

# Columbia Law School Global Law and Business Seminar: Introduction to Fintech Law

July 27, 2022, Morning



# RICHMAN CENTER

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# Class Outline

- Session #1
    - Introduction to FinTech
  - Session #2
    - Fintech Toolkit: The Business Model Canvas, Public Policy, Law & Regulation
  - Session #3
    - FinTech Business Models—Consumer & Small Business Lending
  - Session #4
    - Fintech Business Models—Alternatives to Payday and Overdraft: Earned/Early Wage Access
- 
- Session #5
    - Fintech Business Models-- Payments Innovation
  - Session #6
    - Fintech Business Models— Bank Charters & Fintech Access
  - Session #7
    - Open Banking in the US and EU—Approaches and Outcomes
  - Session #8
    - The Challenge of Crypto Regulation in US



# What's New:

New FinTech Entrants



# Payments Innovation and FinTech

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# Review: Banks are a Bundle of Financial Services

- **What a Bank Does**
  - Makes Loans
  - Takes Deposits
  - **Initiate & Receives Payments**
  - Facilitates Investments
  - Ancillary Services



# What is PayPal? The Grandpa of Payments Fintech



- PayPal's payment solutions enable our customers to send and receive payments. **We operate a global, two-sided network at scale that connects merchants and consumers with 377 million active accounts (consisting of 348 million consumer active accounts and 29 million merchant active accounts) across more than 200 markets.** PayPal helps merchants and consumers connect, transact, and complete payments, whether they are online, on a mobile device, in an app, or in person.
- **PayPal's Payments Platform enables merchants to accept all types of online and offline payments, including those made with the PayPal and Venmo wallets, credit cards and debit cards, Apple Pay, Samsung Pay, and Google Pay, as well as other popular local payment methods.** Our diversified product suite is tailored to meet the needs of merchants regardless of their size or business complexity. We have expanded our merchant value proposition to enable payment acceptance at the point of sale through our PayPal and Venmo digital wallets, our iZettle point of sale solutions, and our quick response ("QR") code-based solutions.
- We aim to offer a seamless, omni-channel solution that helps merchants manage and grow their business. **Our Honey Platform and PayPal consumer credit offerings, including installment payment products, enable merchants to drive increased conversion through higher consumer engagement.**

# Paypal Grew Through Acquisitions



- 6 Business Lines
  - PayPal
    - Started as Ebay Payment Mechanism
  - Braintree
    - Merchant Processor for Online and Mobile Merchants
  - Paydiant
    - Mobile Wallet/QR Codes
  - Venmo
    - Venmo is a social payments service that allows users to share and like payments and purchases through a social feed.
  - Xoom
    - Xoom is a PayPal service that allows international transfers:
  - Honey
    - Honey is best known for a browser extension that shoppers can use to quickly find discount codes that apply to items in their shopping carts. Its mobile app allows consumers to add items from different retailers to their cart and pay for them all at once. Honey makes money by charging retailers a small percentage of sales made with the coupons it finds.

# Highlights



## 2020: Historic year for PayPal

- Strongest growth in TPV and revenue in PayPal's history
  - 31% TPV growth on an FX-neutral basis to \$936 billion
  - 22% revenue growth<sup>(1)</sup> on an FX-neutral basis to \$21.5 billion
- Record net new actives (NNAs) added to PayPal's platform → 95% NNA growth
  - ~73M NNAs (including 5.3M merchant accounts), ending the year with 377 million active accounts
  - ~171,000 daily adds on average → 68% more accounts added every day of 2020 than in 2019 (excluding 10.2 million accounts added from Honey acquisition)
- 28% growth in daily active accounts<sup>(2)</sup> using PayPal core experiences
- Best volume-based expense performance → 85bps as a rate of TPV for transaction expense / 12bps as a rate of TPV for transaction loss
- 187bps of non-GAAP operating margin expansion → 25.1% non-GAAP operating margin
- 31% non-GAAP EPS growth to \$3.88
- \$5 billion in free cash flow (FCF) → 23 cents of FCF for every \$1 of revenue

## 2021 Outlook: Another strong year ahead

- Expect to add ~50 million active accounts in FY-21
- TPV expected to grow in the high 20's on a percentage basis (spot and FX-neutral)
- Rapid cadence of product launches and enhanced experiences expected to continue → key focus areas: in-store payments, buy now pay later, digital currencies, bill payment, marketplaces, cross-border commerce, PayPal and Venmo digital wallet experiences
- ~\$25.5 billion in revenue expected in 2021
  - ~19% growth on a spot basis (~17% on an FX-neutral basis)
  - Includes ~400bps of pressure from eBay managed payments transition
  - Core payments platform expected to continue to perform at historically high levels
- Expectations for modest non-GAAP operating margin expansion
  - Cost discipline and efficiencies of scale expected to be partially offset by organic investments
- Non-GAAP EPS growth expected to be ~17%
- Expect to generate ~\$6 billion in free cash flow

Non-GAAP operating margin and expenses presented on a non-GAAP basis are non-GAAP financial measures. Please see the Supplemental Information for a reconciliation of these Non-GAAP financial measures to the most directly comparable GAAP financial measures.

Non-GAAP earnings per share and free cash flow are Non-GAAP financial measures. Certain cash flows were reclassified beginning with the fourth quarter of 2020. See the section titled "Reclassification of Certain Cash Flows" within Supplemental Information for further details.

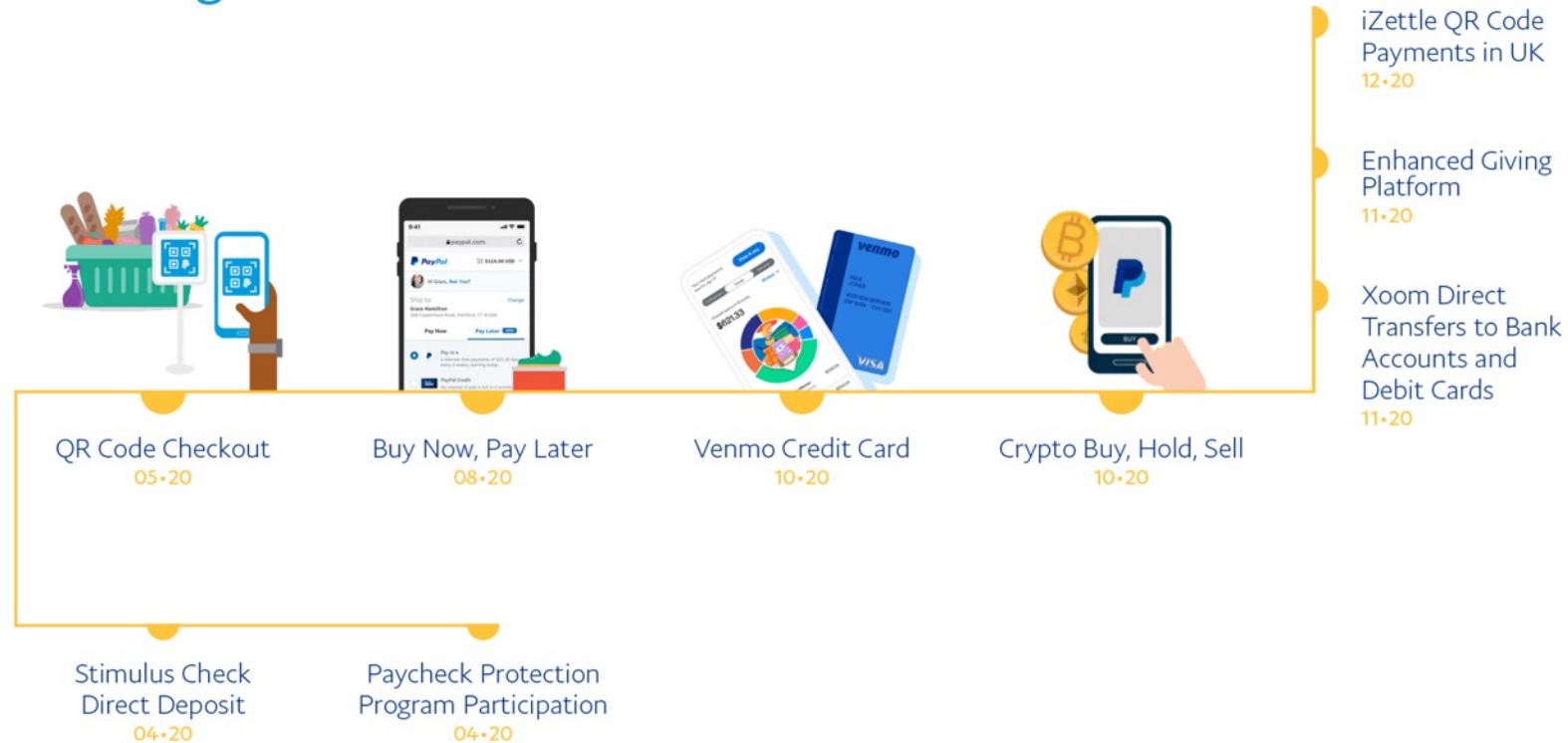
(1) Revenue growth is calculated based on Non-GAAP revenue normalized for 2017 credit receivables sale. Refer to Supplemental Information for reconciliation of Non-GAAP to GAAP revenue.

(2) Daily Active Accounts (DAA) represent the number of Active Accounts that have completed a transaction using our core PayPal payments products and services, including person-to-person payments transfers and checkout transactions, on a given day. DAA is presented as the average daily active accounts during the designated period.



