

2019 Payments in Review

Talk About Payments Webinar

December 19, 2019

Retail Payments Risk Forum

Federal Reserve Bank of Atlanta



The views expressed in this presentation are those of the presenters and do not necessarily reflect the views of the Federal Reserve Bank of Atlanta or the Federal Reserve System.

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➤ Webinar Link:

<https://www.webcaster4.com/Webcast/Page/577/32332>

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WEBINAR PARTICIPANTS



Jessica
Washington



Doug
King



Dave
Lott

FORUM'S MISSION

Detect and identify; assist and encourage...

➤ **Identify: What?**

– Risk - in existing and emerging retail payments.

➤ **Help how? Contribute to mitigating payment risks by:**

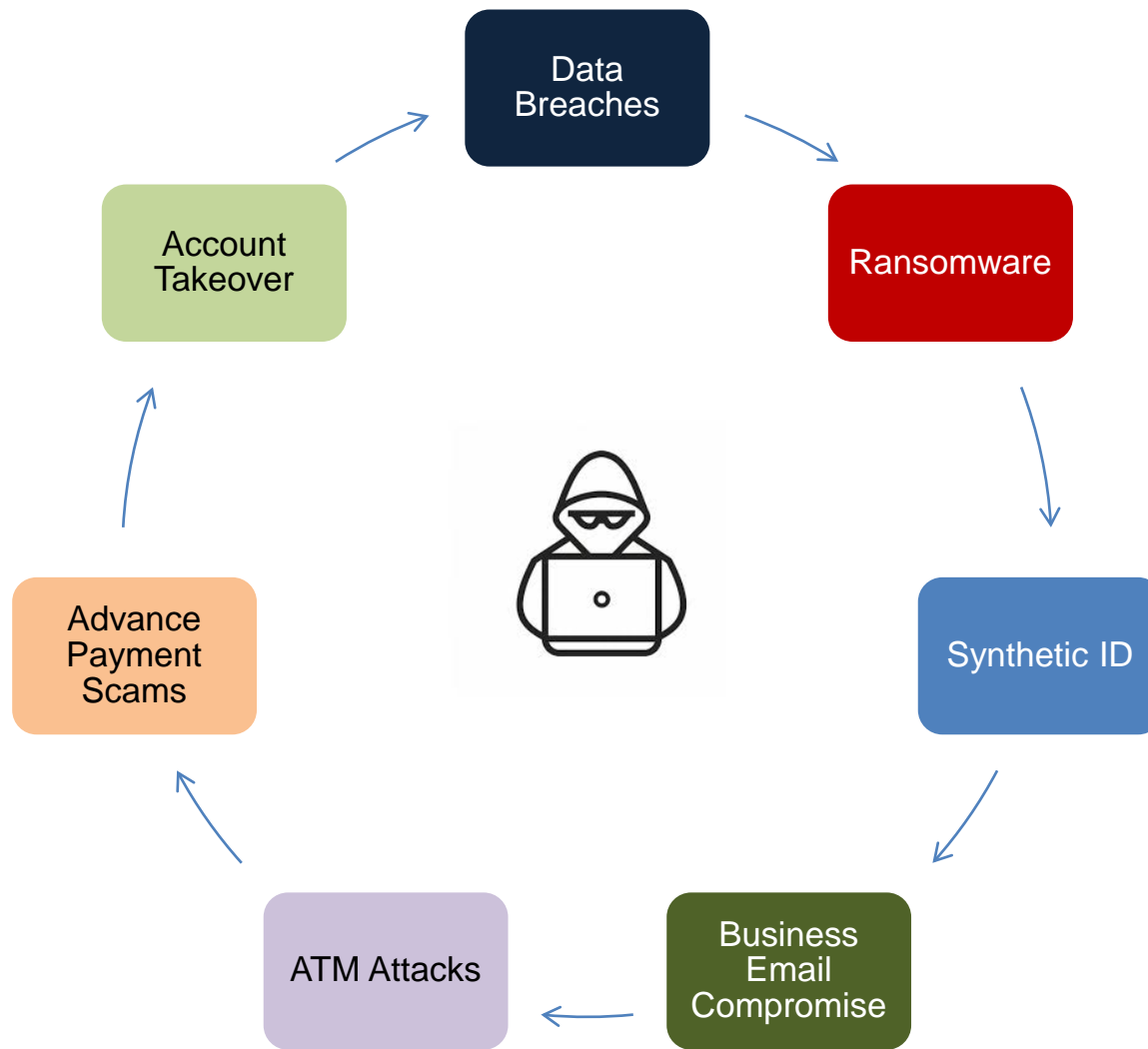
- Researching products, services, and systems;
- Collaborating with industry
- Convening

