

HT Illustration: Gajanan Nirphale

dorado industries inc.
consulting · executive management · concierge

TRENDWATCH 2.0

Q2 2020

PAYMENTS SYSTEM INDUSTRY

SYNOPSIS

Notice: Materials contained in this document are drawn from several media sources, and Dorado Industries is not responsible for their accuracy. Opinions expressed herein are presented without warranty. Brand names are the trademarks of their respective service offerors.

Contents

Random Thoughts **3**

2020 Predictions **4**

TrendWatch Summary: Industry Focus Areas – Q2 2020 ..... **6**

TrendWatch Summary: The Players – Q2 2020 ..... **7**

2020 Payments Industry YTD Yields **8**

2020 Payments Industry Q2 Yields **9**

Interesting News This Quarter **10**

M&A and Alliance Activity **13**

Curiosities **17**

Useful Links for More Information **19**

Back in the Day! **20**

www.doradoindustries.com
jmacallister@doradoindustries.com
(310) 544-1316

Random Thoughts

The Important Stuff

It is impossible to begin or end a discussion on any subject today and avoid mentioning or dwelling on the COVID-19 pandemic. Last quarter, we introduced readers to work Jack Benton, one of the payments industry's Founding Fathers, had launched. Since Q1, Jack has been working steadily on the question of what it will take to get America back to work in a manner which keeps CDC recommended protocols in the forefront and accommodates the needs of employees, employers, and customers.

Jack has made tremendous headway due, in large part, to the efforts of his friends and colleagues throughout the payments sphere. To reacquaint yourself with the findings and contributions made to project, please visit covid.4thqtr.com.

Others have been working hard to figure out what life and payments will be like under the constraints imposed on consumers and businesses for the foreseeable future. The Secure Remote Payments Council (SRPc) worked with Avenue B Consulting to probe the thoughts of nine payments industry experts with experience in the networking, acquiring, and technology sectors. The resulting structured futures research document provides a provocative look at how our jobs and lives may change in the days ahead even more drastically than today. The research is free and downloadable here.

The Not So Important Stuff

A rant penned under pandemic conditions probably wouldn't be worth much so let's just talk for a couple of paragraphs. For the most part, TW readers have real jobs and know far better than us how tough things are. That said, a few of us have been through challenging times before and have learned a thing or two that might help. Here are six notions derived from being on the employment/ownership/oh, crap treadmill more than once:

1. The solution is in our heads and hearts, not our navels. Being locked down does not mean we're locked out.
2. If the plan was good under normal conditions, it will work when stressed. Adapt and stick with it.
3. Sometimes (but, not always) we need another plan. Here in southern California, we are challenged to get fresh produce to consumers because trucking is being diverted to supply PPE where it needs to be. Hundreds of out-of-work gig workers are now delivering fruits and vegetables to local neighborhoods via pushcarts to make ends meet and to fill a need. Most won't stick with it when things get back to normal, but some will. And, that's a good thing.
4. Rough times lead to good outcomes occasionally. As a result of COVID-19, it's a sure bet that contactless payments will become the norm. Ecommerce has found its way into virtually every household, not just those of the younger set. Coin and currency, a long-time drudge for retailers, will play a diminished role in U.S. payments (but will remain in place).
5. Financial markets make "corrections" when they are oversold or otherwise misaligned. Our economy and the payments industry will come out of this correction far stronger than it was going in. Sadly, we will shed programs and players through the adjustment. Yet, some may have outlived their efficacy and were hanging on just to be there.
6. Those of us adversely impacted by 5, reread #1.

Until next time.

jmacallister@doradoindustries.com
(310) 544-1316

2020 Predictions

Making specific predictions in the face of a pandemic seems idiotic. So, perhaps a few general thoughts about what could happen will suffice for this quarter.

