



The future of payments

Tom Harris

Senior Vice President, Foundry, Mastercard

October 2023



The next economy

By the end of the decade, we'll witness significant innovations that will shape **the future of commerce**, transform how we exchange goods and services, and deliver intelligent experiences



www.nexo-standards.org



Three dynamics will drive the next economy and lead to innovations in financial services.



Reimagining
money



Intelligent
experiences



Sustainable
futures

Reimagining money

The definition of money is expanding to include non-traditional assets such as data, cryptocurrencies, and digital goods, changing how we exchange value.

A tokenized world

Our understanding of money continues to evolve to include more types of assets that can be tokenized such as loyalty points, data, rights and new currencies. This digitization of assets will let people use, combine and exchange new forms of value.

\$2.6b

total value of fine art sales on NFT platforms as of Dec 2022

89%

of the securitized asset-backed tokenization market is real estate, which can be divided into small shares, enabling fractional investments

Programmable payments

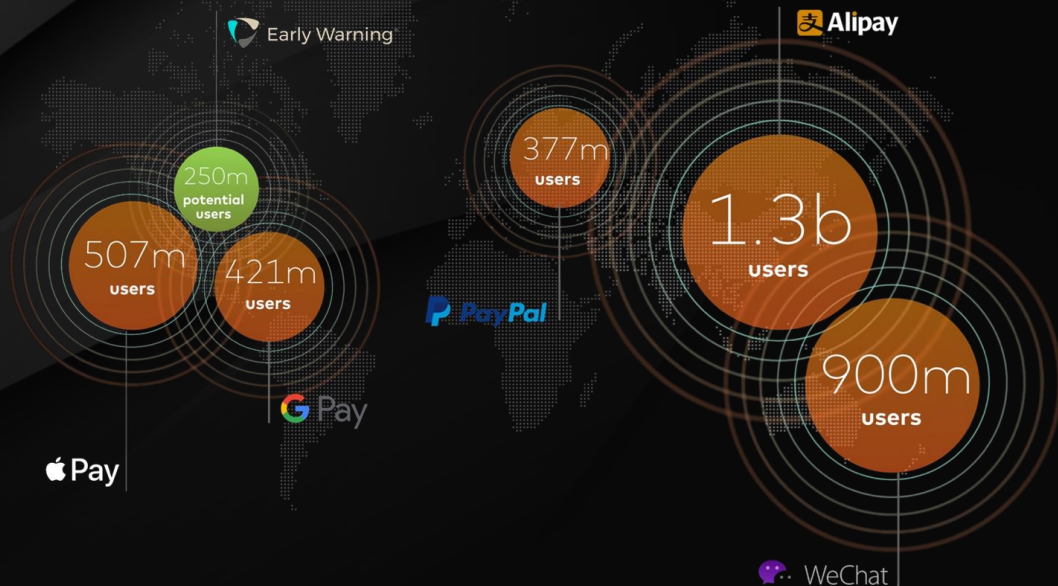
Artificial intelligence, smart contracts, APIs and other solutions will converge to automate complex, conditional commercial payments. New ways to program large enterprise payment flows will inject greater efficiencies into our economy.

J.P. Morgan and **Siemens AG** have tested programmable payments. Following pre-programmed rules, payments are made when certain conditions are met, removing the need for human intervention. The objective is to allow faster transactions and resolve a common liquidity problem – the need to assign excess liquidity buffers during downtime, such as weekends, bank holidays and overnight.

Singapore bank **DBS** announced a partnership in October 2022 to run a pilot in which purpose-bound money-based vouchers are issued using tokenized SGD to pay merchants instantly, doing away with back-end reconciliation and increasing productivity and efficiency. The pilot is part of an industry effort led by the **Monetary Authority of Singapore** (MAS) to develop a programmable digital Singapore dollar.

Ubiquitous wallets

Next-gen digital wallets will be vital in managing our identities and assets, including a wide variety of tokenized valuables. They will feature prominently throughout our daily lives, enabling access to services and payments in any environment.



Intelligent experiences

Consumer journeys will be transformed as our physical environments become more connected and intelligent and leverage emerging tech to deliver hyper-personalized and immersive journeys.

Connected finance

Just as omnichannel retail has transformed how we shop, emerging technologies will expand the ways and places we pay — in stores, arenas, train stations, online games, super-apps, smart cities, metaverses, and more.

80%

cross-border payments among consumers are projected to grow 225% from 2020 to reach \$2.9tn by 2027

>100

countries have established open banking through regulation or market activity

~\$116b

open banking is expected to scale at ~25% CAGR over next ~3-5 years to a market size of ~\$116B in 2026



Borderless rails

Payment rails, the connective networks that enable the movement of money, will break through current barriers that limit the exchange of goods, services and data across both geographic borders and digital marketplaces.

\$2.9t

cross-border payments among consumers are projected to grow 225% from 2020 to reach \$2.9tn by 2027

\$40t

B2B cross-border payments is set to exceed \$40t by the end of 2024



Unleashing acceptance

Check-out at the point of sale (POS) is on a transformative path, driven by new technologies and payment options. Merchants will have more flexibility in acceptance, and consumers will benefit from a vastly elevated experience.

\$9.8t

projected value of contactless POS transactions by 2026



long-distance payments: Ultra-wideband (UWB) technology lets consumers make contactless payments from up to 200 meters



the global biometric payments market is projected to grow at a rate of 69% CAGR from 2022 - 2028



64% of shopper prefer to engage in-store via mobile

Sustainable futures

Environmental and social consciousness will shape consumer behaviors and how companies serve those needs through sustainable models.



Inclusive credit

New marketplaces and services will emerge to provide credit to underbanked consumers and SMEs and bolster under-financed communities globally.

The next generation of services providing inclusive credit includes:



Enhanced micro-lending



Buy-now-pay-later solutions for SMBs



AI-driven credit-scoring models

Conscious consumerism

Consumers will increasingly reward companies that tangibly support their social, ethical and environmental objectives.



76%

will abandon companies that they believe mistreat the environment, employees or the community

15%

increase in revenues for companies that implement higher levels of ethnic diversity

Embedded trust

As the incidence and impact of fraud and identity theft increase with more digital interaction points and associated vulnerabilities, trust will become a critical point of differentiation for companies.

\$24b

the expected global cost of cybercrime by 2023, surging from \$8.4b in 2022

of nearly 2,000 consumers surveyed in North America and Europe said they would not do business with a company that experienced a cyberattack in the previous year

59%

consumers believe businesses don't do enough to protect customers' personal information

7/10

Thank you!

www.nexo-standards.org

