

# The Future of Digital Payments

## Private Roundtable at the Wharton Future of Finance Forum

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### Moderator:

- David Musto, Ronald O. Perelman Professor in Finance, Faculty Director, Stevens Center for Innovation in Finance at the Wharton School of the University of Pennsylvania

### Speakers:

- Matt Dill, Global Head of Strategic Partnerships & Venture at Visa
- Robert M. Hunt, Senior Vice President, and Associate Director of the Consumer Finance Institute of the Federal Reserve Bank of Philadelphia
- Melissa Netram, Head of Bitcoin and Crypto Policy at Block Inc.
- David Josephs, Senior Vice President, Card Processing Product and Solutions at FIS
- Dave Fortney, Executive Vice President, Product Development and Management for The Clearing House

### Global Adoption of Financial Technologies:

- Digital currencies are reshaping cross-border payment processing, offering advantages such as lower transaction fees and elimination of intermediaries. Despite such advancements, the global landscape regarding the adoption of digital transactions is markedly varied. In

regions where traditional banking systems are distrusted or inaccessible, such as third-world or war-torn countries, the need for alternative payment methods drives wider adoption in contrast to countries with reliable central currencies. The transition from traditional, slower banking methods to faster, digital transactions underscores a major shift, emphasizing the importance and complexity of global networks in the evolving financial landscape.

### **Adaptability and Evolution in Financial Technologies:**

- Technological advancements in the financial sector are highly dynamic, with constantly evolving models and systems that necessitate continuous adaptation. As they navigate the integration of new technologies, differing institutions, such as a community bank in comparison to a multinational bank, must uniquely adapt their customer service and value propositions depending on their specific challenges and opportunities.

### **Consumer-Centric Approach in Finance:**

- Understanding and addressing consumer needs along with their existing experiences and interactions is critical when introducing new financial technologies. As advancements proliferate, educating and guiding consumers becomes crucial to ensure they are fully aware of both the opportunities and the risks associated with these new technologies. To predict trends in adoption, it is important to evaluate not only the technology itself, but also how it fits into the larger context of market acceptance and usability.

### **Last Mile Problem in Digital Transactions:**

- A significant challenge is the accessibility of digital payments for end-users, particularly concerning the conversion of digital currencies back into fiat money. The complexity and expenses involved in the exchange process can render digital payments less attractive despite their initial inherent advantages regarding cost and convenience.

## **Role of Central and Private Sectors:**

- The Federal Reserve and other central institutions are pivotal in developing robust financial systems, but their mandate does not extend directly to consumers or merchants, a domain left to the private sector. The role of the private sector, hence, is crucial in extending the benefits systems to the endpoints — consumers and businesses. Private sector innovation is crucial for wider adoption and is supported, albeit indirectly, by public sector infrastructure and regulation.

## **The Expanding Universe of Payment Methods:**

- There has been a notable increase in the variety of payment methods, ranging from traditional banking processes to instant real-time payment networks and digital currencies like stablecoins and central bank digital currencies. This expansion has a direct impact on consumer behavior, influencing their choices in transactions and investments, and shaping the overall experience of financial interactions.

## **Consumer Data Privacy and Security in Financial Transactions:**

- The evolving role of consumer permission data underscores the growing concern for data privacy and security in financial transactions. Initiatives towards more secure methods of sharing consumer data like tokenization indicate progress in protecting consumer data. The intersection of consumer data with payment processing brings forth a dual focus – not only on executing transactions but also on securely managing the data associated with these transactions.

## **Regulatory and Trust Challenges:**

- With the rise of multinational payment methods and decentralized financial models, there are increasing regulatory challenges and potential conflicts in enforcement across various jurisdictions. Central to the adoption of diverse payment methods is the need to build trust, manage fraud, and ensure secure transactions, which are fundamental issues in the changing

face of finance. Building consumer trust in these systems is vital and may be bolstered by straightforward, user-friendly interfaces, stable pricing, and transparent transaction processes.