- ⇒ VC and PE investors that have funded payments and fintech innovation for the past decade could follow the current need and shift their focus on healthtech.
- ⇒ The number of points of purchase is likely to shrink as main street shopkeepers either exit the brick and mortar category and close for good or migrate to digital storefronts like Etsy or eBay.
- ⇒ Established general merchandise and food merchants like Costco, Walmart, Target and Kroger, those who have risked so much during the pandemic, will wind up with lifetime customers previously not seen.
- ⇒ Bankers will take notice that the branches closed temporarily weren't really needed in the first place. So, financial services networks of physical locations and ATMs could shrink.
- ⇒ Caps imposed on contactless transactions are likely to rise to reduce device touches (oops, V and MA, just went to $250).
- ⇒ Data mining and analytics houses may reap big rewards as they identify gaps in the distribution system that led to shortages of water, TP, paper towels and other pandemic-spurred "necessities." (Perhaps they'll be able to identify those with a penchant for hoarding as well).
- ⇒ Clearly, we all will invest time and treasure in methods and technologies that will enable payments workers to more effectively work remotely or in far smaller groupings.
- ⇒ It follows that a second wave of interest in finding ways to augment human labor with artificial intelligence will arise.

jmacallister@doradoindustries.com
(310) 544-1316

2020 Predictions

So, what's happened in 90 days (or so)?

⇒ North American venture funding in general fell 18 percent for Q2 2020 compared to the same period one year ago. Compared to Q1, not a particularly good quarter to begin with, the $29.8 billion in venture funds posted in Q2 represents a 12 percent decline.

⇒ The reduced number of points of purchase (merchants with physical sites) is taking its toll on several facets of the U.S. economy. U.S. coinage availability is shrinking because it's not circulating. Mainstream media sources post notices of new retailer bankruptcies almost daily. Shopping malls, if they can be open, are ghost towns. And, ecommerce is the beneficiary.

⇒ Bankers hoping to take advantage of the pandemic to accelerate branch closure plans will be heavily scrutinized by the OCC according to the agency's acting head. Moreover, extensions of emergency permissions for temporary closures granted during the early round of lockdowns will be infrequently granted. Seems our regulators aren't quite ready for a non-branch banking system.

⇒ At the rate VC firms are currently plowing new money into artificial intelligence startups, the industry will attract at least 50 percent more than the $18.5 billion it attracted in 2019. The fallout could be significant widespread. For instance, CNBC reports that "Microsoft is reportedly making more job cuts at MSN in favor of an AI-driven system of selecting news stories." Scary, right?

jmacallister@doradoindustries.com
(310) 544-1316

TrendWatch Summary: Industry Focus Areas – Q2 2020

Recent Activity Level	Industry Impact	Entrenched Player Impact	Market and Industry Situation Focus Area	Recent Movements
Low	🔴	🔴	***New Payment Forms***	A couple of tweaks; not much else.
Med	🟡	🟡	***ATM Restructuring***	RBR research firm says North America numbers are shrinking; growth is coming from overseas.
High	🟢	🟢	***POS Volume Trend***	Online and mobile debit transactions are driving huge leaps in volume and transactions.
Low	🟡	🟡	***Legal/Regulatory Issues***	Lots of legislation; none of it worthwhile.
Med	🔴	🟡	***New Venture Growth***	Health care and Regtech are attracting new funds. Payments gets the short straw.
Med	🔴	🟡	***Earnings Announcements***	Earnings have been mixed for Q1; off-cycle warnings have not been good for investors or the market. Recent Citibank and Wells Fargo reports cite declines in branch and ATM transactions while posting reduced earnings. Meanwhile, Chase's investment bank generated returns that far exceeded losses and provisions posted on the retail side to catapult the bank to record earnings. Nice.
Low	🔴	🔴	***Industry Investments***	Other than mega-deals (SoFi/Galileo, for instance) Q2 was sort of meager.
Med	🔴	🔴	***Payments Industry Security***	Phishing and pharming plus robo-calls are the norm these days. Be safe.

🟢 Positive
🟡 Mixed
🔴 Negative

www.doradoindustries.com
jmacallister@doradoindustries.com
(310) 544-1316

TrendWatch Summary: The Players – Q2 2020

Industry Players to Watch – Only one change from Q1

Delivery and Remote Services Sector As Americans continue to quarantine themselves, even after official sanctions are lifted, innovation in delivery of goods and services will trigger new opportunities to meet customer needs. *No, not drones.*

The Challenger Bank Sector We have already lost one neobank to the virus and now is not the time for consumers to start switching banking relationships. This sector may suffer mightily.

High Street Lenders How major U.S. FIs respond to demand for loans created by the SBA Payroll Protection Program will likely affect how SMBs feel about their banking relationships once this is over.