# PayPal Innovations 2020

## Innovating at Scale in 2020



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Q4-20 Investor Update • 6



# The Core: A Two-Sided Platform



## MERCHANT AND CONSUMER PAYMENT SOLUTIONS





# PayPal Merchant Value Prop

- We partner with our merchants to help grow and expand their businesses by providing global reach and powering all aspects of digital checkout.
- We offer alternative payment methods, including access to credit solutions, provide fraud prevention and risk management solutions, reducing losses through proprietary protection programs, and offer tools and insights for leveraging data analytics to attract new customers and improve sales conversion.
- We employ a technology and platform agnostic approach intended to enable merchants of all sizes to provide digital checkout online, on mobile, and in-store (at the point of sale) across all platforms and devices and to securely and simply receive payments from their customers.
- Through a single Braintree integration, a merchant can begin accepting payments with credit or debit cards, PayPal, PayPal Credit, Google Pay, Apple Pay, Samsung Pay, and other payment solutions.
- We also offer gateway services which provide the payment gateway technology that links a merchant's website to its processing network and enable merchants to accept payments online with credit or debit cards
- We offer access to credit products for certain small and medium-sized merchants through our PayPal Working Capital and PayPal Business Loan products, which we collectively refer to as our business financing offerings.
- **We generate revenues from merchants primarily by charging fees for completing their payment transactions and other payment related services.**

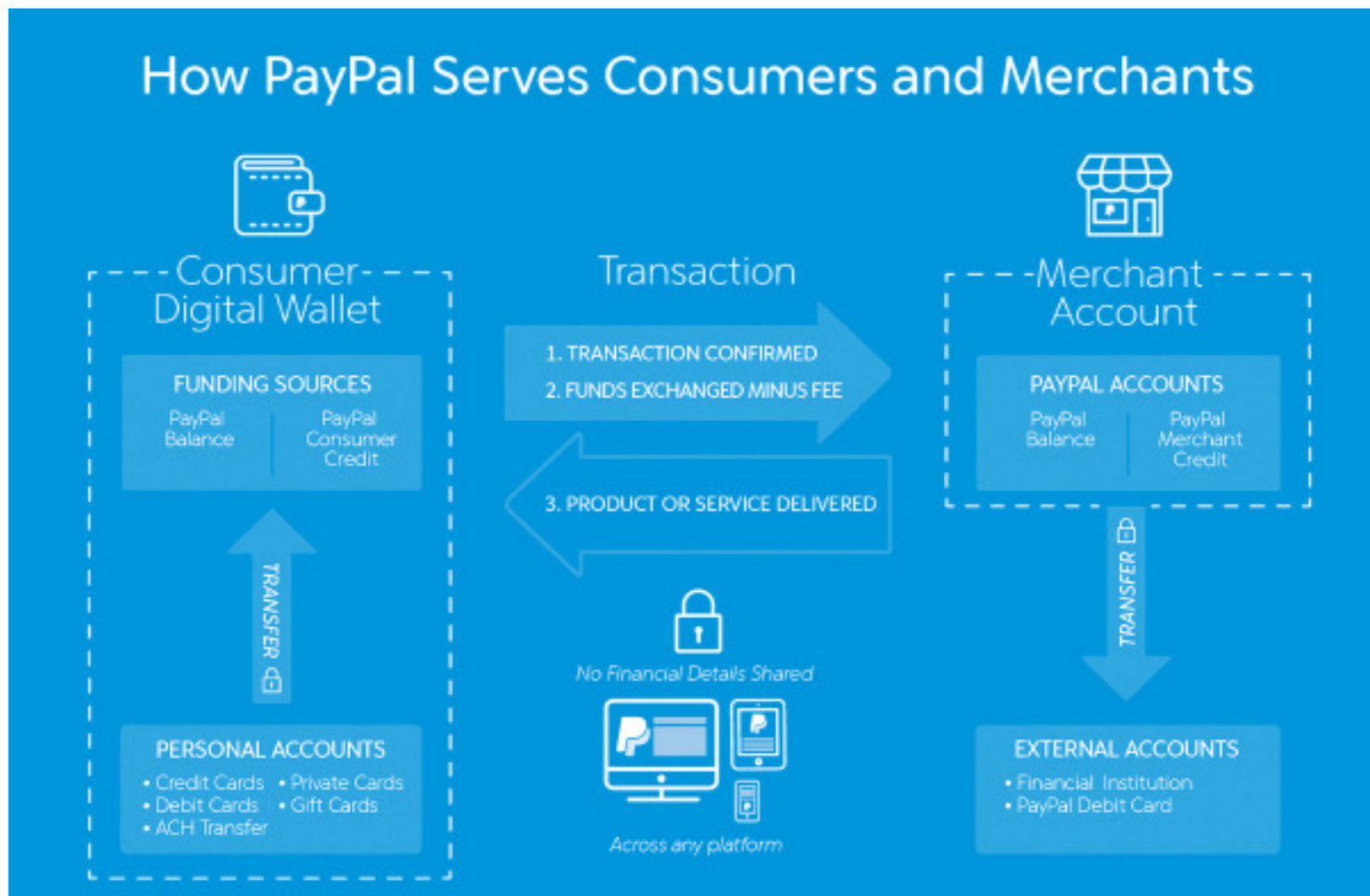


# PayPal Consumer Value Prop

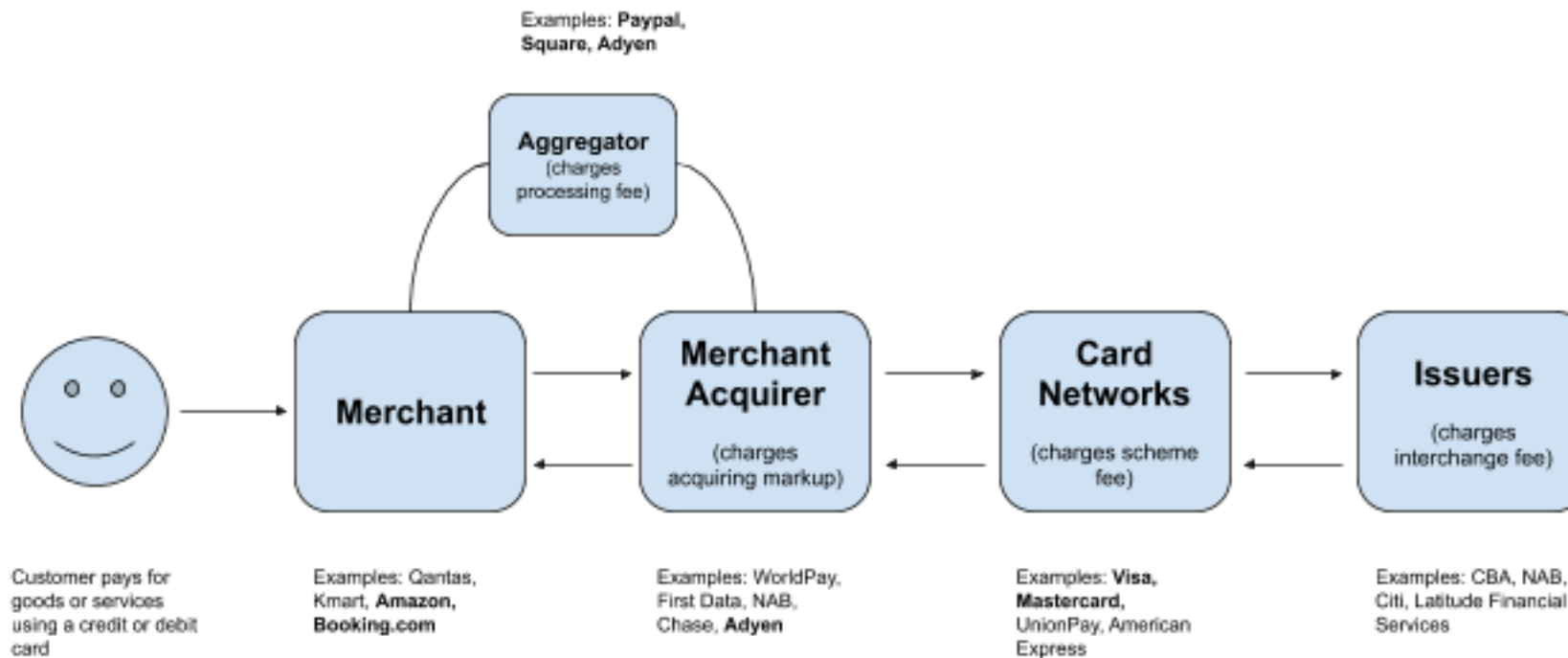
- We provide consumers with a digital wallet which enables them to send payments to merchants more safely using a variety of funding sources, which may include a bank account, a PayPal account balance, a Venmo account balance, a PayPal Credit account, a credit or debit card, or other stored value products such as coupons, gift cards, and eligible credit card rewards.
- We also offer consumers person-to-person (“P2P”) payment solutions through our PayPal, Venmo, and Xoom products.
- Our Venmo app in the U.S. is a leading mobile application used to move money between our customers and to make purchases at approved merchants.
- Xoom is an international money transfer service that enables our customers to send money and prepaid mobile phone reloads to, and pay bills for, people around the world in a secure, fast, and cost-effective way.
- We offer our PayPal Credit product to consumers in certain markets as a potential funding source at checkout. Once a consumer is approved for credit, PayPal Credit is made available as a funding source for that account holder. Our U.S. PayPal branded consumer credit program is offered exclusively through Synchrony Bank.
- **We generate revenue from consumers on fees charged for foreign currency exchange, optional instant transfers from their PayPal or Venmo account to their debit card or bank account, and on interest and fees from our PayPal Credit product.**



