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Digital payments, done right

Portability: Abstracting away bank accounts and cards

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Overview

- **Phone number portability** allows you to bring your phone number with you when you change providers (remember when it didn't?)



- What if **account number portability** existed with your bank account number?



- What if **card number portability** existed with your credit and debit card numbers?



- Two recent developments bring us a step closer to these kinds of portability.
- Further down the road this could lead to an **abstracting away** of bank accounts and cards.

Imagining Portability

Remember back when you changed phone providers, and you couldn't bring your old number to the new carrier?

That was before **phone number portability** came in (allowing you to bring your phone number with you), much reducing the barrier to shopping around for better prices and services from other providers.

➤ Imagine if **account number portability** existed with your bank account number:

- You could change banks without needing to worry about missing payroll deposits, tax refunds going astray, direct debit bill payments messing up, or outgoing payments failing.
- You could shop around for the best and/or cheapest account services without the multiple weeks' worth of headaches administering the change-over (and the cost of likely needing to maintain accounts at both old and new institutions until "sure" nothing will hit the old one).



➤ Imagine if **card number portability** existed with your credit and debit card numbers:

- Similarly, you could shop around much more easily for other card products.
- You wouldn't get hit with "declined" for card-on-file transactions every time you are issued a card with a new expiry date or get a replacement card after losing your old one (or its number is compromised by fraudsters).
 - Granted "security features" like the expiry date would have to be replaced in terms of fraud protection, perhaps by creating "aliases": unique numbers for each specific payee –so that if your "card" were compromised at one payee, only that particular alias would need to be disabled (and not your entire "card").
- You might even be able to control which "card" a purchase should go on *after* making a purchase, to take best advantage of rewards points or interest rates.



Both portability concepts would further the ongoing trend of abstracting away the physical (the bricks & mortar bank building or ATM, and plastic card) and replacing with the virtual/digital – but taking it one step further, **to where you barely need to remember which bank your account is at, or which issuer your cards are from** (similarly to how you almost forget there is a physical bank branch to visit because you never do).

"Abstracting away" goes a step further than the disintermediation phenomenon (where an intermediary pushes its interface between a bank and its customers) – since adding an **"abstraction layer"** can lead to a customer barely needing to remember which particular bank their products are from.

Open Banking's Role (or Not)

While “Open Banking” in its various manifestations and stages of implementation around the world promises to let consumers safely share their banking data with other apps and service providers (and in some cases initiate or request payments), this is not the same thing as Account Number Portability (ANP):

- Under Open Banking you still ultimately need to remember and care (more than you might want to) which bank your accounts are at;
- While intended to make it easier to access and safely use your own data from your bank on other apps, Open Banking doesn't appear to make it much easier to change banks (or cards) outright:
 - **Data Sharing:** While it's true that being able to retain and view an old, closed account's transaction history via Open Banking using a third-party app reduces friction from switching banks, it's the risk of future transactions failing that is the biggest barrier to changing institutions. So this doesn't do much for portability.
 - **Payment Initiation:** In those Open Banking regimes that provide for Payment Initiation, a consumer could conceivably have less work to do upon switching institutions – only needing to update their “real” account info in the third-party payment app. But this still doesn't nicely account for direct deposits and payments pre-arranged by other means at the user's institution, and so also doesn't contribute to portability.



ANP *would* be hard to introduce from the ground up (imagine the effort to get banks to coordinate the detaching of account numbers from the institutions at which the accounts reside), but building an “abstraction layer” up front could achieve the same thing:

- One or more financial industry players would provide customers with standard-looking “account numbers” and/or “card numbers”;
- Behind the scenes these players would route transactions to the institutions or card issuers that maintain customers' actual accounts.

As long as a customer only needs to know about the account numbers from the “abstraction layer,” the customer provides those numbers (or aliases as tracked and maintained in an app) to bill payees, employers for payroll, the tax office, and so on – leaving the customer free to shop around and switch “real” account providers pain-free.