Real-time Payments Do the current systems and future plans for credit push real-time payments involve too many players and would debit pull work better?

The Retailer Sector *Almost too obvious.*

Sectors Included in the Strategic National Stockpile Not often mentioned until it's needed, the Public Health Emergency (PHE) stockpile will likely need to be expanded to include more of the equipment and supplies running short today and new material needs triggered by COVID-19.

Alphabet, Apple, Amazon, and Facebook *We believe these deep-pocket players are going to make big moves in the U.S. and globally as the world struggles to redesign daily life for the next two decades.*

jmacallister@doradoindustries.com
(310) 544-1316

2020 Payments Industry YTD Yields

We closed this TW chapter in Q1 with a tongue-in-cheek "fingers crossed" hope for better performance in Q2. The exhibit below might suggest that our plea went unheeded because we're still in dumps compared to Q4 2019. But wait, there's more. Our review of quarter-over-quarter performance for our basket of payments equities reflects a far brighter view of investing. Check out the next page.

Industry Player	12/31/2019	6/30/2020	Price △	Cap Value △	YTD 2020 Yield	YTD 2020 Rank
Alliance Data Systems	$112.20	$45.09	($67.11)	($3,993.05)	-60%	15
American Express	124.49	95.14	(29.35)	(31,698.00)	-24%	11
Bill.com (12/19 IPO)	38.05	90.20	52.15	3,681.79	137%	1
Cardtronics PLC	44.65	23.98	(20.67)	(841.27)	-46%	14
Discover Financial Services	84.82	50.09	(34.73)	(16,701.66)	-41%	13
Euronet Worldwide	157.56	95.82	(61.74)	(3,111.70)	-39%	12
Fidelity National Information Service	139.09	134.07	(5.02)	(957.82)	-4%	8
Fiserv Inc.	115.63	97.62	(18.01)	(2,807.76)	-16%	9
Everi (fka GCA)	13.43	5.16	(8.27)	(637.62)	-62%	16
Jack Henry & Associates	145.67	184.03	38.36	3,218.40	26%	5
Mastercard Worldwide	298.59	295.56	(3.03)	(392.08)	-1%	7
MoneyGram International	2.10	3.21	1.11	64.22	53%	4
PayPal	108.17	174.23	66.06	80,593.20	61%	3
Square	62.56	104.85	42.29	13,828.83	68%	2
Western Union	26.78	21.62	(5.16)	(2,934.85)	-19%	10
Visa	187.90	192.90	5.00	4,229.50	3%	6
Bitcoin Closing Price	$7,177.36	$9,170.00	$1,992.64		28%	

Sources: Company releases; Morningstar.com; Bloomberg.com; and Coinbase.
Note: 2019 YTD yield excludes dividends; based on 12/31/19 and 6/30/20 closing prices.

www.doradoindustries.com
jmacallister@doradoindustries.com
(310) 544-1316

2020 Payments Industry Q2 Yields

Without delving into the arcane world of efficient markets, the influences over domestic market performance caused by geopolitical upheavals, and the oddities of market performance while the country has been virtually shut down for over 100 days, we'll just bank the gains and keep our fingers crossed for Q3.

Industry Player	3/31/2020	6/30/2020	Price △	Cap Value △	Q2 / Q1 Yield	Q2 / Q1 Rank
Alliance Data Systems	$33.65	$45.09	$11.44	$680.68	34%	7
American Express	85.61	95.14	9.53	10,292.40	11%	14
Bill.com (12/19 IPO)	34.20	90.20	56.00	3,953.60	164%	1
Cardtronics PLC	20.92	23.98	3.06	124.54	15%	12
Discover Financial Services	35.67	50.09	14.42	6,934.58	40%	6
Euronet Worldwide	85.72	95.82	10.10	509.04	12%	13
Fidelity National Information Service	121.64	134.07	12.43	2,371.64	10%	15
Fiserv Inc.	94.99	97.62	2.63	410.02	3%	16
Everi (fka GCA)	3.30	5.16	1.86	143.41	56%	5
Jack Henry & Associates	155.44	184.03	28.59	2,398.70	18%	11
Mastercard Worldwide	241.56	295.56	54.00	6,987.60	22%	8
MoneyGram International	1.31	3.21	1.90	109.93	145%	2
PayPal	95.74	174.23	78.49	95,757.80	82%	4
Square	52.38	104.85	52.47	17,157.69	100%	3
Western Union	18.13	21.62	3.49	1,985.01	19%	10
Visa	161.12	192.90	31.78	26,882.70	20%	9