# Gateway/Digital Wallet ?

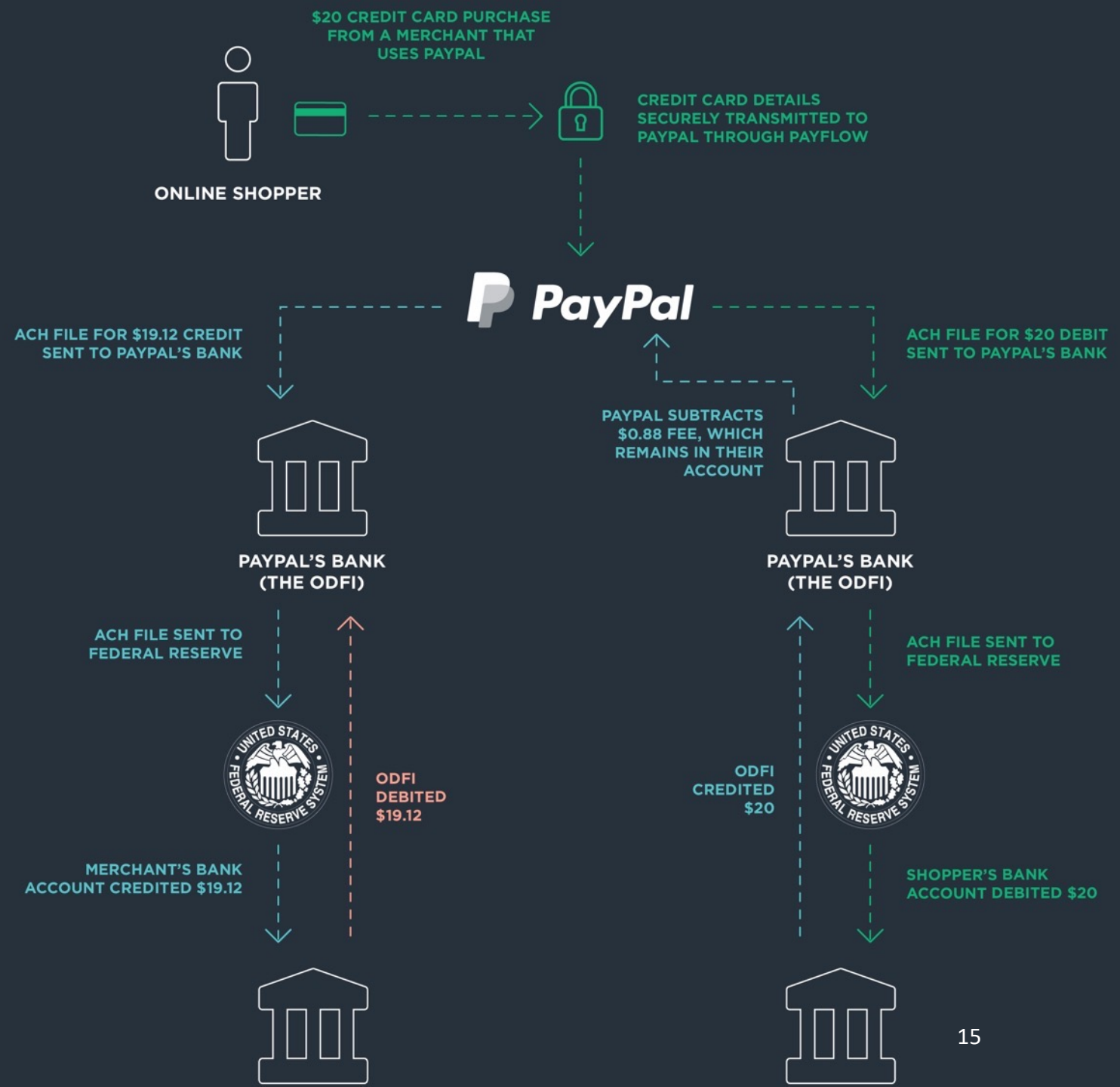


# PayPal Original Gateway/Wallet Model-Credit Cards



# PayPal ACH Innovation

- PayPal uses email address and password to initiate payments from credit card or bank account
- PayPal “decoupling” payments from card rails (expensive) and moving them to ACH rails (cheap)



# Recent PayPal News

OCT 21 PayPal Launches New Service Enabling Users to Buy, Hold and Sell Cryptocurrency  
[Download](#)

SEP 24 PayPal Announces Recipients of \$5 Million Community Partner Grants to Support and Sustain Black Bu:  
[Download](#)

SEP 23 PayPal and Mastercard Expand Debit Card Offering to More European Businesses  
[Download](#)

SEP 15 Deal-Seeking Goes Mainstream: Honey Study Reveals Americans Are Changing How They Shop, Date A  
[Download](#)

AUG 31 PayPal Introduces New Interest-Free Buy Now Pay Later Installment Solution  
[Download](#)

JUL 30 PayPal and Venmo to introduce QR Code touch-free payment technology in CVS Pharmacy stores  
[Download](#)

JUL 29 PayPal Reports Second Quarter 2020 Results  
[Download](#)

JUN 25 New Research From PayPal Reveals How Americans Are Spending Credit Card Rewards In A COVID-19 W  
[Download](#)

MAY 19 PayPal Rolls Out QR Code Payments for a Touch Free Way to Buy and Sell In-Person  
[Download](#)

# Crypto on PayPal

## Buying and Selling Cryptocurrencies

The transaction fees are based on how much cryptocurrency (“crypto”) you buy or sell. The exchange rate you’ll see before buying or selling crypto will also include a [cryptocurrency conversion spread](#). There’s no fee for holding crypto in your account.

| Purchase or sale amount | Fee      |
|-------------------------|----------|
| 1.00 – 24.99 USD        | 0.50 USD |
| 25.00 – 100.00 USD      | 2.30%    |
| 100.01 – 200.00 USD     | 2.00%    |
| 200.01 – 1000.00 USD    | 1.80%    |
| 1000.01 USD +           | 1.50%    |

# BNPL on PayPal 1/4

## Now you can Pay in 4 with PayPal

Just choose Pay in 4 at checkout at millions of online stores and split your payments in 4 – one every two weeks. It's interest free, has no impact on your credit score and is backed by PayPal.\*

[Shop Now](#)



# BNPL on PayPal 2/4

Enjoy the power to pay later.



It's  
interest free.

Make interest-free payments  
with Pay in 4\*



Use it at millions of  
online stores.

Shop at your favorite brands and  
retailers, enjoy now and pay later



Get a decision  
in seconds.

There's no impact to your credit  
score – you won't have to wait  
long to see if you are approved\*



It's backed  
by PayPal.

Get the same security and  
purchase protection you already  
enjoy from PayPal

Shop now



# BNPL on PayPal 3/4

## What is Pay in 4?

Pay in 4 is a feature that lets you split your purchase into 4 payments, with the down payment due at the time of transaction and 3 subsequent payments made every 2 weeks thereafter.

### **Will I be able to use Pay in 4?**

We are offering Pay in 4 to a growing number of our US customers. Availability depends on your state of residence and you must be at least 18 years of age (or the age of majority in your state) to apply. You must also have a PayPal account in good standing or open a PayPal account in order to apply.

Pay in 4 is not available for certain merchants and goods. If you choose Pay in 4 as your payment method when you check out with PayPal, you will be taken through the application process. You will get a decision instantly but not everyone will be approved based on our internal checks.

### **How can I pay with Pay in 4?**

Just choose to pay with PayPal when you shop online and if it is an eligible transaction, you will see Pay in 4 as one of the available payment methods. Simply apply for a Pay in 4 plan in just a few steps, get an instant decision, and finish checking out.

### **What purchase amounts qualify for Pay in 4?**

You can use Pay in 4 for eligible shopping cart values between \$30 to \$600.

### **What are the terms and conditions for my Pay in 4 plan?**

You must read the loan agreement of your Pay in 4 plan before you submit your application. You will see the link to the loan agreement when you choose to apply for Pay in 4 at checkout. You will also have the option to download the loan agreement.

Once your plan starts, we will send you an email containing important information about your Pay in 4 plan, including how to locate your loan agreement.

### **Are there any fees associated with Pay in 4?**

There are no fees for choosing to pay with Pay in 4, however if you are late with a payment you may be charged a late fee.

### **How long will my Pay in 4 plan last?**

Your individual plan will last a little over 6 weeks in total. The down payment will be due at the time of the transaction and 3 subsequent payments will be taken every 15 days thereafter.

### **Where can I pay with Pay in 4?**

Pay in 4 is available to use at selected merchants where PayPal is accepted. Transactions can be made in all currencies that PayPal supports, not just USD. For transactions not in USD, PayPal will



# BNPL on PayPal 4/4

- Fine Print

\*Pay in 4 is available upon approval for purchases of \$30 – \$600. Pay in 4 is not currently available to residents of New Mexico, North Dakota, South Dakota, Missouri, Wisconsin, or any U.S. Territories. Loans to California residents are made or arranged pursuant to a California Finance Lenders Law License. PayPal, Inc. is a Georgia Installment Lender Licensee, NMLS #910457. Late fees may apply for missed payments depending on your state of residency. When applying, a soft credit check may be needed, but will not affect your credit score. You must be of legal age in your U.S. state of residence to use Pay in 4. Offer availability also depends on the merchant. Offers are not pre-approved offers or firm offers of credit.

All screen images are for illustrative purposes only.

# BNPL in California Regulation

## Point-of-Sale Lender Afterpay Agrees to Cease Illegal Loans, Pay Refunds in Settlement with the California Department of Business Oversight

Mar 16, 2020

[Download this press release \(PDF\)](#)

SACRAMENTO – The California Department of Business Oversight (DBO) today announced a [settlement](#) with point-of-sale lender Afterpay US, Inc. in which the company agreed to stop making illegal loans, refund \$905,000 to California consumers and pay more than \$90,000 in administrative fees.

The refunds represent all the fees Afterpay has collected from more than 640,000 Californians in so-called “buy now, pay later” transactions that the DBO concluded were illegal loans. Afterpay must issue refunds within 45 days. Consumers who believe they may be entitled to a refund should call Afterpay at 1-855-597-7368.

After an inquiry launched last year, the DBO concluded Afterpay had engaged in the business of a finance lender without obtaining a required license. Under the settlement, Afterpay will only make future loans or extensions of credit to California residents under a California Financing Law (CFL) license issued to its affiliate, Afterpay US Services, LLC.

Like other point-of-sale financiers, Afterpay targets young consumers who are unable to qualify for traditional financing options like credit cards. Consumers pay Afterpay 25 percent of the purchase price at the time of the purchase and the remainder in three equal installments. Merchants pay Afterpay a cut of each transaction and consumers pay Afterpay late fees if they miss a payment.

The DBO reached a similar settlement on Jan. 16 with another point-of-sale lender, Sezzle, which agreed to pay more than \$300,000 in refunds and penalties. In both cases, the DBO concluded purported credit sales made by the lenders’ merchant partners were not bona fide but, rather, were structured to evade otherwise applicable consumer protections.

The DBO licenses and regulates financial services, including state-chartered banks and credit unions, student loan servicers, money transmitters, securities broker-dealers, investment advisers, non-bank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, franchisors, and more.

# BNPL and TILA Creditor Definition

(14) **Credit** means the right to defer payment of debt or to incur debt and defer its payment....

(g) The term “creditor” refers only to a person who both (1) regularly extends, whether in connection with loans, sales of property or services, or otherwise, consumer credit which is ***payable by agreement in more than four installments or for which the payment of a finance charge is or may be required***, and (2) is the person to whom the debt arising from the consumer credit transaction is initially payable on the face of the evidence of indebtedness or, if there is no such evidence of indebtedness, by agreement.

# BNPL and TILA Finance Charge Definition

## Regulation Z

- (a) Definition. The **finance charge** is the cost of consumer credit as a dollar amount. It includes any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit. It does not include any charge of a type payable in a comparable cash transaction....
- (c) Charges excluded from the finance charge. The following charges are not finance charges:... (2) Charges for actual unanticipated late payment, for exceeding a credit limit, or for delinquency, default, or a similar occurrence.

# PayPal Business Credit



## Business financing options

Access to operating cash is essential, so we make it easy to apply for the funds you need. Choose from different financing and repayment options to fit your business needs.



### PayPal Working Capital<sup>1</sup>

Based primarily on your PayPal account history, a PayPal Working Capital business loan doesn't require a credit check.<sup>2</sup> These fixed-fee loans are automatically repaid with a percentage of each PayPal sale.<sup>3</sup>

[Learn more →](#)



### PayPal Business Loan<sup>1</sup>

Finance your business needs with a term loan based on the full picture of your business. Regular weekly payments are made automatically from your bank account, so you'll always know what to expect.