➤ **Take On Payments weekly blog**

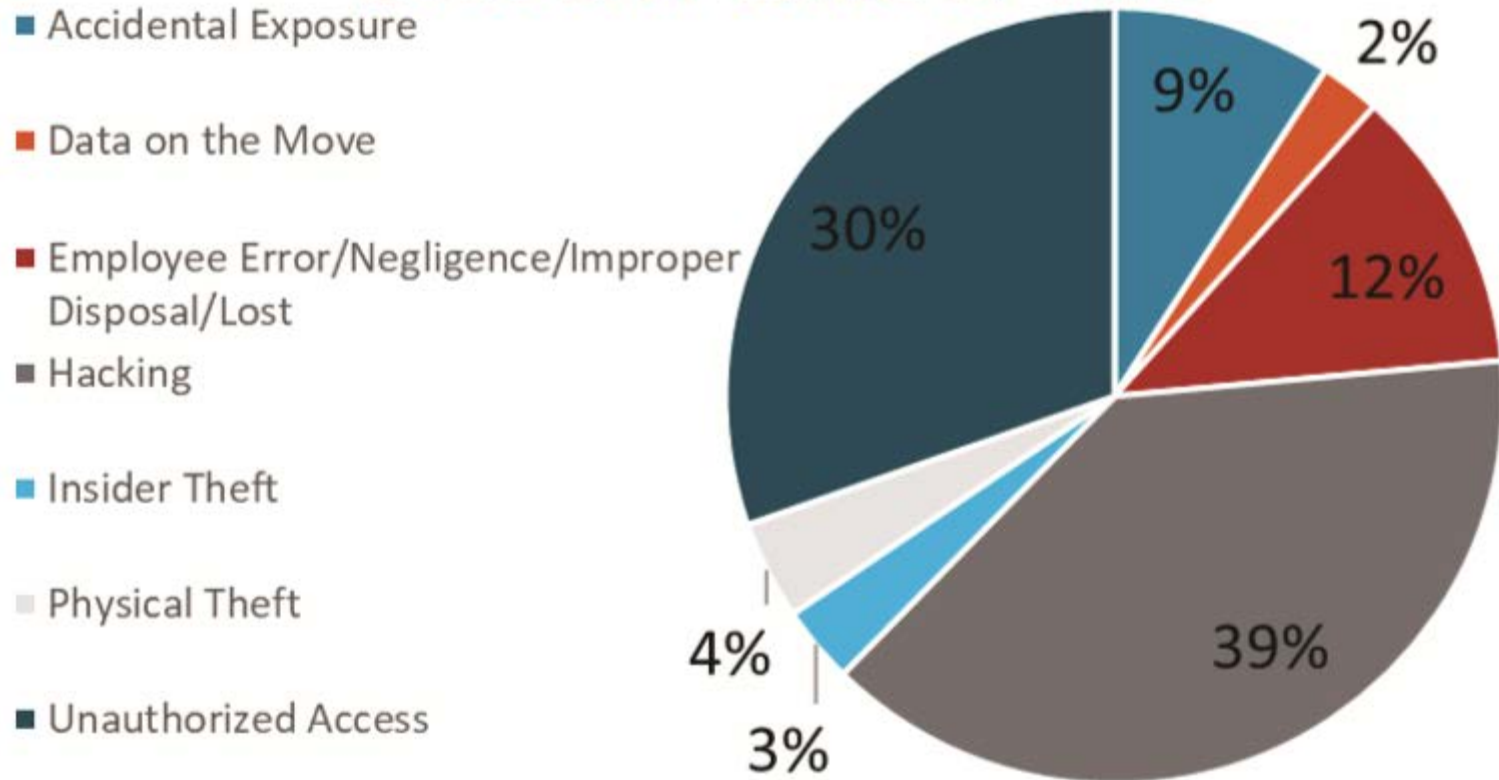
■ <http://takeonpayments.frbatlanta.org>



FRAUD – ARE THE CRIMINALS WINNING?