Bitcoin Closing Price	$6,441.40	$9,170.00	$2,728.60	42%

jmacallister@doradoindustries.com
(310) 544-1316

Interesting News This Quarter

Subject	Source / Date	Summary
Google	*Finextra April*	**Google** has plans to get back on the debit card horse despite being tossed off a couple of times (or was it three?) before. It has been generally reported that the search engine giant plans to link up with Citibank and a NorCal credit union to offer a branded debit card bearing the code name "Cache." Designed to strengthen Google Pay, Cache will compete with offerings by Apple, Samsung, and Facebook. The card is designed to enable users to make in-person purchases via a wallet, in-app buys, and online transactions. Some ideas just won't die, it seems.
Google	*Finextra May*	Meanwhile, **Google** is attempting to forge ahead of Amazon's Echo by putting heavy resources into enabling its Assistant tool to authorize purchases by human voice. Current tests on in-app transactions are in the works but the size and number of payments are capped for the moment. Expect a response for Amazon soon.
European Payments Initiative	*Finextra July*	Sixteen quite large Eurozone banks are targeting payments dominance by Visa and Mastercard under the rubric labeled **European Payments Initiative**. The card scheme duo aren't the only targets; EPI bankers are also fretting over a perceived challenge from large Chinese and US tech firms. The European Central Bank has given its blessing to the EPI effort to build a new payment system under a "members only" approach. Full-blown operations are schedule for 2022. We've said it before; new payments solutions take twice as long and cost twice as much as forecast. We'll check back in a year for a progress report.
Mastercard	*PYMNTS.com May*	The pandemic has forced both Visa and **Mastercard** to roll back their EMV implementation schedule for fuel retailers; a good move, we believe. In the meantime, Mastercard is providing fuel stations and card issuers with a suite of fraud detection tools to constrain losses from fraudulent transactions initiated at non-compliant sites. Issuers will receive information on high-risk transactions to enable tailored authorization decisions. High-loss sites will receive remediation tools to tighten things up until pumps and back office systems can be retrofit for EMV.
Samsung	*Finextra May*	Oh, boy! There's another debit card coming to market. South Korean electronics player, **Samsung**, doesn't want to be left out in the cold by Apple and Google so it has partnered with SoFi and Mastercard to launch its own debit card. A SoFi money management account will be in the background to give users a "mobile-first" approach to general shopping. Expect to see the balloons go up on this also-in-the-running product later this summer.