[Learn more →](#)

“We offer access to credit products for certain small and medium-sized merchants, which we refer to as our merchant lending offerings. Total merchant loans, advances, and interest and fees receivable outstanding, net of participation interest sold, as of December 31, 2020 and 2019 were \$1.4 billion and \$2.8 billion, respectively.”

<sup>1</sup> The lender for PayPal Business Loan and PayPal Working Capital is WebBank, Member FDIC.

<sup>2</sup> Subject to eligibility and credit approval, as determined by the lender WebBank, Member FDIC.

# PayPal is a Fee Generating Machine

## Sending and receiving money

When you send money (initiated from the "Friends and Family" tab of the "Send Money" flow) to, or receive money into your PayPal account from, friends and family without making an underlying commercial transaction (that is, the payment is not for the purchase of goods or services or for making any other commercial transaction), we call that a "personal transaction".

The rates relating to personal transactions are set out below.

### Sending domestic personal transactions

| Payment method                   | Fee                               |
|----------------------------------|-----------------------------------|
| PayPal balance or a bank account | No Fee                            |
| Cards                            | 2.90% + <a href="#">fixed fee</a> |
| Amex Send™ Account               | No Fee                            |

## Currency Conversions

For any of the following types of transactions involving a [currency conversion](#) by PayPal, the transaction exchange rate will also include a currency conversion spread.

### Converting payments in another currency

| Type of Transaction   | Currency Conversion Spread   |
|---|--|
| <ul style="list-style-type: none"><li>• Paying for goods or services in a currency other than the currency the goods or services are listed in.</li><li>• Sending money to a friend or family member such that they receive a different currency from the currency you pay in.</li><li>• Sending money using PayPal's Payouts or Mass Pay products such that your recipients receive a different currency from the currency you pay in.</li></ul> | 4.00%, or such other amount as may be disclosed to you during the transaction. |
| <ul style="list-style-type: none"><li>• All other transactions</li></ul>  | 3.00%, or such other amount as may be disclosed to you during the transaction. |

### Sending international personal transactions

| Payment method                   | Fee   |
|----------------------------------|---|
| PayPal balance or a bank account | 5.00% <ul style="list-style-type: none"><li>• A minimum fee of 0.99 USD</li><li>• A maximum fee of 4.99 USD</li></ul>                                     |
| Cards                            | 5.00% + 2.90% + <a href="#">fixed fee</a> <ul style="list-style-type: none"><li>• A minimum fee of 0.99 USD</li><li>• A maximum fee of 4.99 USD</li></ul> |
| Amex Send™ Account               | 5.00% <ul style="list-style-type: none"><li>• A minimum fee of 0.99 USD</li><li>• A maximum fee of 4.99 USD</li></ul>                                     |

**Fees charged in different currencies for sending payments:** We will collect the fee from balance in the currency in which the fee is listed. To do this, we may need to convert the fee amount from your sending balance into the currency in which the fee is listed, in which case the fees for ["Conversions in all other cases"](#) also apply.

### Receiving personal transactions

| Rate   |
|--|
| No fee (when no <a href="#">currency conversion</a> is involved) |

## Transfers Out of PayPal

You can typically transfer money out of PayPal by standard transfers to your linked bank account or eligible cards. A currency conversion (and [currency conversion fees](#)) may also apply.

Note: For additional listings of transfer rates out of business accounts, please visit our [PayPal Merchant Fees Page](#).

### Transferring balance from a personal PayPal account

| Transfer to  | Transfer Type   | Rate   |
|--------------|---|--|
| Bank account | Local Account   | No Fee (when no <a href="#">currency conversion</a> is involved)   |
|              | Instant <ul style="list-style-type: none"><li>• <a href="#">Withdrawal limits apply</a></li></ul>   | 1.00% of amount transferred <ul style="list-style-type: none"><li>• <a href="#">Maximum fees apply based on the card withdrawal currency, in the table below</a></li></ul> |
| Cards        | Instant <ul style="list-style-type: none"><li>• With eligible linked debit card</li><li>• <a href="#">Withdrawal limits apply</a></li></ul> | 1.00% of amount transferred <ul style="list-style-type: none"><li>• <a href="#">Maximum fees apply based on the card withdrawal currency, in the table below</a></li></ul> |
| Checks       | Have a paper check mailed to you  | 1.50 USD   |

# PayPal and Regulation 1/3

**Money Transmission.** In the U.S., PayPal, Inc. (a wholly-owned subsidiary) holds licenses to operate as a money transmitter (or its equivalent) in the states where such licenses are required, as well as in the District of Columbia and certain territories. These licenses include not only the PayPal branded products and services offered in these locations, but also our Venmo, Hyperwallet and Xoom products and services to the extent offered in these locations.

As a licensed money transmitter, PayPal is subject to, among other requirements, restrictions with respect to the investment of customer funds, reporting requirements, bonding requirements, and inspection by state regulatory agencies. In certain cases, these licenses also generally cover PayPal's service enabling customers to buy, hold, and sell cryptocurrency directly from their PayPal account, which is currently available only in the U.S. In the State of New York, PayPal has obtained a conditional virtual currency license from the New York Department of Financial Services to offer cryptocurrency services in the state in partnership with Paxos Trust Company.

In addition, financial services regulators in various jurisdictions, including the U.S. and the European Union ("EU"), have implemented authentication requirements for banks and payment processors intended to reduce online fraud, which could impose significant costs, make it more difficult for new customers to join PayPal, and reduce the ease of use of our products.

**Banking Agency Supervision.** We serve our customers in the EU through PayPal (Europe) S.à.r.l. et Cie, SCA, a wholly-owned subsidiary that is licensed and subject to regulation as a bank in Luxembourg by the CSSF. Consequently, we must comply with rules and regulations of the European banking industry, including those related to capitalization, funds management, corporate governance, anti-money laundering, disclosure, reporting, and inspection. In addition, based on our relationships with our partner financial institutions, we are, or may be, subject to indirect regulation and examination by these financial institutions' regulators.

# PayPal and Regulation 2/3

**Lending Regulation.** PayPal's U.S. consumer short-term installment loan product is subject to state lending laws (some of which require licensure and/or state regulator notification), state collection laws, as well as compliance with the Equal Credit Opportunity Act and Regulation B as implemented by the Consumer Financial Protection Bureau (the "CFPB") and other applicable laws and regulations.

**Consumer Financial Protection Bureau.** The CFPB has significant authority to regulate consumer financial products in the U.S., including consumer credit, deposits, payments, and similar products. As a large market participant of remittance transfers, the CFPB has direct supervisory authority over our business. The CFPB and similar regulatory agencies in other jurisdictions may have broad consumer protection mandates that could result in the promulgation and interpretation of rules and regulations that may affect our business.

**Anti-Money Laundering, Counter-Terrorist Financing, and Sanctions.** PayPal is subject to anti-money laundering ("AML") laws and regulations in the U.S. and other jurisdictions, as well as laws designed to prevent the use of the financial systems to facilitate terrorist activities. Our AML program is designed to prevent our Payments Platform from being used to facilitate money laundering, terrorist financing, and other illicit activities, or to do business in countries or with persons and entities included on designated country or person lists promulgated by the U.S. Department of the Treasury's Office of Foreign Assets Controls ("OFAC") and equivalent authorities in other countries. Our AML and sanctions compliance programs, overseen by our AML/Bank Secrecy Act Officer, is composed of policies, procedures, and internal controls, and is designed to address these legal and regulatory requirements and assist in managing money laundering and terrorist financing risks.



# PayPal and Regulation 3/3

**Interchange Fees.** Interchange fees associated with four-party payments systems are being reviewed or challenged in various jurisdictions. For example, in the EU, the Multilateral Interchange Fee (“MIF”) Regulation caps interchange fees for credit and debit card payments and provides for business rules to be complied with by any company dealing with payment card transactions, including PayPal. As a result, the fees that we collect in certain jurisdictions may become the subject of regulatory challenge.

**Data Protection and Information Security.** We are subject to a number of laws, rules, directives, and regulations (“privacy and data protection laws”) relating to the collection, use, retention, security, processing, and transfer (collectively, “processing”) of personally identifiable information about our customers, our merchants’ customers, and employees (“personal data”) in the countries where we operate. Our business relies on the processing of personal data in many jurisdictions and the movement of data across national borders. As a result, much of the personal data that we process, which may include certain financial information associated with individuals, is subject to one or more privacy and data protection laws in one or more jurisdictions. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between or among us, our subsidiaries, and other parties with which we have commercial relationships. ...In the U.S., we are subject to privacy and information safeguarding requirements under the Gramm-Leach-Bliley Act as well as the California Consumer Privacy Act, which requires privacy protections comparable to those afforded by the GDPR, as well as the maintenance of a written, comprehensive information security program.

# Venmo

venmo

Send & Receive ▾

Pay with Venmo ▾

Venmo for Business ▾

Log in

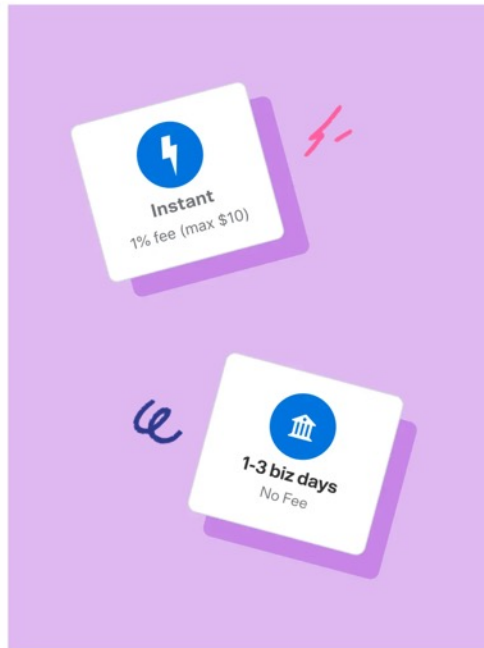
 Get Venmo



## Spending it? Venmo it.

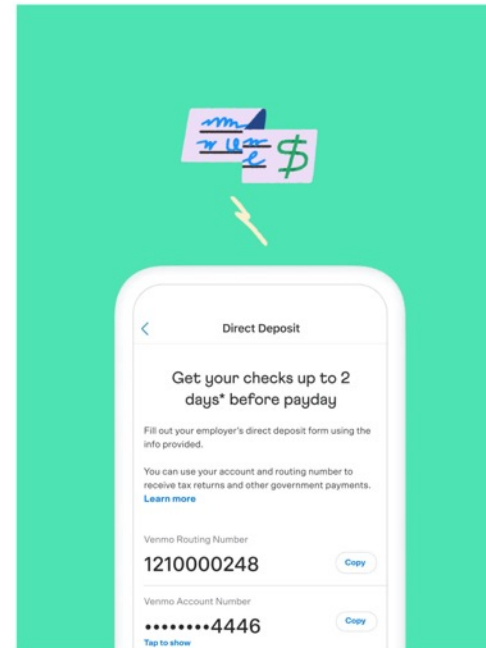
Morning coffee at your local go-to? Use the Venmo app. Ordering takeout? Pay with Venmo on Uber Eats, and many of your other favorite apps. Or pull out the Venmo Debit Card to shop in stores — and earn cashback, too. [Terms apply.](#)<sup>1</sup>

# Venmo



## Manage your Venmo money

Move money between Venmo and your bank account, so your cash is exactly where you want it, when you want it.\*



## Direct Deposit

Get paychecks sent right into your Venmo account, up to two days earlier than your usual payday.<sup>1</sup> Score!