2018 BREACHES BY TYPE



2018 End of Year Data Breach Report

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SYNTHETIC IDENTITY FRAUD INDUSTRY ESTIMATES

Synthetic identity fraud is the
**fastest-growing type
of financial crime**
in the United States.¹



85%-95%

of applicants
identified as potential
synthetic identities are
**not flagged by
traditional fraud
models.**²



Between 2017 and 2018,
**the volume of PII
data exposed in data breaches**

increased by 126%

**with more than
446 million
records exposed.**³



**1 MILLION
CHILDREN**

were victims of identity fraud in 2017.⁴



20%

of **credit losses** were attributed to
synthetic identity fraud in 2016.⁵

Synthetic identity fraud
cost U.S. lenders

\$6 BILLION

in 2016.⁵



\$15,000

average charge-off balance
per instance of synthetic
identity fraud in 2016.⁵



NEW FRAUD FIGHTING TOOLS EMERGING

EMV 3-D SECURE

Biometrics

Tokenization

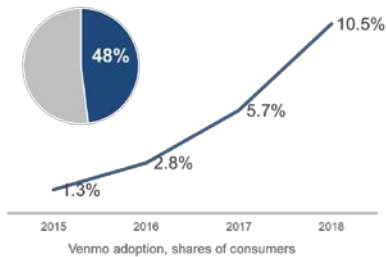
SECURE REMOTE
COMMERCE

CH-CH-CH-CHANGES IN RETAIL PAYMENTS AND SHOPPING

Is consumer behavior changing?

Adoption of 21st c. methods

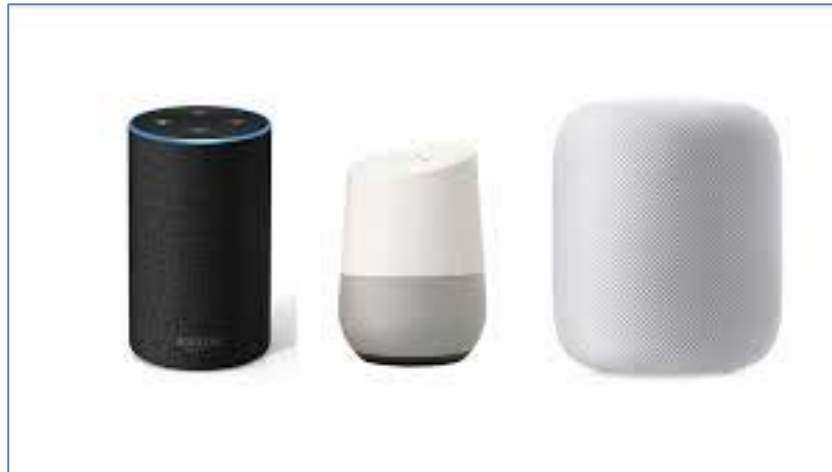
Consumers with a nonbank payment account 2018



Consumer behavior in 2018

- **56%** of consumers adopted mobile banking
- **35%** of consumers paid using a mobile device—compared to **25%** in 2015
- **8%** of consumer did not make a payment with cash in the 12 months ended in October 2018—even once

