



SESSION BRIEF

Payments (r)Evolution



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OVERVIEW

FinTech (financial technology) venture capital investment continues to be one of the hottest growth areas globally, and payments continue to be a central focus area for disruption of traditional financial institutions. This session focuses on the three key areas undergoing a significant revolutionary change:

- Mobile Payments
- P2P Payments
- Cryptocurrency

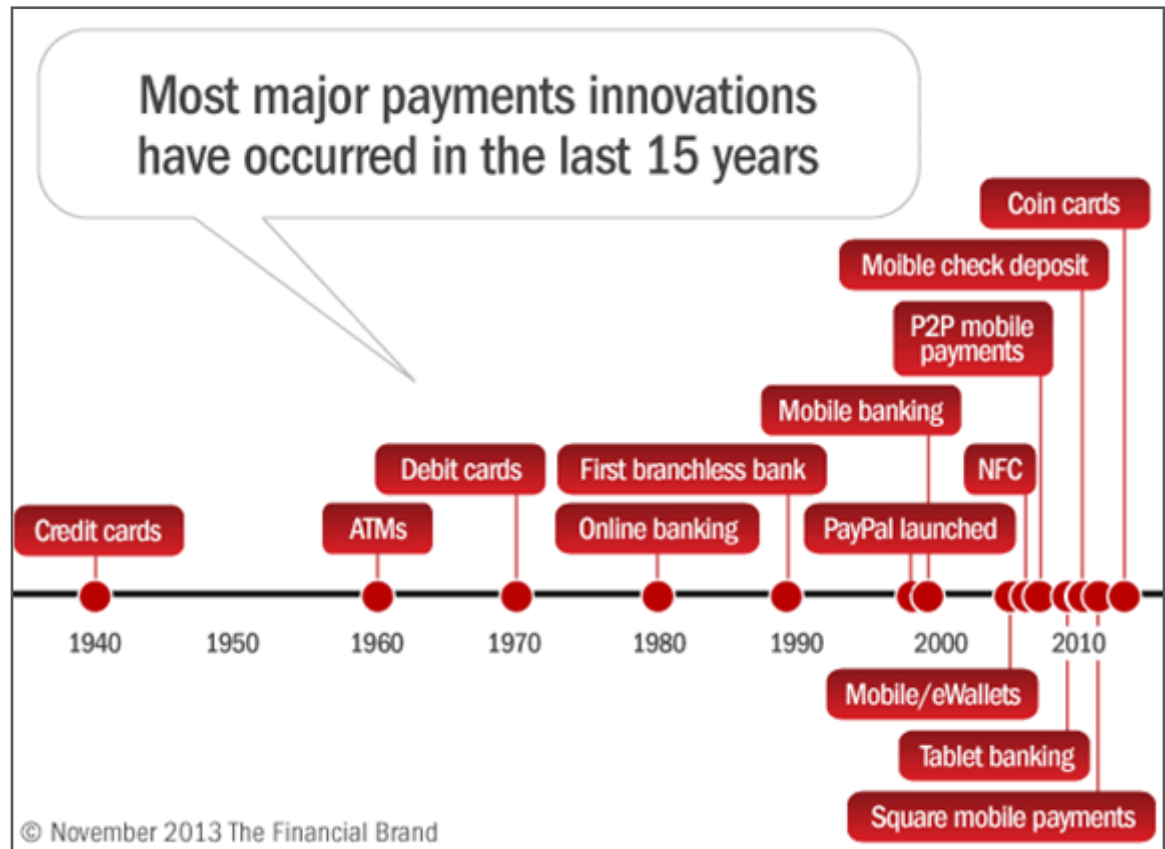
It also identifies the key trends and innovative companies driving consumer adoption and engagement in the ever-evolving payments space, and the priority channels credit unions should engage in now.