Getting to Portability

Two recent developments bring us a step closer to this world of portability and abstracting away bank accounts and cards.

➤ Google Digital Banking

- Google has arranged with multiple U.S. banks that Google Pay will enable consumers to use their accounts at those banks.
- Google will provide the front-end, leaving the accounts hosted at the banks themselves.
- While initially this is a co-branded exercise, one can imagine the banks fading further and further into the background (“disintermediated” by Google Pay),
- ...or that Google Pay might eventually make it easy to shop around among the participating banks.
- While smaller banks or credit unions are probably eager to expand their utility through Google Pay, Google’s larger bank participants must be gritting their teeth – getting on board now for fear of missing out and being left behind, but worried about where the ride will end up.

➤ Curve’s “one card to rule them all” model

- UK Fintech Curve’s card sits in front of other credit and debit cards the consumer has; these other cards are connected to Curve, enabling the customer to carry a single card (and remember a single PIN): the Curve card. (The customer can also choose to go entirely mobile.)
- After using the Curve card, a customer can later move the initial transaction to a different one of the “real” credit or debit cards, for example to take advantage of loyalty point offers or interest rates.
- Curve has partnered with Samsung and MasterCard; when in the Samsung Pay mobile wallet, the “Samsung Pay Card powered by Curve & MasterCard” is an entirely virtual card (no plastic) which similarly sits in front of other credit and/or debit cards. The Samsung Pay Card comes with its own rewards, on top of those of the “real” cards behind it.
- Curve has enabled its card on Google Pay in Europe, further extending the reach of its “one card to rule them all” model.



Increased Portability: How Can Banks Respond?

Clearly portability presents a threat to incumbents, and an opportunity to challengers. A key limiting factor on the level of competition among banks is the natural reluctance of customers to change banks – because it is such a hassle to change. Reduce “customer capture,” increase consumer ease of switching between banks, and banks will be forced to compete harder to gain and retain customers.

Incumbent banks can respond in a few ways:

- **Stay the course and resist**, in effect the default do-nothing approach – even if continuing to build out bank account and card offerings and their digital interfaces. Time will tell if this is a winnable battle; recall the struggle for control of the mobile wallet was all but lost by the banks, with the handset makers now firmly in charge (Apple, Google, Samsung) for a variety of reasons:
 - Handset makers controlled the device experience;
 - Customers were already comfortable using different apps for different purposes: needing to use a specific bank’s app while making a purchase in a retail store was not a natural experience when customers were used to choosing from among multiple banks’ cards, all within the customers’ own wallets;
 - Customers already had high trust in their smartphones and by extension their makers – trust being a key differentiator normally claimed by banks;
 - Apple’s clever restriction of access to iPhones’ NFC capability (Near Field Communication, necessary for contactless “tap” payments) hamstrung banks’ ability to offer their own mobile wallets on Apple’s popular devices – another advantage of controlling the device experience.
- **Collectively circle the wagons**, for example with [Interac’s 2019 MintCo acquisition](#) which will “enable new online consumer payment methods and give financial institutions the ability to maintain *a direct relationship with cardholders* at every stage of a transaction” and allow Interac’s “partners to build a seamless ‘pay-by-bank’ experience”.
 - Depending on how implemented this could do the trick for e-commerce debit transactions, but not credit transactions;
 - Whether there’s benefit to online merchants will no doubt play a role in determining the adoption rate and success of this initiative. Little information has been publicly disclosed to date on the shape pay-by-bank will take, or what the key differences are between it and Interac’s existing [Interac Online](#) and [Interac Debit for In-App and In-Browser Payments](#) products.
- **Hedge: Enhance the attractiveness of banks’ own offerings vs. other banks.** In effect this prepares for the worst (the case where banks end up with an abstraction layer between themselves and their account- and cardholders), but also brings value in the near-term and long-term even if banks avoid being abstracted.
 - Use customer data to tailor and target bundled package offers, increasing attractiveness rather than relying on customer capture; banks will retain an advantage over the abstractors by having data spanning product lines.
 - Further use customer behaviour data to tie and incent usage and stickiness of that bank’s products (e.g. using an account for payroll deposits for 6 straight months results in an x% rate reduction on a mortgage held at the same institution).