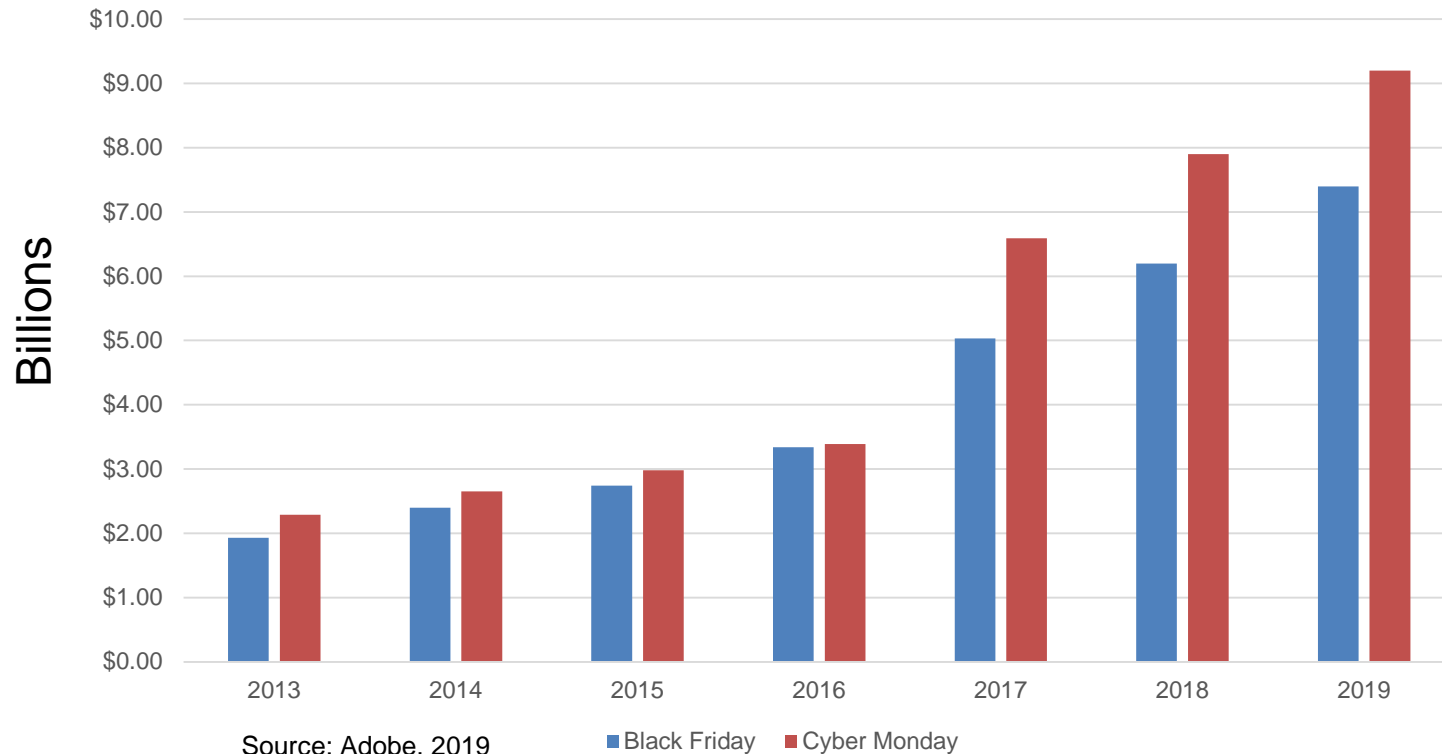
Source: Survey of Consumer Payment Choice.