WATCH THE VIDEO
ON-DEMAND THRU
JUNE 2016

KEY TAKEAWAYS

The pace of financial services innovation is exploding. The vast majority of financial service innovation has happened in the last 15 years and it's not likely to slow down any time soon. In the payments space alone, there's been a jump from 910 payment company start-ups as of 2014 to 2,051 as of September 2015. And in the broader financial services marketplace, there were 8,300 companies focused on disrupting the industry—vs. 6,981 banks, the lowest number since the Great Depression.



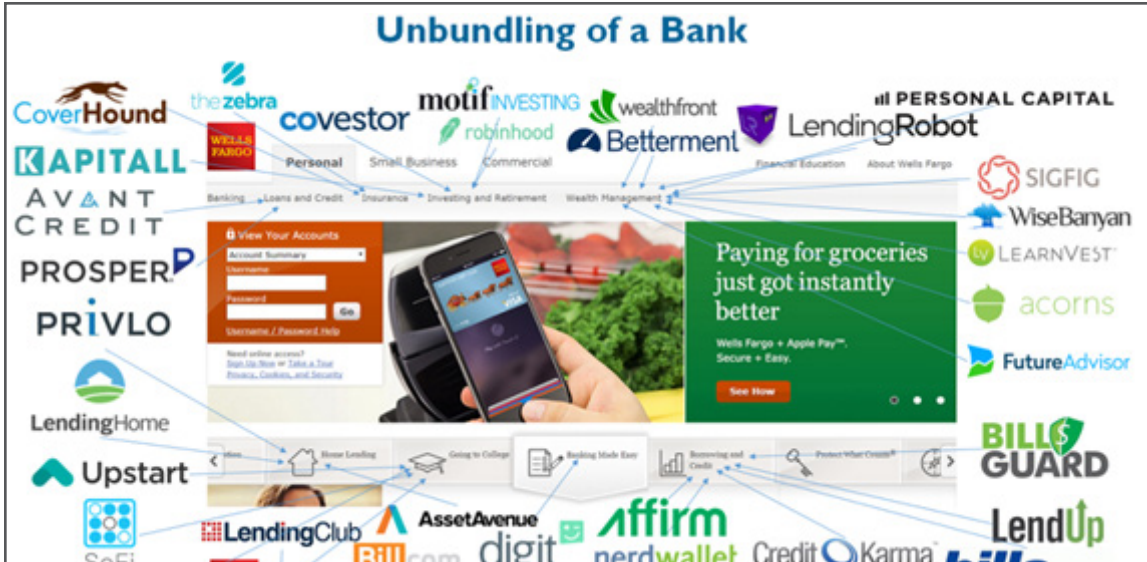
Slide 9

“Silicon Valley is good at getting rid of pain points. Banks are good at creating them.”

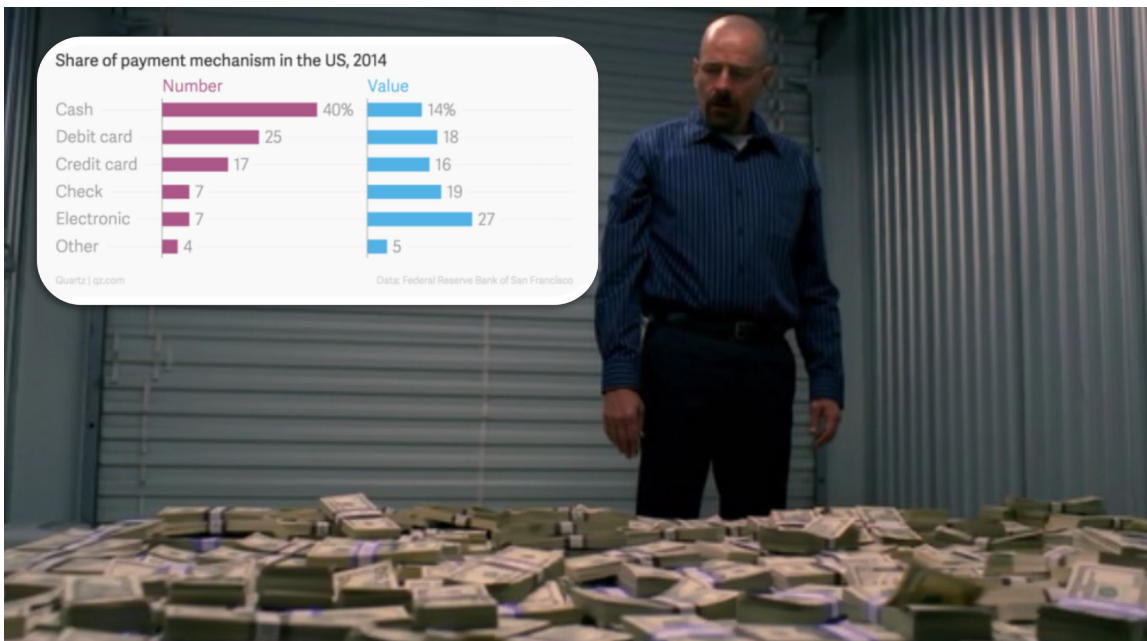
Jamie Dimon
CEO and Chairman
JP Morgan Chase