[Learn more](#)

# Venmo Promotes No Fees

It costs nothing to send or receive money using what's in your Venmo account or bank account.

[Learn more](#)

**\$0**

To sign up

**\$0**

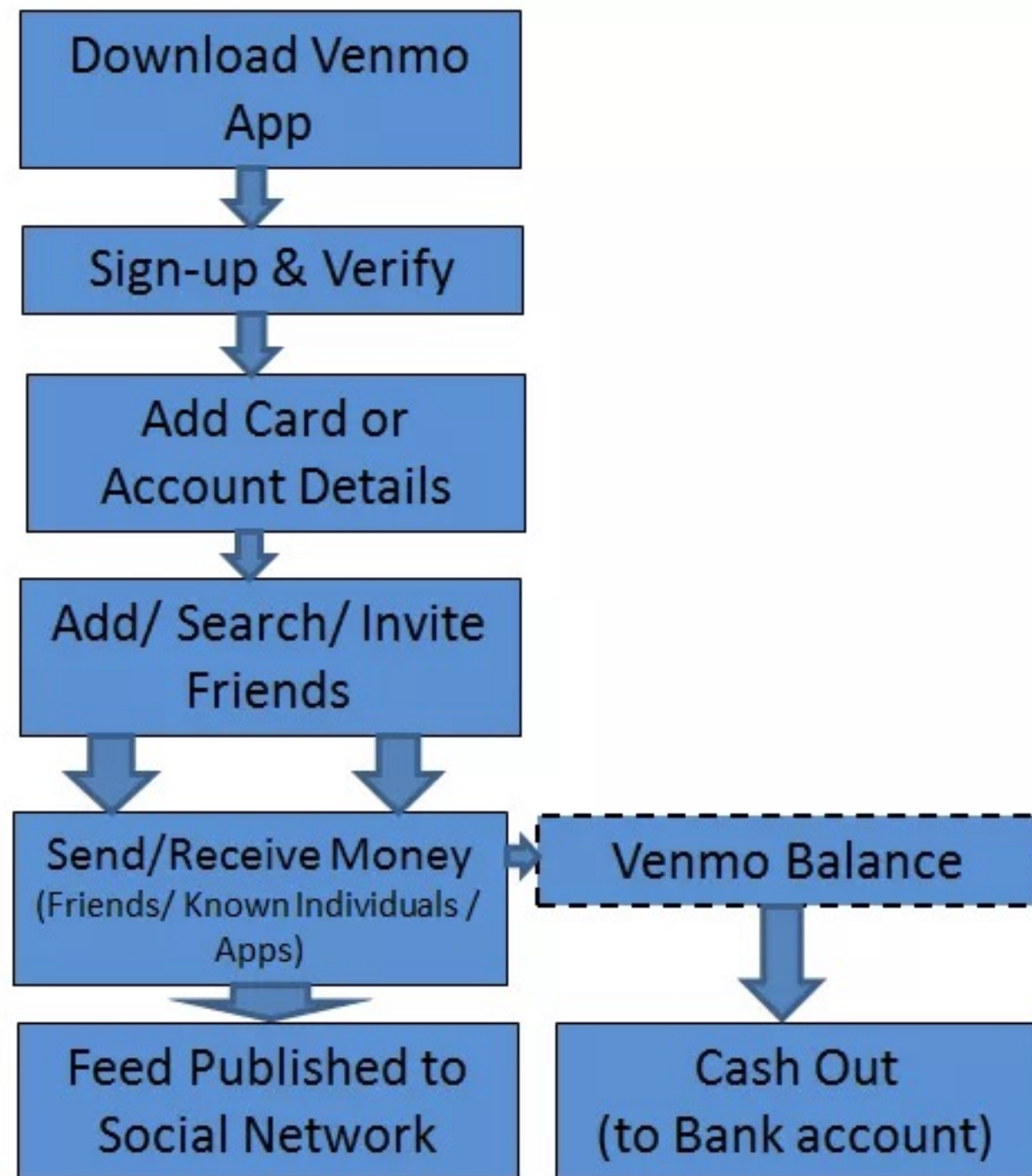
To send money\*

**\$0**

Monthly fees

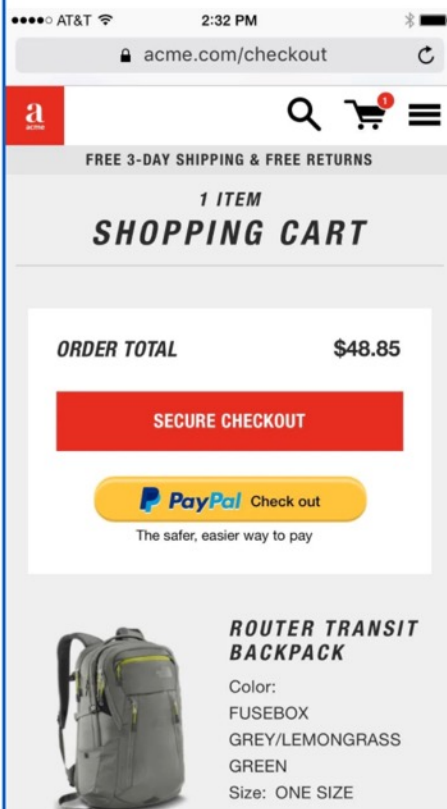
\*Venmo does not charge for sending money from a linked bank account, debit card, or your Venmo account. There is a 3% fee for sending money using a linked credit card.

***venmo***

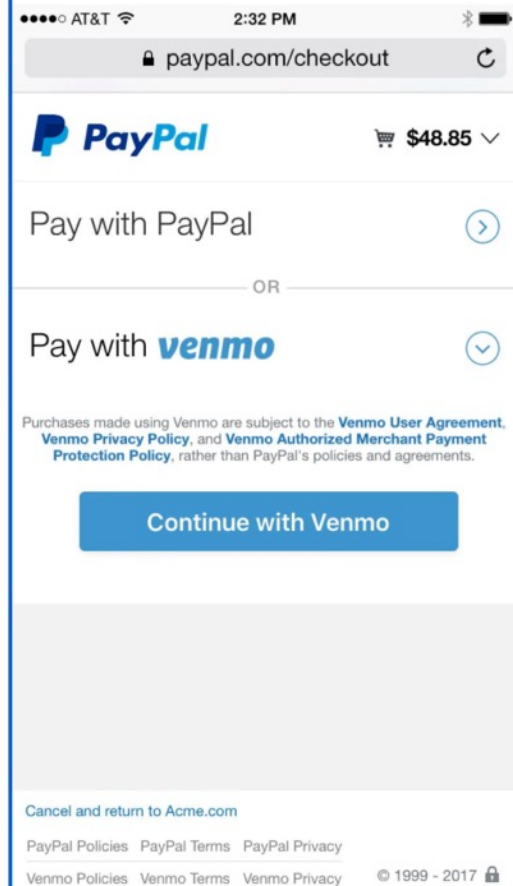


# Venmo at Checkout

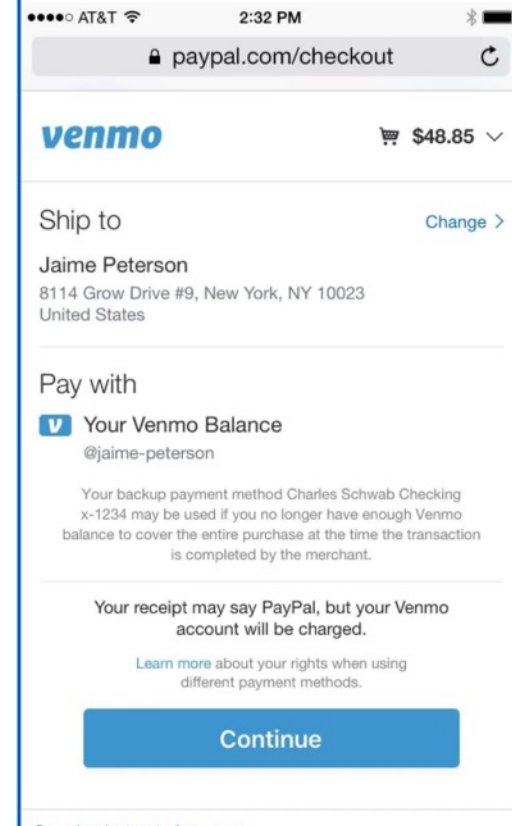
## 1. Customer selects the PayPal payment button:



## 2. Venmo payment option is presented:



## 3. Venmo payment is made:

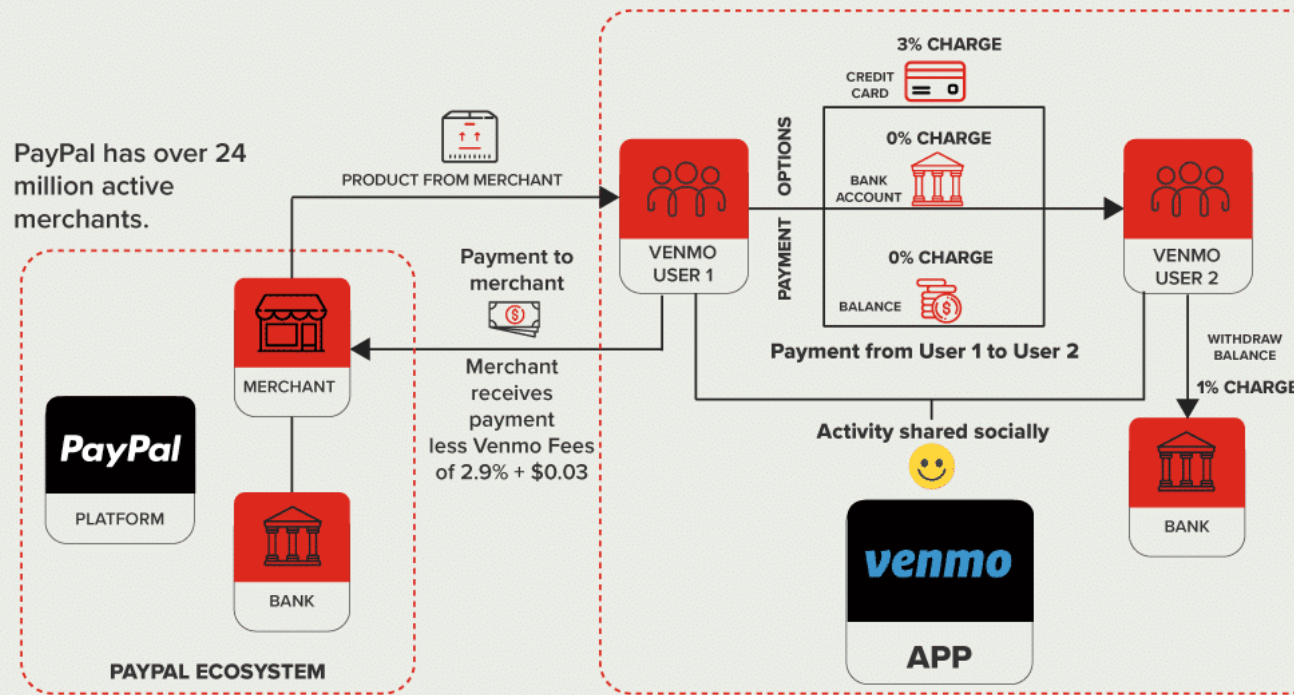


# How Does Venmo Make Money



## HOW VENMO MAKES MONEY

A visual explanation





# Venmo Fees

| Monthly Fee  | Per purchase | ATM withdrawal                             | Cash reload              |
|--|--------------|--|--------------------------|
| \$0  | \$0          | \$0.00 in-network<br>\$2.50 out-of-network | N/A                      |
|  |              |  |                          |
| ATM balance inquiry (in-network or out-of-network)             |              |  | \$0                      |
| Customer service (automated or live agent)                     |              |  | \$0                      |
| Inactivity   |              |  | \$0                      |
| <b>We charge 5 other types of fees.</b> Here are some of them: |              |  |                          |
| Electronic withdrawal (standard or Instant)                    |              |  | \$0 or 1%* (min. \$0.25) |
| Sending money to people (balance/debit/bank or credit)         |              |  | \$0 or 3%                |

\* This fee can be lower depending on how this account is used.

**You may be offered overdraft/credit after 30 days. Fees would apply.**  
Your funds are eligible for FDIC insurance if you added money to your Venmo balance using Direct Deposit or the cash a check feature.

For general information about prepaid accounts, visit [cfpb.gov/prepaid](https://cfpb.gov/prepaid).  
Find details and conditions for all fees and services in the Venmo Account Long Form, which can be accessed at [venmo.com/resources/our-fees](https://venmo.com/resources/our-fees).

|  |        |   |
|--|--------|---|
| Online purchases   | \$0.00 | No fee for online purchases.  |
|  |        |   |
| Sending money to people (using your credit card)             | 3%     | There's a fee for sending money to people using your credit card.                     |
|  |        |   |
| Sending money to people (using your balance/debit card/bank) | \$0.00 | No fee to send money to people using your Venmo balance, debit card, or bank account. |

## Transferring money from your account

|  |   |   |
|--|---|---|
| Electronic withdrawal (standard)         | \$0.00                                    | No fee to transfer money from your Venmo account to your bank account with the standard option. The money is typically available in 1-3 business days.                                    |
|  |   |   |
| Electronic withdrawal (Instant Transfer) | 1% (minimum \$0.25 fee, maximum \$10 fee) | There's a fee to transfer money from your Venmo account to your eligible linked debit card or bank account with the Instant Transfer option. The money is typically available in minutes. |



# Venmo—Insurance on Balances

- When you add money to your Venmo balance using Direct Deposit or remote check capture, Venmo will deposit all funds held in your Venmo balance into one or more custodial accounts we maintain for the benefit of Venmo account holders at one or more FDIC member banks (currently Wells Fargo Bank, N.A. or The Bancorp Bank), and the funds in your Venmo balance will be eligible to be insured by the FDIC up to the standard maximum deposit insurance amount (currently \$250,000).
- FDIC pass-through insurance helps protect you against the risk of loss of your funds should the FDIC-insured bank where we deposit your funds fail. If one of the banks in which we have deposited your funds fails, your funds would be eligible to be insured by the FDIC up to the standard maximum deposit insurance amount (currently \$250,000). This limit applies per depositor and ownership capacity, not per account. When determining your coverage limit, the FDIC will add the funds in your eligible Venmo account to amounts you hold in the same ownership capacity in other accounts at the same bank.
- **If funds are received in your Venmo account other than through Direct Deposit or remote check capture, there might be a delay between the time that funds are credited to your Venmo account and when we actually transfer those funds to one of the custodial bank accounts. Your Venmo balance funds might not be eligible for the benefits of FDIC pass-through insurance coverage during this period, although we will still be holding the funds as your agent and custodian. You will not receive interest or any other earnings on funds held in these custodial bank accounts and you agree that any interest that may be earned on funds in a custodial bank account are owned by Venmo.**
- **FDIC pass-through insurance does not protect you against the risk of our insolvency. We believe that, in the unlikely event of our insolvency, funds that we have on deposit in a custodial account for the benefit of our account holders should not be included in our bankruptcy estate and should be protected from claims by our creditors. Additionally, even if funds in your Venmo balance (whether held by us or held in a custodial account) are eligible for FDIC pass-through insurance and may be protected from claims by our creditors in the unlikely event of our insolvency, it is possible that you will not have access to those funds while court or other legal proceedings to determine ownership of the funds are ongoing.**

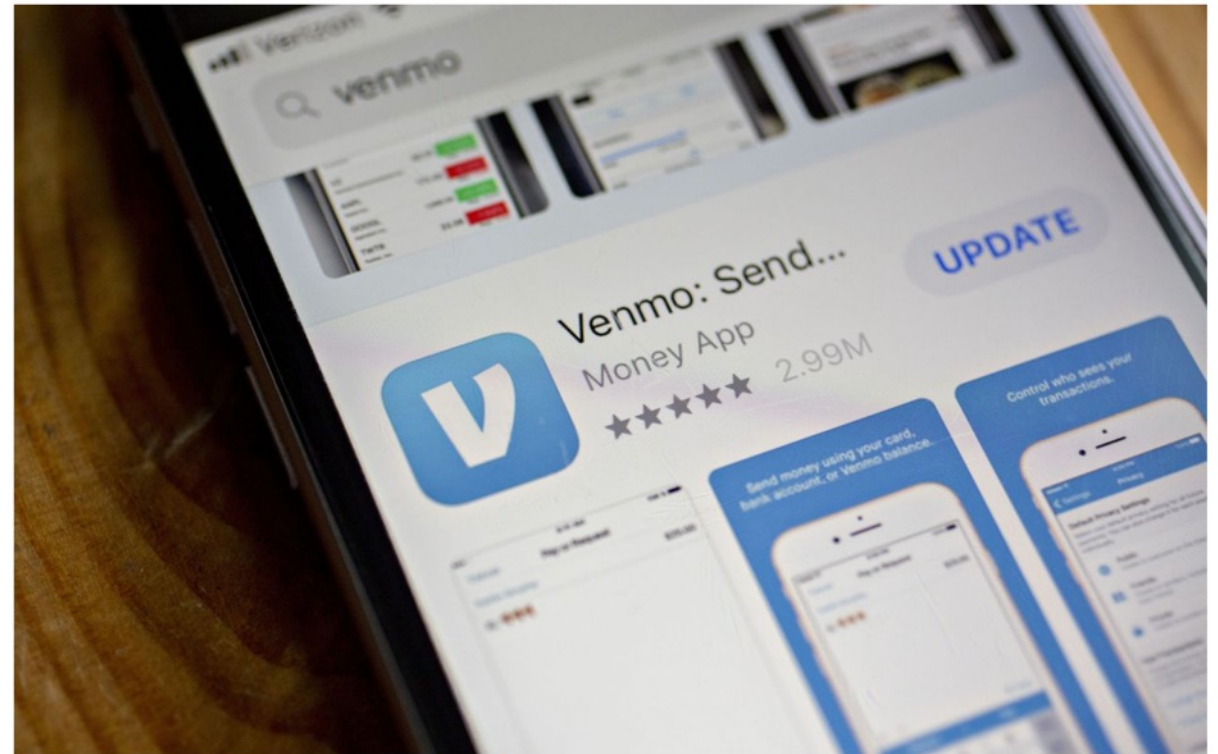
# Recent Venmo News

- PayPal received a “Civil Investigative Demand” from the CFPB related to Venmo’s unauthorized funds transfers and collections processes, and related matters.
- Venmo’s debt-collection tactics were the subject of articles in The Wall Street Journal in 2019 and 2020.
- The company has threatened to dispatch debt collectors on users who overdraw their accounts, even when those users are victims of scams, The Journal previously reported. Venmo continued its aggressive collection efforts during the coronavirus pandemic.
- Transactions appear instantaneous in the Venmo app, but it can actually take a day or more for the money to leave the sender’s bank account.
- Venmo often fronts the payment to the recipient, who can then send the money to others on Venmo or pay a small fee to transfer it to their bank account in a few minutes.
- If a user sends money over Venmo to a scammer who immediately withdraws it, or if a sender’s bank stops a transaction before it is settled, Venmo can be left holding the bag.

MARKETS

## Venmo’s Debt-Collection Practices Probed by CFPB

The payment app’s tactics—including threatening to send debt collectors after customers who are scam victims—are under scrutiny



About \$47 billion was transferred via Venmo in the fourth quarter, roughly a 60% increase from the year before.

# PayPal Cash Account (essentially Venmo)

## Available Features of Cash Accounts

As described in more detail below, here are some of the things you can do with a PayPal Cash account:

- Receive money;
- Hold money;
- Convert money from one currency to another;
- Set goals for managing the money in your PayPal Cash account;
- Withdraw money from your PayPal Cash account to a debit card or bank account linked to your personal PayPal account;
- Transfer money for purchases of goods and services;
- Send money to friends and family; and
- Buy, sell, and hold certain cryptocurrencies if eligible.

If you have a PayPal Cash Plus account, you can do all of the things you can do with a PayPal Cash account, plus the following:

- Make in-store purchases using a PayPal-branded debit card linked to your PayPal Cash Plus account;
- Transfer money into and out of your PayPal Cash Plus account at ATMs using a PayPal-branded debit card;
- Set up Direct Deposit of funds into your PayPal Cash Plus account;
- Load cash into and withdraw funds from your PayPal Cash Plus account at several retail stores throughout the U.S.; and
- Transfer proceeds from checks into your PayPal Cash Plus account using our remote check capture feature.