jmacallister@doradoindustries.com
(310) 544-1316

Interesting News This Quarter

Subject	Source / Date	Summary
PSCU	*CU Times* *July*	According to the **PSCU** Weekly Tracker tool, U.S. consumers are changing their spending habits and payment preferences during lockdown. Year-over-year comparisons of one-week periods show debit card use up 21.4 percent with CNP debit transactions up by 49.6 percent. Meanwhile, credit card spending and transactions were down 2.7 and 7.8 percent, respectively. One of the largest beneficiaries of the payment preference shifts was Amazon, which saw a 99 percent increase in debit purchases. On the ATM front, apparently we're staying away in droves since cash withdrawals have been running downward by 20 percent over the past 13-week period. While it might be intuitively obvious (and perilous for many merchants) that household goods spending would be up by half and travel spending down by 30 percent, it is comforting to know that much of the population is heeding the CDC's stay close to home advice, right?
Visa	*PYMNTS.com* *June*	In a classic example of brand-leveraging, **Visa** is linking its marketplace power with Facebook to energize a new payment feature in WhatsApp. The coupling is happening in Brazil, for now. WhatsApp users will be able to make ecommerce and P2P transfers via Visa Direct, the card brand's push technology. Let's see if this large-size Petri dish experiment wends its way north.
Chime	*PYMNTS.com* *June*	Stop us if you've heard this one before. U.S. challenger bank, **Chime**, has launched "Credit Builder," a Visa branded credit card linked to a customer's cash account with the neobank. The customer transfers funds to a "Credit Builder Secured Account" and may spend using the card up to the amount of the deposited funds. Balances outstanding at the end of the month are automatically paid off using the money in the secured account. Then, the process starts again with another deposit to the secured account. Seems like a good idea for the millennial cohort targeted by Chime. Of course, the same scheme was in full operation in the U.S. in the mid-1980s.
Zelle	*Digital Transactions* *April*	Consumer P2P consortium, **Zelle**, is one of the beneficiaries of changing consumer behavior linked to the COVID-19 pandemic. Bank of America reports that locked-down consumers are using the service in record numbers and posted a 76 percent increase in same-period transactions during the first quarter. The bank claims to have 10.4 million Zelle users. Expect to see even higher numbers when BofA and other Zelle owners post Q2 results.
Consumer savings	*PYMNTS.com* *May*	Payments trade newsletter, PYMNTS.com, reports on a report issued by the Bureau of Economic Analysis on April 30, 2020. Seems Americans are hunkering down for an extended lock-down period and keeping their money in U.S. banks instead of spending it. As spending in March plummeted by 7.5 percent in March, **consumer savings** grew to 13.1 percent. As a result, we stashed away $2.17 trillion in unspent cash, creating a jolt to the U.S. monetary system. Sadly, we're not squat in the way of return on the extra liquidity but, hey, if it's good for the recovery, so be it.

Interesting News This Quarter

Subject	Source / Date	Summary
ATM trends	*Digital Transactions May*	It seems like it was just yesterday that we were celebrating the 50th birthday of the venerable ATM (actually, it was in 2017). Now we read in a report by UK-based research house, RBR, that the global number of ATMs is dwindling a bit. True, the aggregate numbers are skewed by China's move to shed 30,000 units in the past two years. Still, both the U.S. and Canada dropped 1,000 ATMs during the same timeframe. Seems that mobile payment services are cutting into deployers' yields and fleets are being culled to improve profitability. Meanwhile, countries throughout Asia-Pacific, EMEA, and Latin America are investing in new machines and new locations to bring cash access closer to consumers. The full impact of COVID-19 has yet to be accurately measured but early indicators are that volumes are way off. Continuation of this mini trend may lead to additional declines in North American ATM deployments and sites we think.
MoneyCard	*Digital Transactions May*	Fourteen-year-old **MoneyCard**, Walmart's early foray into banking services, is getting a makeover. The product issued by Utah-based Green Dot Bank now offers a 2.0 percent cash reward for balances up to $1,000 maintained in the card's associated savings account. Previously, this tranche was eligible for prize savings, a program which will be continued. In addition to the new cash rewards program, MoneyCard is dropping its previous $3.00 fee for cash deposits, permitting up to four more cards for family members, and allowing cardholders to add funds from an existing bank account. Tough competitors, those Walmart folks.
Current	*CNBC June*	Half-decade old challenger bank, **Current**, reports that its focus on the nation's "essential workers" is paying off for it and for Metropolitan Commercial Bank, the FDIC-insured intermediary behind the digital bank. The report claims monthly additions of 100,000 customers in the months of April and May bringing its total customer base to over 1.0 million. Current customers benefit from low or no fee programs including credit and secured debit cards. Current specifically targets low-wage earners and minority cohorts employed in the hospitality, food services, and delivery sectors. The strategy appears to be working out.
Cyber fraud	*Mobile Payments Today June*	According to the head of cybersecurity at VMware, cyber-attacks within the financial services sector rose by 238 percent between February and April as consumers responding to the pandemic lockdown shifted their buying habits to ecommerce. Meanwhile, the FBI tells us that mobile banking usage and abuse have grown by 50 percent during the same period. New approaches to cyber fraud have emerged through the SMS messaging channel and the creation of fake websites ostensibly operated by the nation's largest banks. Just a word to the wise, it's not if, but when.