RETAIL SALES GOING MOBILE

- Mobile retail sales continue to grow

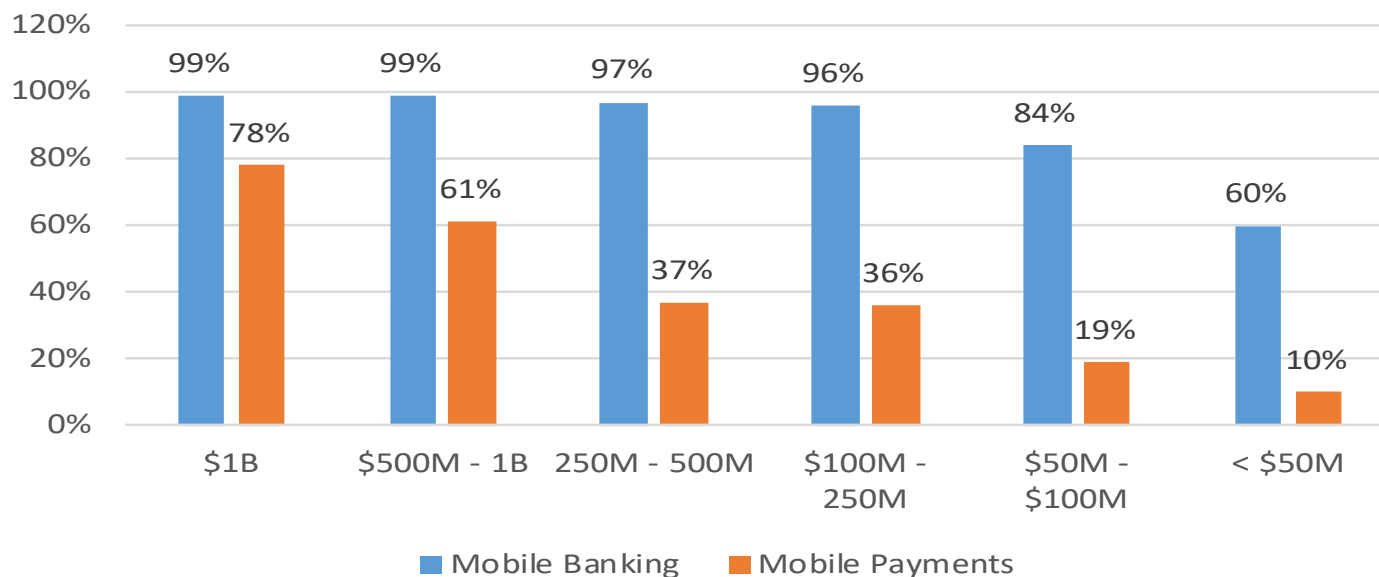
Online Retail Sales – U.S. (2013 – 2019)



MOBILE BANKING/PAYMENTS STUDY

- Eight FRS districts participated
- <https://www.bostonfed.org/publications-and-data.aspx#/>