## Holding Funds in Your Cash Account

Any balance in your Cash account represents an unsecured claim against PayPal.

Funds held in a PayPal Cash account are eligible for Federal Deposit Insurance Corporation (FDIC) pass-through insurance, but only if you have established Goals in your PayPal Cash account.

Funds held in a PayPal Cash Plus account are eligible for FDIC pass-through insurance, but only if you have a PayPal Cash Card debit card, have enrolled in Direct Deposit, or have established Goals in your PayPal Cash Plus account.

If your Cash Account is not eligible for FDIC pass-through insurance, PayPal combines your Cash Account balance with the balances of other Cash Account holders and invests those funds in liquid investments in accordance with state money transmitter laws. PayPal owns the interest or other earnings on these investments. However, the claim against PayPal represented by your Cash Account balance is not secured by these investments and you do not have any ownership interest (either legal or beneficial) in these investments. These pooled amounts are held apart from PayPal's corporate funds, and PayPal will neither use these funds for its operating expenses or any other corporate purposes nor will it voluntarily make these funds available to its creditors in the event of bankruptcy.

If your Cash Account is eligible for FDIC pass-through insurance, PayPal will hold these funds as your agent and custodian, and you will be the ultimate beneficial owner of the funds. PayPal will deposit your funds into one or more custodial accounts we maintain for the benefit of Cash Account holders at one or more FDIC-insured banks. FDIC pass-through insurance protects you against the risk of loss of your U.S. dollar deposits (up to the applicable FDIC insurance limits) should the FDIC-insured bank where we deposit your funds fail. FDIC pass-through insurance does not apply to funds held in any non-U.S. dollar currencies. There might be a short delay between the time that funds are credited to your Cash Account balance and when we transfer those funds into one of the custodial accounts. During this period and before the funds are transferred, they might not be eligible for pass-through FDIC insurance, although we will still be holding the funds as your agent and custodian.

Your Cash Account balance may be held in currencies other than U.S. dollars. You are responsible for all risks associated with maintaining multiple currencies in a Cash Account. You may not manage multiple currencies for speculative trading purposes, conversion arbitrage, conversion options, or any other activity that PayPal determines is primarily for the purpose of gaining or making money based on currency conversion rates. PayPal may hold, cancel, or reverse any transaction we determine to violate this policy.

You can also use your Cash Account to hold certain cryptocurrencies if eligible. Cryptocurrency eligibility and other specific terms and conditions can be found in the [PayPal Cryptocurrencies Terms and Conditions](#).

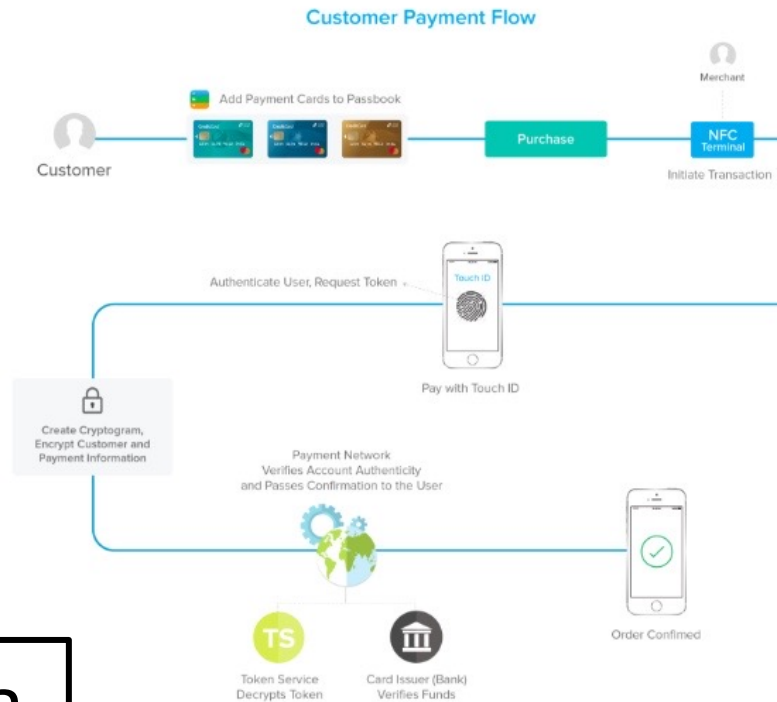
Contactless  
payment with  
iPhone



Uses Near Field  
Communication  
(NFC) to connect  
your device and  
the payment  
terminal.

Apple Pay  
Mobile  
Wallet

Tokenized data  
for security

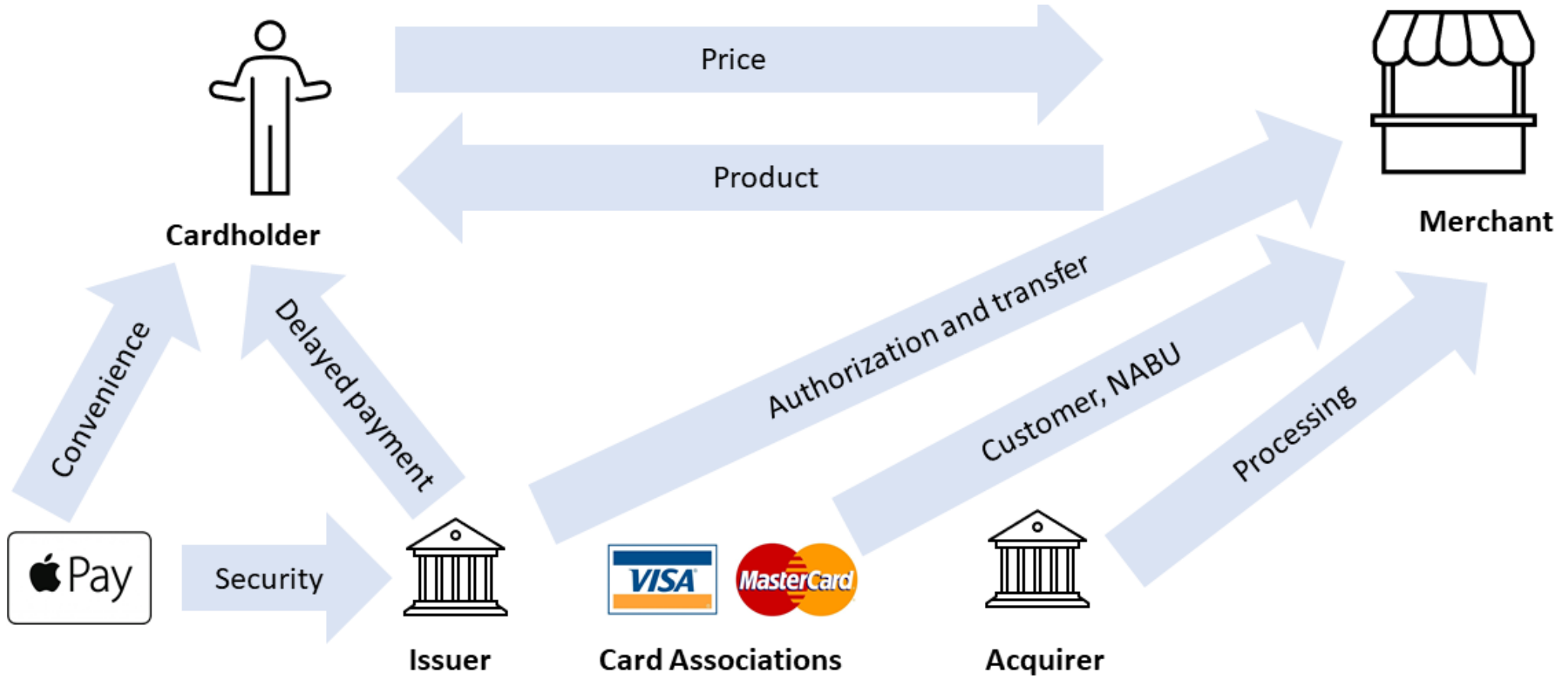


Processed like  
other card  
payments

# Apple Pay Ecosystem

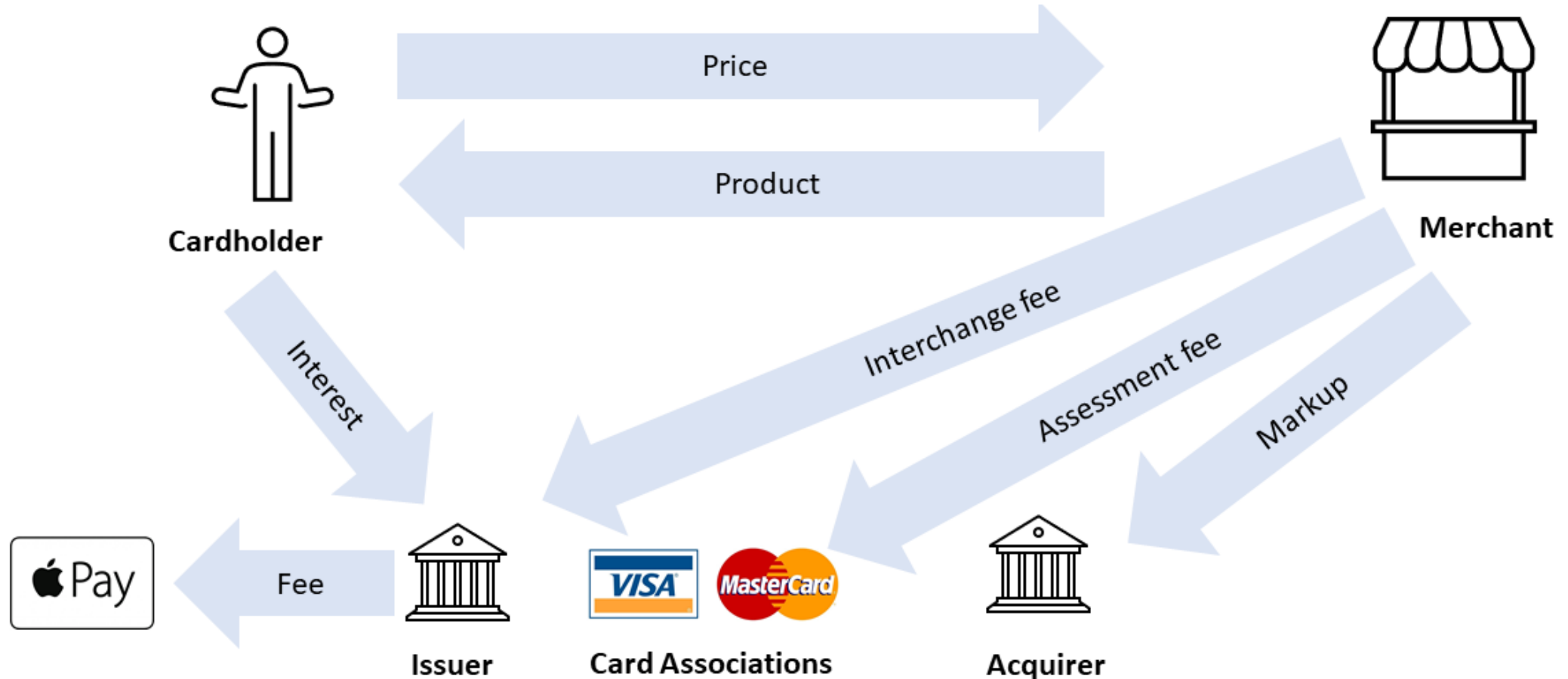


# Apple Pay Flows





# Apple Pay Monetization



Part of the interchange fee is passed on by the issuer to Apple Pay, because the cost of fraud and theft of credit cards will be lower when cardholders use Apple Pay. Apple takes 0.15% of the transaction in the USA but much less in Europe, because the interchange fee in the EU is much lower than in the USA. A reasonable estimate is that world-wide revenue of Apple Pay is about US\$1B in 2020.