jmacallister@doradoindustries.com
(310) 544-1316

M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
SoFi	Galileo	API infrastructure	There was a time with lending and payments lived on opposite side of the financial services river. Those times are well behind us, it seems. Online lender, **SoFi** is paying $1.2 billion for **Galileo,** the provider of API connections behind, Chime, Robinhood, Monzo, Revolut, Transferwise, and Varo. The acquisition allows SoFi to offer lending services to Galileo's partners ridding those that take the bait of having to develop their own intermediation products or acquire them from the competition. A pretty savvy distribution model play, in our view. Meanwhile, SoFi is making its second attempt to become a national bank through the OCC application process; the lender had previously applied for a Utah banking ticket in 2017. That attempt was scuttled when the then-CEO was tossed.
Existing investors	Stripe	Digital payments	Privately owned digital payments processor, **Stripe,** extends its earlier Series G funding round by another $600 million. Valuation based on the cost of the round is a staggering $36 billion. Stripe has seen direct benefits from our global lockdowns as outbound services offered by DoorDash, Postmates (soon to be part of Uber), Caviar, and Zoom have become commonplace. Not bad for a couple of Irish lads who started Stripe because no other reasonably priced online payments services could be found.
Euronet Worldwide	Dolphin Debit	ATM outsourcing	Kansas City-based mega ATM player, **Euronet Worldwide**, pays an undisclosed amount for **Dolphin Debit**, a regional ATM outsourcer located in Houston. The transaction allows Euronet to marginally add to its existing fleet of 46,000 ATMs and, more importantly, expand its market presence in the U.S. (The majority of EEFT devices are in Europe, the Middle East and Asia). Dolphin Debit had been on a growth path lately and Euronet's other payments assets will enable the target to cross-sell needed services to its base.
RBS	Bó	Challenger bank	Just six scant months after launching its own challenger bank, **Bó**, **RBS** has announced plans to shut it down and gave the upstart's 11,000 users sixty days to move or join Mettle, the bank's digital business outfit. Bó was plagued with problems from the start, its CEO and product officer left early on and it had to reissue 6,000 debit cards to comply with new EU regulations. Meanwhile, free-standing competitors Monzo, Starling, and Revolut were making great strides in product development and market share growth. Sometimes, what's good for some isn't so for all.

M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Existing investors	N26	Challenger bank	German challenger bank, **N26**, raises another $100 million from existing investors bringing its total funding to $770 million. That's the good news. The bad news is that enterprise valuation remains unchanged at $3.5 billion. If the past is prologue to the future, you must wonder why today's pricing doesn't pack in some uplift for future success. Or, is this the level where investors expect N26 to be? Readers may recall that N26 has been in the U.S. since July 2019, so the issue of the bank's valuation is germane from a competitive standpoint.
Undisclosed investor	Marqeta	Card issuing platform	In the meantime, **Marqeta**, a one-step-removed player in card issuance infrastructure, received a real shot in the valuation arm by an undisclosed investor who pumped $150 million into the Oakland, CA-based startup. Valuation shot up to $4.3 billion from $2.0 billion in 2019. Marqeta supports major acquiring and distribution players including Square, Uber, Affirm, Instacart and DoorDash. The company already has nearly $150 million cards issued through its platform and plans to use the new equity to fund new product rollouts.
HarbourVest and Progressive Insurance, others	Varo Money	Challenger bank	Old, by Silicon Valley standards, **Varo Money** wades into its second half-decade with $241 million in fresh capital. Varo has accumulated $420 million in funding and has an application for a national banking license pending with the regulators. Management believes it will have its license by late summer. In the meantime, FDIC insurance comes via a relationship with The Bancorp Bank.
Investors like us (well, maybe)	Shift4	Merchant acquirer	Merchant acquirer, **Shift4**, may be one of the bright spots amongst the pandemic gloom. The company's IPO priced at $23, quickly raised to $33 and closed near $43 on July 7, 2020. Its 66,000 merchants generated $6 billion in payments in Q1 2020 while COVID-19 spurred a general increase in online purchases. Right place, right time? Perhaps. The dearth of meaningful investment alternatives may have been a contributing factor as well. Investors appeared to overlook the lack of diversity on the company's Board and management ranks and arm-waved the fact that new shareholders will have only 3.5 percent of the voting power. So it goes.