Mobile Services Offered by Asset Size

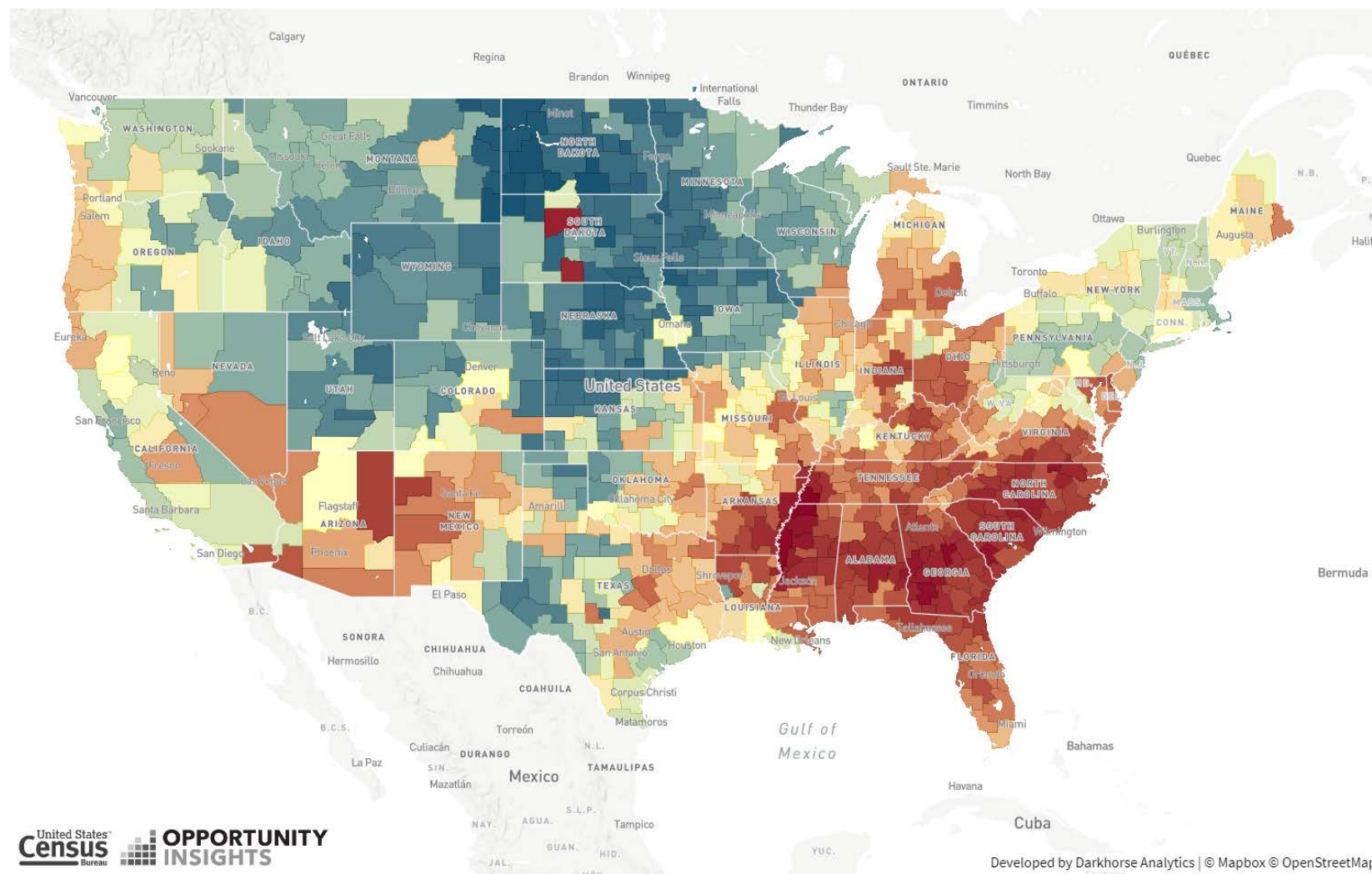


Faster Payments



- FedNow
- Same-Day ACH
 - RTP
- Card Networks
- U.S. Faster Payments Council
 - P2Ps
- Gig economy