Conclusion

The race is on to be not just “top of wallet,” but “top of mental map” – to provide the account, payment, and purchase method that most naturally fits with how consumers behave and brings them the most perceived benefits when weighed against convenience.

The handset makers’ (Apple, Google, Samsung) wallets do still tend to show an image of a physical card* to remind you who the card is issued by, but besides that the experience is handset-owned.

What we are seeing today may be the next step in that evolution – Google Digital Banking and the Curve one-card model could represent the first signs of an eventual similar capitulation of banks’ ownership of consumers’ relationship and experience with their bank accounts and cards.

Today each bank makes you use its own mobile app or website. Consumers might not be able to stop using these bank apps any time soon for other banking services, but it could be the beginning of the end for bank apps or bank-issued cards being used for digital payments or bank accounts.



*: As virtual, digital-only cards get more common even the word “card” will become an anachronistic relic – think how you “dial” a phone using buttons or a touchscreen, or “hang up” when there’s no longer a hook to hang a receiver on. While issuers may insist on their card art being shown as a condition of use in wallets, they will have less and less leverage over where and how a consumer’s “card” is kept (which is really just an account number, date, CVV code, and various encrypted data – and soon won’t need to come with piece of plastic at all).

Open Banking:

<https://www.canada.ca/en/department-finance/programs/consultations/2019/open-banking.html>

Account Number Portability:

https://www.acm.nl/sites/default/files/old_publication/publicaties/15946_determining-the-benefits-of-account-number-portability.pdf

<https://www.finextra.com/blogposting/16281/understanding-bank-account-number-portability---psd2>

Google Digital Banking:

<https://www.finextra.com/blogposting/16281/understanding-bank-account-number-portability---psd2>

Curve:

<https://www.curve.com/how-it-works/>

Curve enabling Google Pay:

<https://thepaypers.com/mobile-payments/curve-extends-curve-card-to-google-pay-in-14-countries-in-europe--1244576>

Samsung Pay Card powered by Curve:

<https://www.pymnts.com/digital-payments/2020/inside-the-samsung-pay-super-card>

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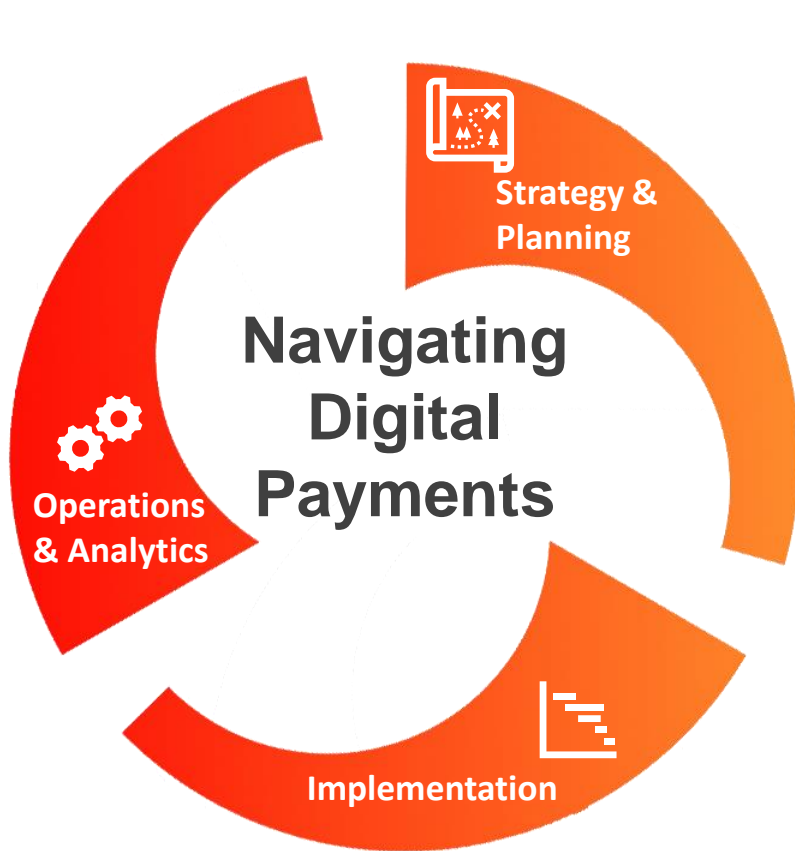
Service Offering

