

With operations in the U.S. and Europe, The Bancorp, Inc. (NASDAQ: TBBK) is dedicated to serving the unique needs of non-bank financial service companies, ranging from entrepreneurial start-ups to those on the Fortune 500. The company's primary subsidiary, The Bancorp Bank (Member FDIC, Equal Housing Lender), has been repeatedly recognized in the payments industry as the Top Issuer of Prepaid Cards (U.S.), a top merchant sponsor bank, and a top ACH originator. Specialized lending distinctions include National Preferred SBA Lender, a leading provider of securities-backed lines of credit, and one of the few bank-owned commercial leasing groups in the nation. For more information, please visit www.thebancorp.com.

Endnotes:

¹ Top 10 Payments Stories of 2016 on Paybefore.com.

- [CFPB's Proposal Restricts Arbitration Clauses, Now What?](#)
- [CFPB Issues Final Prepaid Rules; Expanded Definition Worries Industry](#)
- [Industry Views: What Trump's Win Means for Payments](#)
- [U.K. Votes to Exit EU; Payments Industry Faces Uncertainty](#)
- [Deal Update: Visa Europe Sale Gets Final OK](#)
- [Mastercard Makes Big U.K. Play with \\$1.1 Billion VocaLink Investment](#)
- [Wirecard Stakes Claim in North America with Citi Prepaid Buy](#)
- [PayPal Cuts Deal with Visa, Abandons ACH Push](#)
- [MCX Delays CurrentC, Shifts Focus to FI Partnerships](#)
- [Chasing the Competition: U.S.'s Largest Bank Debuts Chase Pay App](#)

² "The State of Mobile Wallet Marketing," Urban Airship, 2016. The report surveyed 1,000 U.S. and 1,000 U.K. consumers.

³ "Expectations and Experiences: Consumer Payments," Fiserv Inc., 2016. The online poll, conducted by Harris Poll on behalf of Fiserv, surveyed 3,048 U.S. adults who have a checking account with a financial institution.

⁴ "Mobile Payments Convergence: Opportunities at the Intersection of In-person, Online and P2P Payments," Javelin Strategy & Research, 2016.

⁵ "Expectations and Experiences: Consumer Payments," Fiserv Inc., 2016. The online poll, conducted by Harris Poll on behalf of Fiserv, surveyed 3,048 U.S. adults who have a checking account with a financial institution.

⁶ "Global Payment Cards Data and Forecasts to 2021," Retail Banking Research, 2016.

⁷ VocaLink polled more than 5,000 U.S. consumers ages 18 to 35 on their payments behavior and preferences.

⁸ "2015 National Survey of Unbanked and Underbanked Households," FDIC, 2016.

⁹ Sixth annual "Financially Underserved Market Size Study" Center for Financial Services Innovation and Core Innovation Capital, 2016.

¹⁰ "Global Payment Cards Data and Forecasts to 2021," Retail Banking Research, 2016.

¹¹ Mastercard conducted a face-to-face survey among 635 respondents in six markets (U.K., Poland, Italy, Russia, France and Spain) across Europe. The survey was administered by Ipsos, a global research and survey company.