Household income for adult children of low-income parents

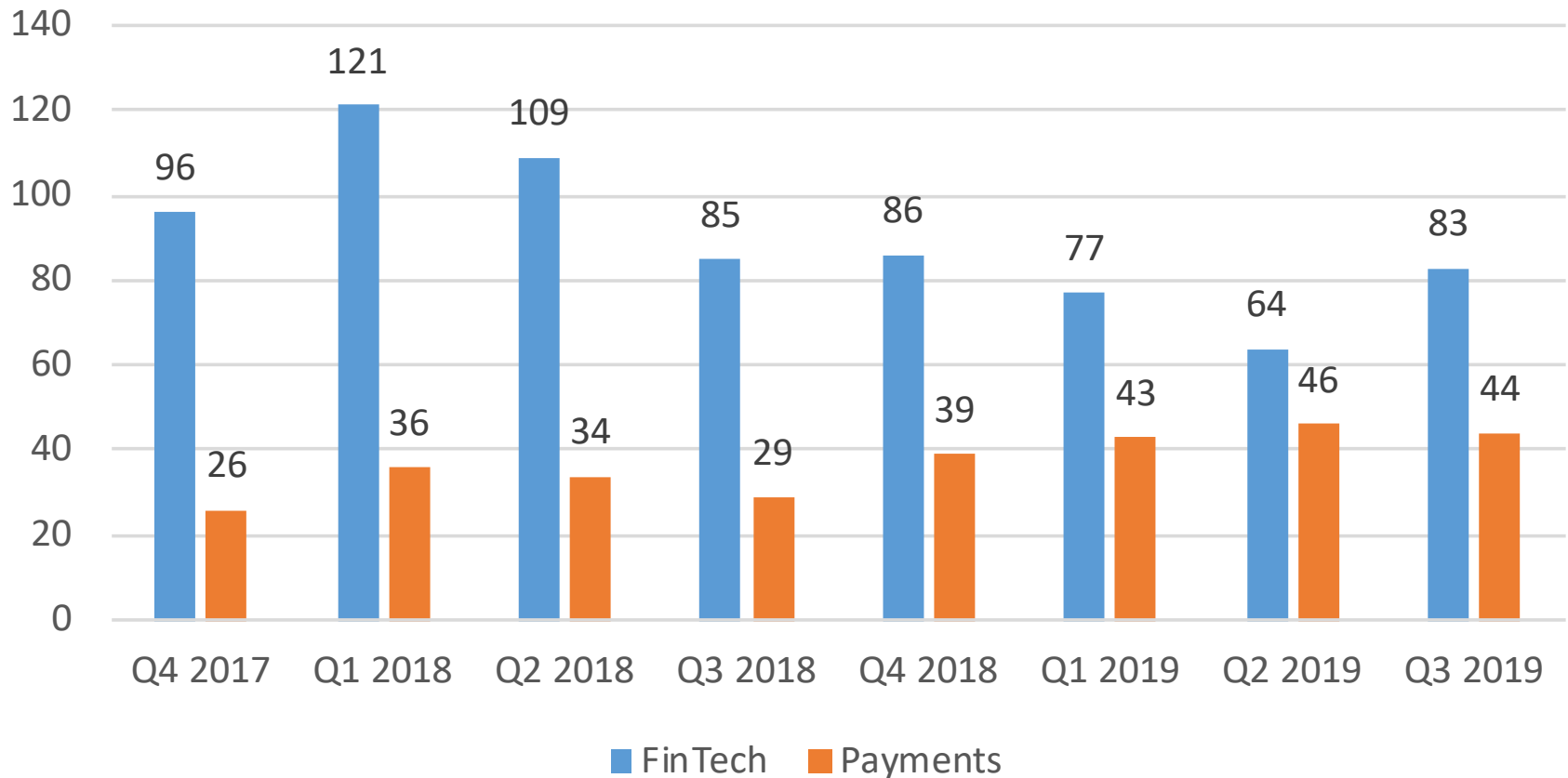


PAYMENTS M&A DEALS DOMINATE FINTECH M&A



M&A ACTIVITY 2017 - 2019

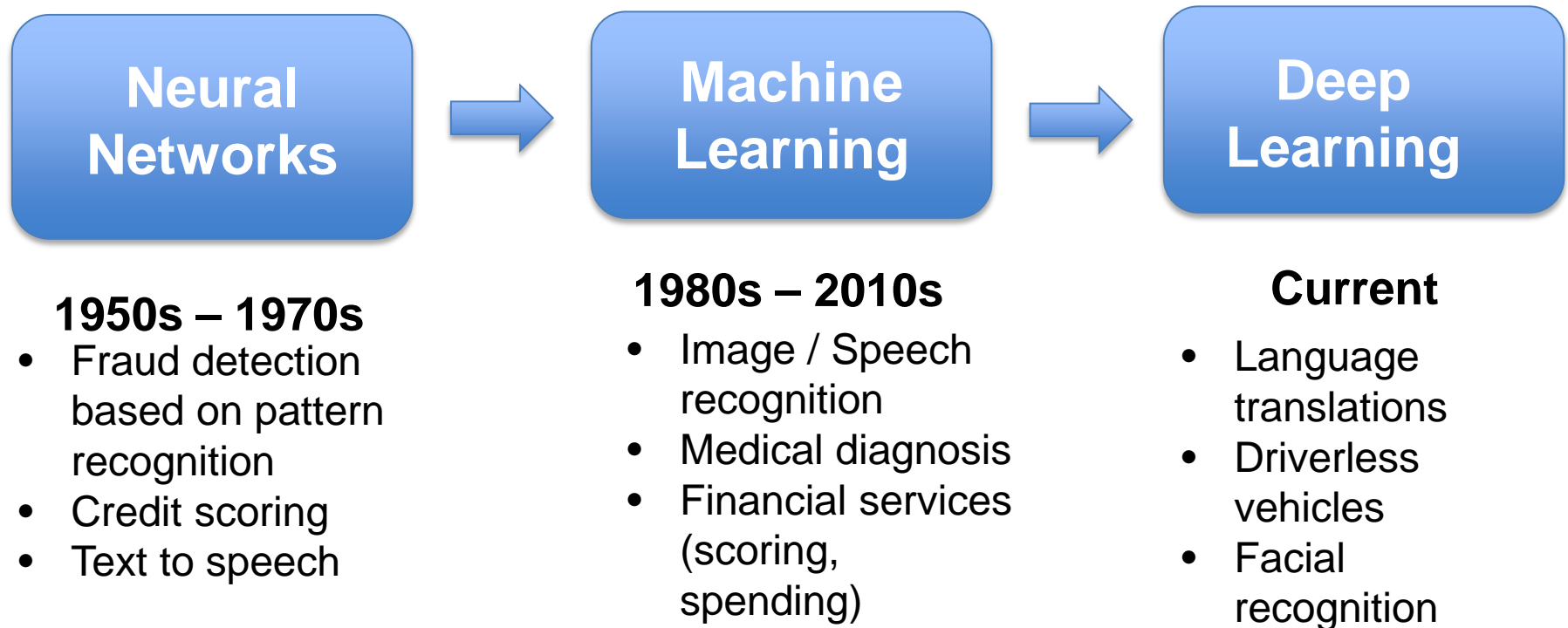
M&A Activity



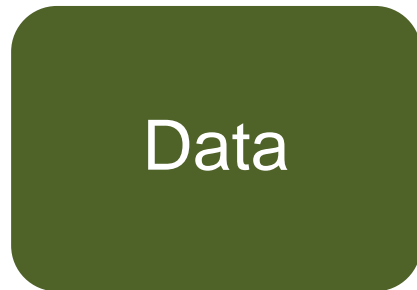
Source: Capital IQ, Pitchbook, Capstone Headwaters Research

THE EVOLUTION TOWARDS AI

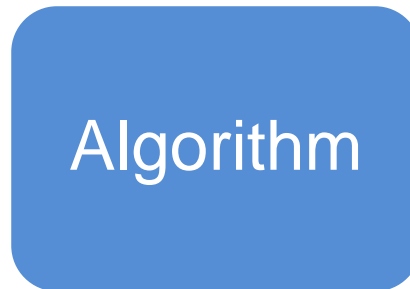
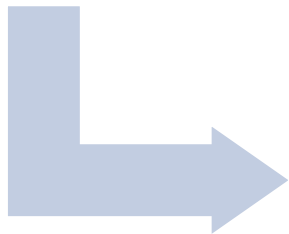
- The most hyped marketing term used in the technology section



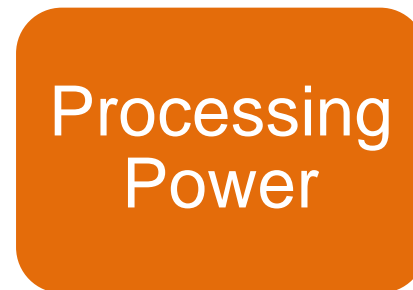
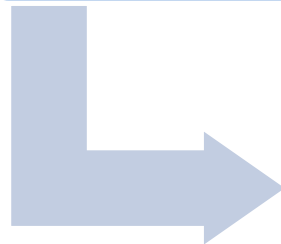
AI COMPONENTS AND RISKS



- Data Breach / Exfiltration
- Inaccurate
- Improper Usage
- Storage



- Bias
- Illegal / Unethical Purpose
- Compliance Validation



- Business Continuity

FAANGS BITE INTO PAYMENTS & BANKING



MORE THAN BITING, PERHAPS?



Source: CB Insights

WASHINGTON & THE COURTS TAKE NOTICE OF PAYMENT-RELATED ISSUES



AB American Banker

Visa, Mastercard draw FTC inquiry over debit card transactions

Visa and Mastercard are once again in the crosshairs of U.S. antitrust regulators over policies that can prohibit merchants from routing card ...

3 weeks ago

S Slate Magazine

Congress Is Finally Tackling Privacy! Now Let's Do Cybersecurity.

Congress is focused on passing a national privacy law, allowing individuals to access, correct, and request deletion of their personal ...

1 day ago

LEX Lexology

The OCC Fintech Charter Is Down, but Maybe Not Out

The Office of the Comptroller of the Currency (OCC) recently faced another setback in its attempt to issue a special purpose national bank ...

1 month ago

PRIVACY & DATA RIGHTS GAINING ATTENTION

- Patchwork of federal and state laws, often sector-specific that regulate the collection and use of personal information
- Proposals from Obama and Trump White House have gained little traction from Congress

GDPR

CCPA

RESOURCES

[Federal Reserve Triennial Payments Survey](#)

[Diary of Consumer Payment Choice](#)

[2019 Mobile Banking / Payments Survey](#)

[Retail Payments Risk Forum](#)

THANK YOU

[Doug King](#)

[Dave Lott](#)

[Jessica Washington](#)

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