Who We Are

- DxW helps you navigate the evolving digital payments space and deliver the implementation of new payment capabilities, infrastructure, and operations – whether you are a financial institution, a service provider to financial institutions, or a fintech.
- DxW brings you over 30 years of experience in the digital payments space – whether you’re looking to start your organization’s payments arm, or have an established payments team, our group of experienced digital payments experts is here to help you bridge the gap between strategy and execution and successfully deliver business benefits.
- DxW’s founding principals Bryan Dunn, Patrick Winter, and their associates are all about bringing you “***digital payments delivery, done right.***”

Our Offer

DxW offers you a comprehensive suite of services covering your **end-to-end digital payments product implementation cycle**. Our offering is flexible to fit your needs – choose **direct resource augmentation**, or **consultative services**, or a **blend**, and adjust it as required to position your initiative for success.



1

Strategy & Planning

You benefit from our experience in producing robust, achievable strategies and plans, saving you unexpected costs, and minimizing risks.

- Industry Analysis/Insights
- Payments Product(s) Review
- Competitive Landscape Overview
- Strategy Development
- Roadmap Development
- Architectural Infrastructure*
- Solution Design*
- UI and Experience Design*
- Compliance*



2

Implementation

Our core offering. We bring you our expertise at mitigating execution risks and delivering business benefits (years of experience in digital payments helps!)

- Project Management & Acceleration
- Product Management
- Product Launch
- Change Management
- Operations Readiness
- Technology design & build*



3

Operations & Analytics

Payments operational excellence can be challenging to achieve. We can help you make it.

- Process and Procedure Establishment, Optimization
- Reporting and Analytical Insights

* Consultation and oversight (including advice & recommendations on staffing)

Benefits to Your Organization from DxW

Digital Payments Expertise

- DxW can help you navigate the digital payments space so you can accelerate your team's knowledge and achieve initiative success
 - DxW specializes in digital payments project delivery; DxW's principals have successfully launched numerous multi-million-dollar projects for large financial institutions in North America

Experience

- You get the benefit of DxW's 30+ years of combined experience spanning digital payments products including emerging payments, international & domestic payments, and more
 - DxW's expertise will help your project team leap-frog to "performing" (spend far less time storming/forming/norming) = more successful digital payments capability delivery
- You avoid a crucial risk (assembling a core project team from disparate full-time and contractor sources that may or may not work well together)
 - DxW's principals have worked together extensively, with proven records and good team chemistry

Flexibility/Adaptability

- As your needs change, we can adapt with you and provide more/less consultative services, or resource augmentation
 - You can hire DxW for **consultation only**, or **resource augment** your existing teams or **hire our ready-made, core project A-team**
- COVID-19 has forced us all to be flexible. DxW provides you the expertise without adding full-time employees (budget flexibility)
 - DxW is fully experienced with remote work set up and can advise your teams on remote/virtual best practices

Contact Us!

- Accelerate your digital payments initiatives, and capitalize on the evolving digital payments opportunities
- Please contact us: dxw@dxwconsultants.com
 - Our rates for time & materials engagements are negotiated in line with industry segments
 - Fixed-price/fixed-fee, value-pricing, or retainer-based engagements may also be available depending on the nature of the engagement
 - www.dxwconsultants.com