M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Square	Verse (Spain)	Mobile P2P app	Merchant services and P2P stalwart, **Square**, pays between 30 and 50 million Euros for Verse, a Spain-based P2P player with successful launches in 15 countries. The app is available throughout the EU and accommodates different currencies in that region. Verse provides for real-time P2P transactions for which users pay nothing. Perhaps, by blending Verse into the Square Cash app, we will see that 1.5 percent debit card fee go away? Wishful thinking? Probably.
Mastercard	Finicity	Open banking infrastructure	**Mastercard** continues its M&A tear; this time it adds to its existing technology trove in open banking. The price tag for **Finicity** was $835 million and could go higher if performance thresholds are met. Finicity provides the horsepower behind Rocket Mortgage, Brex, and Experian Boost. MA is already a sizable player in open banking in Europe where it has 1,800 FIs in the corral.
Professional Datasolutions (PDI)	ZipLine	Private-label debit	This one might be tougher to follow than most. Readers might remember **ZipLine** as National Payment Card Association, the posterchild for decoupled debit schemes for retailers. ZipLine's flagship client has always been Cumberland Farms, a chain of 600 fuel and convenience store operations located in 8 states. Been around since 1939. **Professional Datasolutions** is a c-store software developer and services company based in Texas. Three PE firms have taken minority interests in PDI recently suggesting that we will be seeing more M&A transactions from this organization. Stay tuned.
PSCU	Primax	Card issuer processor	Not often do we see M&A transactions within the credit union industry but the times, they are a changin'. Heavy-weight credit and debit card processor, **PSCU**, a member-owned credit union service organization, has purchased **Primax**, a decades-old card processor with roots dating back to the New England Bancard Association (*really old* TW readers will remember NEBA). Primax processes $2.3 billion in card transactions annually which ought to kick up PSCU's industry standings nicely.
Force Over Mass, Backed, Acrew Capital, others	Banked	UK P2P scheme	Visa and Mastercard are the targets of a predatory offering by **Banked**, a startup that has moved out of public beta. Investors ginned up another £2.35 in seed funding, bringing total capital to £5.35 million. Banked offers users with the ability to make P2P transfers in real-time for a picayune fee of 0.1 percent. A checkout API is available to businesses for website and app imbeds. A security wrapper prevents receiving parties from seeing sender bank data. Couple this offering with what the European Payments Initiative plans to do within the EU payments zone and it's a sure bet that Visa and Mastercard are going to have their hands full for a bit.

M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Sequoia Capital, others	Robinhood	Securities investments	**Robinhood**, the high-growth securities firm that lots of folks love to hate (no/low fees, quasi-banking services, etc.), raises Series F totaling $280 million while adding another 3 million customer accounts. And, before the TW ink was dried on the story, Robinhood raised another $320 million, bringing its valuation to nearly $7 billion! Stymied by regulators from time-to-time, Robinhood seems to have recovered from each spat with the Feds. The firm withdrew its OCC application for a banking license due, in some part, to the headwinds it encountered from legacy securities brokers and banks. Someday, maybe?
D1 Capital	Transferwise	Global transfers	With the pandemic stunting global travel, it follows that transborder funds transfer firms like **Transferwise** would attract investor interest. U.S. hedge fund, D1 Capital, has purchased a 4.0 percent interest in Transferwise capital stock, giving the company a $5.0 billion valuation, a 30 percent premium over a virtually identical stock sale one year ago. For the record, Transferwise boasts of 8 million customers and monthly trans-border volume of £4.0 billion. The rich get richer, they say. It helps to have a good idea and business plan though.

Curiosities

We've found a few items in our payments review that we consider mildly amusing (despite today's circumstances).