The most critical innovations focus on the consumer—not the credit union. Take a look at the many payment tools that are currently disrupting traditional financial service providers and it's quickly apparent that they're all about the consumer. Just as the ATM made it possible for consumers to go to a “bank” when and where they wanted to, the latest innovations are succeeding because they address a core consumer need and help remove transactional friction.

Every service a credit union offers can (likely) be replaced by a non-traditional player with no legacy infrastructure. FinTech players can



Slide 19



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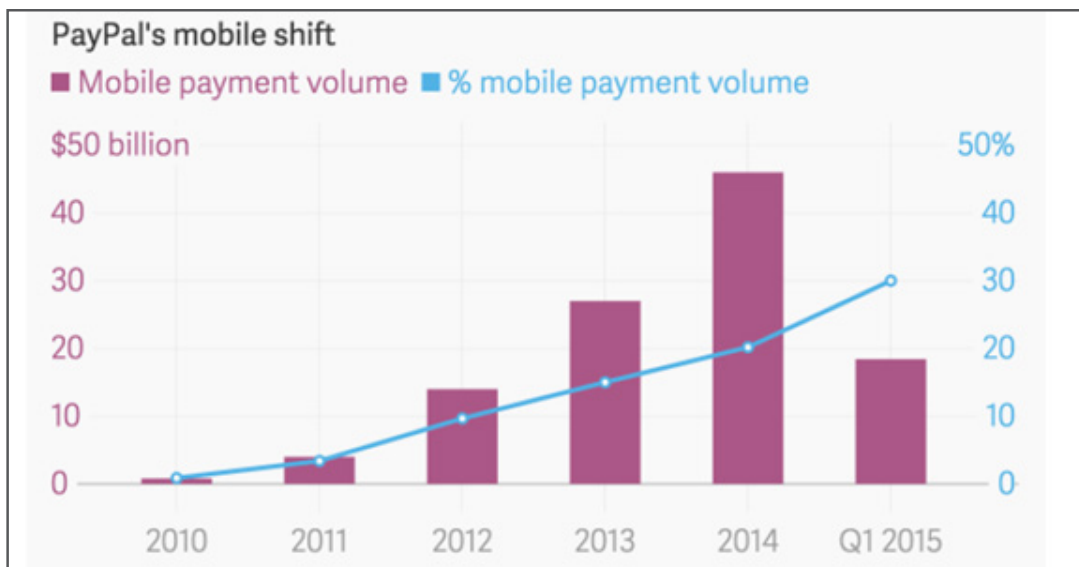
focus on a narrow, deep market niche with none of the attendant costs that a traditional bank or credit union needs to account for.

Mobile wallets might be a “solution looking for a problem,” (according to Sucharita Mulpuru, at Forrester) but mobile payments are already happening. The launch of Apple Pay in 2014 caused many to think mobile wallet dominance was just around the corner, but to date they’re still not perceived as a “must have” by consumers. The two top reasons: security concerns and the ease of using a plastic card.

