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**EMERGING MARKETS AND THE ASIA-PACIFIC REGION FUEL
CONTINUED GROWTH IN GLOBAL PAYMENTS VOLUMES**

*World Payments Report 2011 shows key regulatory and industry initiatives
are driving significant change across the global payments landscape*

Paris, September 14, 2011 – Growth in global payments volumes during 2009 and 2010 is proving the continued resiliency of payments to the effects of the global financial crisis. This growth was sustained by strong performance of the emerging and more mature markets in the Asia-Pacific region¹ according to findings from the World Payments Report 2011, released today by Capgemini, The Royal Bank of Scotland (RBS) and Efma. Overall non-cash payments volumes grew by five percent in 2009 to 260 billion, continuing the growth trend from 2008 of nine percent, albeit at a slower pace. The growth rate was lowest but still positive in North America and Europe (less than two and five percent respectively), compared to over 10 percent in emerging markets and the Asia-Pacific region.

The World Payments Report 2011 examines the latest developments in the global payments landscape, including trends in payments volumes and instrument usage (such as cards and cheques), key payments-related regulatory initiatives and the strategic considerations and options for banks as a result.

Globally, cards remain the preferred non-cash payment instrument, with global transaction volumes up almost 10 percent and a market share of more than 40 percent in most markets. However, mobile payments are growing even faster than predicted in our last report reflecting strong user adoption.

¹ Mature Asia-Pacific comprises Australia, Japan, Singapore and South Korea

Mobile payments will represent 15 percent of all cards transactions by 2013, and will overcome cards volumes within 10 years if growth continues at the same rate. The report found the use of e-payments and m-payments is expanding, accounting for an estimated 22.5 billion transactions worldwide in 2010. E-payments are expected to grow globally from 17.9 to 30.3 billion transactions between 2010 and 2013 according to the report, and m-payments from 4.6 to 15.3 billion transactions over the same period. At present, the proportion of these transactions handled outside bank payments systems remains relatively small, but is growing rapidly. The use of cheques continues to lessen, accounting for just 16 percent of all non-cash global transactions in 2009, down from 22 percent in 2005, and remains in demand in key markets.

“Payments volumes showed resilience during the global financial crisis with volumes growing in all regions,” said Scott Barton, CEO, Global Transaction Services, RBS. *“Banks face challenges from the rapidly changing payments landscape, including the need to respond to new regulatory initiatives, and we can expect to see changes to business strategies and models as a result. However, these changes will also present new opportunities.”*

Key regulatory and industry initiatives are combining to gradually transform complexities in the payments landscape

Through analysis of a wide range of global and regional regulatory and industry initiatives, ranging from Basel III to the Digital Agenda for Europe, from the Dodd-Frank Act to the work of the National Payments Corporation of India, the report identifies five key industry transformation trends which together are reshaping, or soon will, aspects of the payments market and the positioning of the players who operate within it:

- **Systemic-risk reduction and control:** In the wake of the financial crisis, regulators are seeking to reduce systemic risk by asking for stricter requirements on capital and liquidity
- **Standardisation initiatives aimed at improving efficiency, streamlining processes and reducing costs continue:** Some payments instruments and aspects of the value chain are commoditised in the process, making it more difficult for banks to differentiate themselves
- **A drive for higher levels of transparency:** Several initiatives are concentrating on making service fees to clients more transparent, with potential implications for current business models, such as cards
- **Convergence:** Developments in technology and evolving user and regulatory requirements are contributing to a gradual blurring of the lines between traditional payments activities supplied by

infrastructure providers, potentially increasing competition between Real-Time Gross Settlement (RTGS)² and Automated Clearing Houses (ACHs)³ for certain types of low-value payments

- **Innovation:** This remains a critical success factor within the payments industry, allowing players to harness emerging technologies and trends, such as mobile devices and contactless payments, to deliver state-of-the-art solutions to meet evolving user needs

“Regulatory pressure has increased since the economic crisis and, together with the drive toward standardization and commoditization, is fuelling a fundamental transformation in the payments landscape,” said Jean Lassignardie, Global Head of Sales and Marketing, Capgemini Financial Services. *“Banks and financial institutions faced with this combination of challenges may wish to look at the examples of the energy and telecoms industries which have responded to similar external pressures by enhancing the level of specialization amongst key players to differentiate their propositions.”*

Evolving standardisation in the payments landscape: Deriving value from payments

As the trend towards further standardisation in the payments market continues, it is driving increased commoditisation of many aspects of the value chain. Banks and other Payment Services Providers (PSPs) face a heightened challenge to distinguish their propositions and may increasingly need to specialize to demonstrate their ongoing value to their customers. Innovation in this area remains vital for banks/PSPs, allowing them to differentiate their propositions and prove their value.

In the mid- to long-term, the traditional fully-integrated payments model (from supply to delivery) may no longer be optimal for most PSPs. We could see the emergence of two specialist roles: Wholesale Payments Provider (WPP) and Retail Payment Services Provider (RPSP), with very few players in the market able to support the investments needed to play both roles. Evolving into a WPP, RPSP, or both requires important strategic decisions to be made, and will drive banks to understand the role(s) they wish to play in such a future and prepare for this potentially radical shift.

“The evolution of the payments sector is accelerating,” said Patrick Desmarès, Secretary General, Efma. *“As banks and PSPs consider this reality, they will need to find ways to thrive in the payments*

² **Real time gross settlement systems** (RTGS) are funds transfer systems where transfer of money or securities takes place from one bank to another on a "real time" and on "gross" basis. Settlement in "real time" means a payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed.

³ **Automated Clearing House** (ACH) is an electronic network for financial transactions. ACH processes large volumes of credit and debit transactions in batches. ACH credit transfers include direct deposit payroll and vendor payments.



market in the nearer-term while positioning themselves to mitigate the risks and capitalize on the opportunities created by the industry's transformation in the longer-term.”

The report is available for download at www.capgemini.com/wpr11, or to attend a local presentation in your area visit www.wpr11.com for a schedule of local events.

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About RBS

The RBS group is a large international banking and financial services company serving over 27 million clients across the UK, Europe, Middle East, Africa, Americas and Asia. Its Global Transaction Services business ranks among the leading international providers of transaction banking services – delivering domestic and international payments, cash and liquidity management services, trade finance solutions and commercial cards to corporates, financial institutions and public sector organisations around the world.

RBS's solutions range from single onshore clearing accounts, through innovative liquidity and short-term investment solutions to full white-labelling of our cash management and trade finance capabilities. An on-the-ground presence in 37 major trading economies and partner bank agreements worldwide, gives us the global reach and local expertise to help drive your business forward. This extensive footprint simplifies the clearing process across currencies and geographies, and enables you to leverage our proven trade solutions to manage your trade flow products and trade finance transactions. Access to specialist advisory teams, an award-winning product set and integrated end-to-end solutions gives you the tools you need to enhance your capabilities.

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The European Financial Marketing Association is a non-profit making association, formed in 1971 by bankers and insurers. Today, its members include over 80% of Europe's largest retail financial institutions. Efma provides a professional forum that enables members to share experiences; promote best practices; and collaborate through alliances and partnerships. This is complemented by regular events, councils, detailed studies, a journal and a comprehensive website, packed with information and news.

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