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Global Digital Payment Transactions Set to Reach 10 Percent Growth for First Time Finds World Payments Report 2016

Demand for digital solutions and FinTech disruption fuel need to increasingly digitize transaction banking products and services beyond payments

Paris, September 22, 2016 – Global digital payment volumes continue to increase, with annual growth projected to top 10 percent for the first time to reach 426.3 billion transactions in 2015, up from the record-setting 8.9 percent growth in 2014 (387.3 billion transactions). This is according to the World Payments Report 2016 (WPR) released today by [Capgemini](#), a global leader in consulting, technology, and outsourcing, and BNP Paribas, a global banking player and recognized leader in transaction banking and cash management.

The growth in digital payment transactions is largely being driven by strong economic growth in key developing countries, improved security measures such as EMV¹ and biometrics, and government initiatives designed to encourage electronic payments in developing markets, as the cost of cash continues to rise. However, this growth comes as banks face increasing demand for seamless, secure digital transaction services, particularly from corporate customers, spurring transaction banks to accelerate investment and collaboration amongst banks and/or with FinTechs (financial technology firms) to reduce time to market in delivering differentiating digital transaction experiences.

Developing markets grew at the fastest rate but mature markets still account for majority share

Growth in digital payments occurred across all regions, with developing markets experiencing the highest rates — 16.7 percent — and mature markets growing at 6.0 percent, although mature markets still account for 70.9% of total global volumes. For the first time, China surpassed the U.K. and South Korea in digital transaction volumes, taking fourth position among the top ten markets globally, behind the U.S., Eurozone and Brazil. This continued growth in digital payments globally presents

¹ EMV is a technical standard for smart payment cards and for payment terminals and automated teller machines that accept smart cards. The acronym, EMV, refers to the first three companies (Europay, MasterCard, and Visa) who formed a consortium to develop this standard.

opportunities for banks to provide such services to customers while corporates also benefit from a more efficient financial supply chain. Cards remain the fastest growing digital payments instrument since 2010, while check usage continues to decline. Immediate payments have the potential to drive growth in digital transactions as an alternative to cash and checks, but efforts are needed to educate stakeholders, provide more value-added services, and upgrade infrastructure at merchants and corporates.

Banks need to ‘think digital’ in order to retain and capture transaction banking market share

The core theme for WPR 2016 is the challenges and opportunities that exist in transaction banking. *“While treasurers’ fundamental expectations have not changed over recent years - control, visibility on cash, risk management - corporates increasingly expect banks to digitalize support processes such as account management, data analytics, compliance tracking, and fraud detection and prevention”,* said Jean-Francois Denis, Deputy Global Head of Cash Management, BNP Paribas. *“This calls for banks to accelerate their shift towards digitization and foster a more collaborative approach.”*

Adding to this context is the fact that transaction banking revenue is under pressure from a multitude of internal and external challenges such as lower fee income, lower interest income, pressure on foreign exchange service fees and the emergence of FinTechs. FinTechs are known for providing enhanced customer experiences through advanced technology to shape and drive customer expectations.

“FinTechs as well as the creation of Innovation Labs in banking are establishing new precedents for developing superior customer journeys,” said Anirban Bose, Head of Banking and Capital Markets, Capgemini. *“The key now is in the mix of the partnerships and collaboration that can be done to drive out the most innovative digital services possible at the right ‘moments of truth’ along the customer journey.”*

A number of banks already have started to adopt a ‘digital-first’ mindset. According to the WPR, 79 percent of bank executives now view FinTechs as partners. Banks could have additional opportunities to further drive innovation in transaction banking by opening up their internal systems through open application programming interfaces (APIs) and leveraging the requirements of the Payment Services Directive II (PSD II)².

Regulatory environment continues to put pressure on banks

Multiple existing and new regulatory initiatives have added complexity for some banks when complying with the regulatory landscape. The report finds two key themes emerging in regulatory compliance around payments: the increased use of technology and a facilitation approach being adopted by some regulators to enable businesses to accelerate their time to innovate within a ‘safe’

² PSD II is a revision of the payment service directive adopted by the European Parliament with an aim to protect consumers by making online payments safer and also to improve levelling the playing field for payment service providers.

environment, such as the U.K. Financial Conduct Authority's Project Innovate, which introduced the concept of a Regulatory Sandbox and the Singularity Innovation Hub in the Netherlands.

Capgemini, in a new collaboration with BNPP brings the **World Payments Report 2016** (WPR) to banks and corporate customers. The WPR is the leading source for data, trends and insights on global and regional non-cash payments, and the key regulatory and industry initiatives (KRIs) that govern them. The report explores how digital innovation is infusing the corporate world and its implication for banks and corporates.

For more information, explore the interactive report website at www.worldpaymentsreport.com.

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BNP Paribas has a presence in 75 countries with more than 185,000 employees, including 145,000 in Europe. It ranks highly in its two core activities: Retail Banking & Services (comprised of Domestic Markets and International Financial Services) and Corporate & Institutional Banking. In Europe, the Group has four domestic markets (Belgium, France, Italy and Luxembourg) and BNP Paribas Personal Finance is the leader in consumer lending. BNP Paribas is rolling out its integrated retail banking model across Mediterranean basin countries, in Turkey, in Eastern Europe and a large network in the western part of the United States. In its Corporate & Institutional Banking and International Financial Services activities, BNP Paribas also enjoys top positions in Europe, a strong presence in the Americas and solid and fast-growing businesses in Asia-Pacific.

About BNP Paribas Cash Management

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