Subject	Source / Date	Summary
Goldman Sachs	*Finextra April*	You needn't be deeply experienced in financial services to have concluded that **Goldman Sachs** cares little for consumers, their transactions or their money. You'd be wrong, of course, based on the launch of Marcus, a consumer-focused banking/investing thrust. Now GS has crafted MarcusPay to take a run at the (seemingly) burgeoning sector of POS financing. The new tool will grant almost immediate credit ranging between $750 to $10,000 with terms of from 12 to 18 months. Rates are standard and average 15 percent APR. So much for that myth.
Airline Industry	*PYMNTS.com April*	The **Airline Industry** continues to hemorrhage cash, causing it to find alternative funding sources, equipment, and people to furlough, and assets to sell. Airline miles now fall into the last category and U.S. airlines are contemplating a fire sale of sorts. Here's the drill: airlines would sell the miles to banks that would issue them as rewards on their credit card products. The airlines make money on the deal because fulfilling the rewards costs less than the price paid by the banks. Banks gain a skosh because they're paying less for the alternative currency than they would in normal times. You must wonder though if consumers are really ready to go back to flying. A question for another day we suppose.
Credit card data	*Fortune July*	No one will lament the fate of **credit card data** thieves that are experiencing tough times these days. Seems that the value of stolen cards and their card-present data have taken a precipitous drop (about 50 percent) because of retailer closures. True, the value of card-not-present data has taken an up-tick and online transaction volume is curving upward but it appears that the two trends don't offset. Alas, as retailers and restauranteurs re-open, expect to see more fraudulent activity and values returning.
Venmo	*PYMNTS.com July*	**Venmo** is taking a crack at the down-down market segment by offering a service which allows microbusinesses to accept payments from Venmo's 52 million users. Sole proprietors, infrequent sellers, and one-off players should benefit. Venmo competitor Zelle is working the other way around. Wells Fargo is promoting the scheme of using Zelle to facilitate disbursements of consumer payments by its corporate customers. If this slide towards the business sector keeps up, these two P2P players might find themselves battling each other on multiple fronts. And that's a good thing since it might put downward pressure on pricing, we think.

jmacallister@doradoindustries.com
(310) 544-1316

Curiosities

We've found a few items in our payments review that we consider mildly amusing (despite today's circumstances).

Subject	Source / Date	Summary
U.S. coinage	*CNBC June*	Buddy, could you spare a dime? Among all the "gotcha" consequences of the pandemic, the **U.S. coinage** stagnation is but one; albeit, a kind of important one. Retailers are crucial to the national and local circulation of coin and currency and store closures have really jammed up the works. Indeed, Federal Reserve Bank Chairman Jerome Powell has said that the U.S. Mint will be working overtime to refill the Fed's coffers so that the change received from buying a cup of coffee can go where it usually does, into the desk drawer. Still, this shortage might be fake news; the barista at my local caffeine joint turned down my offer of three quarters for a buck flat. Mega grocer, Kroger, is doing its part to deal with the shortage. Cash-paying customers will receive a credit for change owed them to the retailer's loyalty account in the customer's name; the funds can be used for future purchases. Some will cheer the shortage as rationale for going cashless; not us.
The government at work	*Various*	By now, most have heard that $1.4 billion in pandemic stimulus checks went to dead people. It has been said that this "minor" screw up was due to the hasty actions of the IRS and Treasury. Seems odd since these two agencies have loads of information about U.S. residents, but why dither over the past? Instead, let's contemplate the odds of a major screw up happening if a new bill being drafted in Congress is enacted. Senator Sherrod Brown introduced a bill in March which would establish a Federal retail bank with the Federal Reserve. No fees, no minimum balances and so forth. A companion bill has been offered up in the House by Maxine Waters that goes even farther – debit cards, online banking and bill pay, and ATM access would be included in the package at no cost. No chance of a misstep here, right? Good grief! Then again, competing against a retail bank operated by the Federal government should seem like child's play to most bankers.

jmacallister@doradoindustries.com
(310) 544-1316

Useful Links for More Information

Here are some companies referenced earlier should you care to learn more about them. (This section used to be much longer. Perhaps its brevity is a function of low industry innovation or we've done payments just about every way they can be done).

Company	Role	URL
Banked	UK-based V and MA adversary	https://banked.com
Marqeta	NorCal player in card issuance	https://www.marqeta.com
Robin Hood	No-fee securities player	https://robinhood.com/us/en/
Shift4	Recently IPO-ed merchant acquirer	https://www.shift4.com
Zipline	Private label card processor	https://www.zipline.biz

Back in the Day!

What's a person to do when local golf courses are shut down, beaches are closed, running races are giving us the "wait until next year" arm-wave? Well, of course, you sign up for a bunch of virtual races, post your times and photos, and haul in copious amounts of swag! Hopefully, the Los Angeles Marathon scheduled for March 8, 2021 will come off as scheduled; otherwise, 3,500 Students Run LA kids are going to be very disappointed.





www.doradoindustries.com
jmacallister@doradoindustries.com
(310) 544-1316