That said, some players are succeeding in mobile payments. One is Starbucks, which can boast the following mind-boggling statistics:

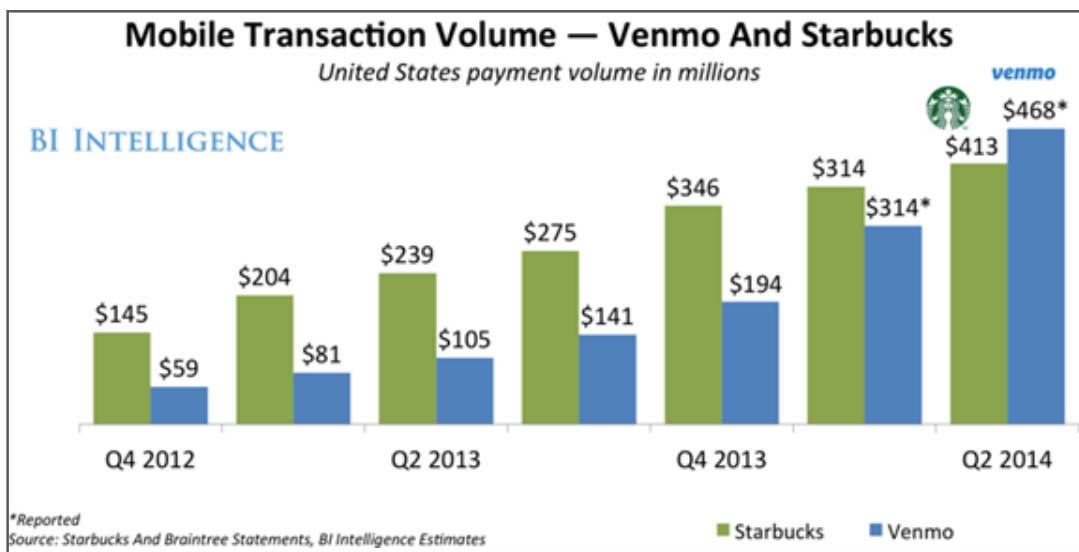
- 90% of the \$1.6 billion in U.S. mobile payments in 2013 was through the Starbucks app
- 13 million app users
- 16% of all Starbucks transactions come through its mobile app
- 7 million weekly transactions

Another is PayPal, which has payment volume that's approaching \$50 billion a quarter.



Slide 31

And Venmo, a person-to-person payment solution, has a daily volume that even beats Starbucks and, like Google, has become a verb: "Venmo me."*



* Venmo is growing 350% a year. And Paypal owns Venmo.

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FinTech is a massive ecosystem built around Millennials.

Though it would be foolish to over-generalize about the 80 million Millennials in the U.S. population, it is safe to say they're changing the world of financial services. Most in this segment believe banking and payments are in the middle of massive change, are incredibly comfortable working with FinTech companies, and think innovation will come from outside the financial services industry.

Cryptocurrencies are likely to change how financial institutions manage assets. Although it might be difficult to predict just how cryptocurrencies will change the future, the fact that the world's nine largest banks have created a consortium to advance the technology underlying cryptocurrencies (known as a blockchain) is reason enough to think credit unions need to have it on their radar.

WHAT SHOULD CREDIT UNIONS DO NOW?

Be aware. Ignorance is not bliss. Credit union executives typically have little to no awareness of the start-ups who are slowly destroying their revenue streams. Assign a staff member—someone young who loves FinTech—to continually investigate the hottest technology in banking and provide a monthly summary.

Focus. Understand your member base and act accordingly. Their needs and their preferences should drive strategy and investments.

Partner well. The shelf life of FinTech solutions is incredibly short and it often doesn't make sense for a credit union to invest in their own. Find out who's dominating a space and determine if it makes sense to work together.



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SESSIONS ONDEMAND

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BREAKOUT SESSIONS

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