# Apple Pay Strategy (per Roel Werlinga)

“We could identify four strategic reasons for Apple to move to Apple Pay.

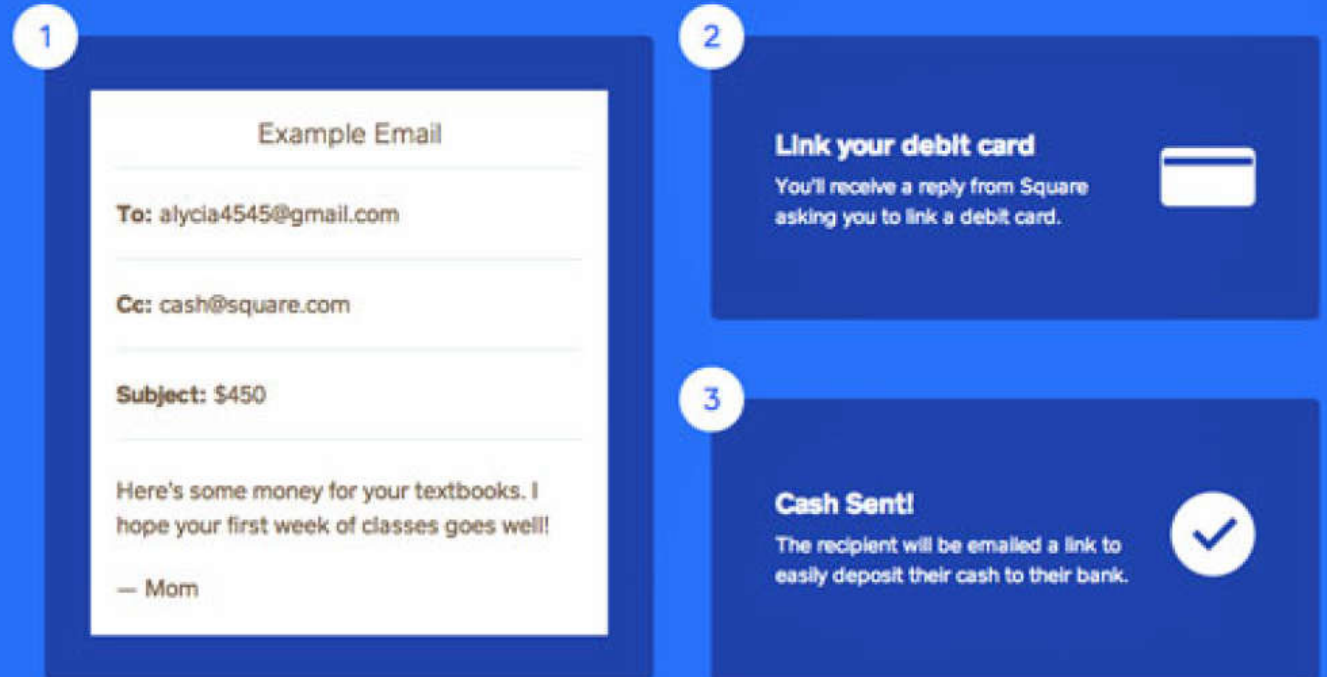
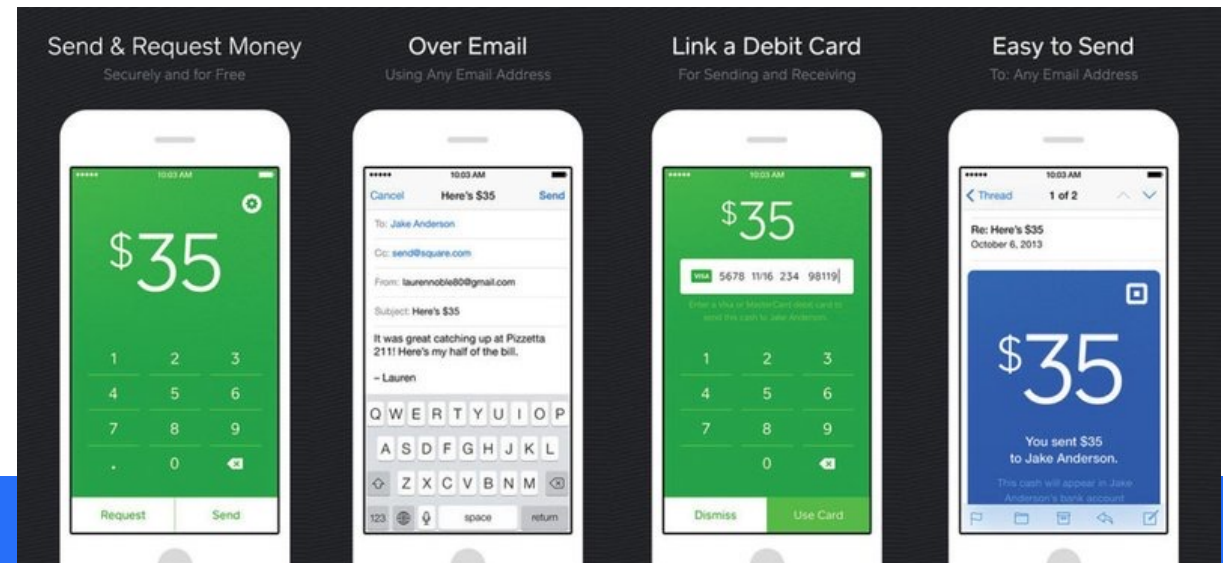
- Apple is still primarily a hardware company. The convenience of Apple Pay may cause more consumers to buy an iPhone, Apple Watch or other Apple device. And it will motivate their existing users to keep using an iPhone.
- Merchants will display the Apple logo on a point-of-sale terminal next to credit card logos. This turns Apple into a payment brand as strong as that of the credit card associations, recognized by both Apple and non-Apple users.
- In addition to gaining the hearts and minds of consumers, Apple Pay has gained Apple a place in the financial ecosystem consisting not only of consumers, merchants, banks and card associations, but also of standards organizations, regulators, hardware providers and data processing providers.
- Within this ecosystem, Apple has gained leverage over issuers. Apple Pay provides security to issuers by encrypting (“tokenizing”) the card on the iPhone. Without this, Apple Pay cannot be used. This gives Apple the leverage to demand the 0.15% fee that issuers have to pass on to Apple Pay.
- Apple Pay is a first step into the payment ecosystem that opens the door to much more.”



# Square Cash



- Simple means for P2P payments
- Use Cashtag#, phone or email address
- Runs on debit card rails
- Can get almost immediate funding if pay for it (1%-1.5% fee)
- Money is uninsured, although Square is sweeping some to FDIC insured banks



# Cash App Fees



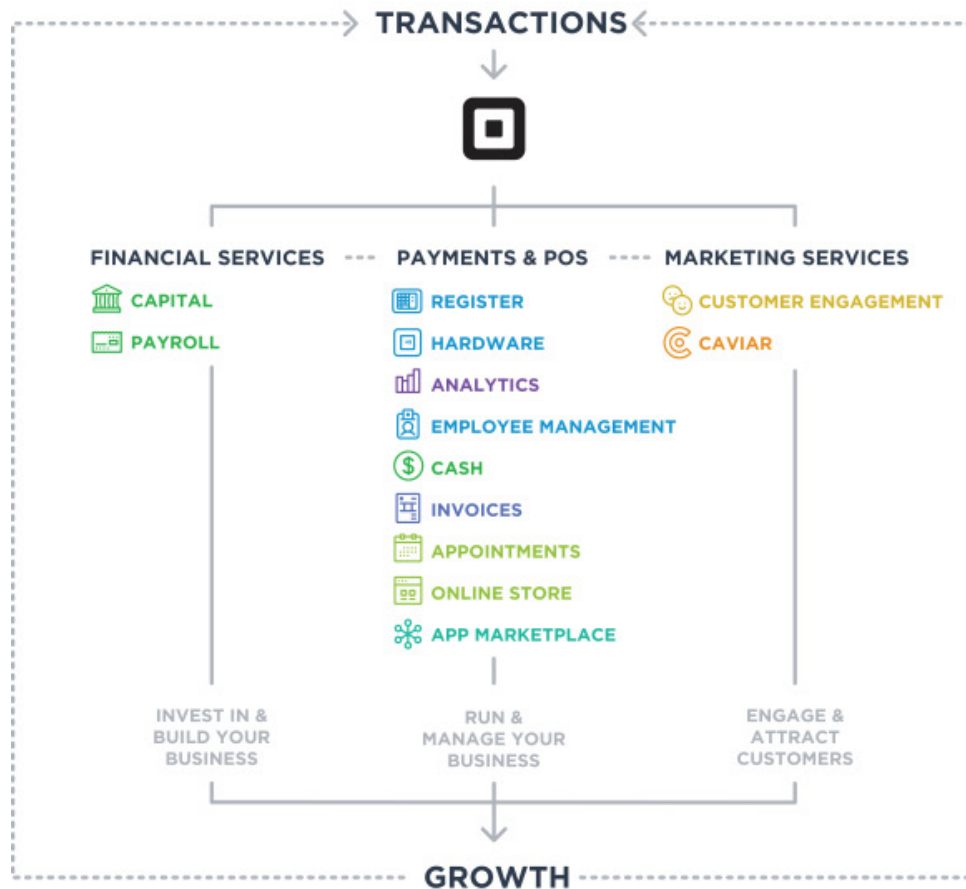
## Cash App fees and time print

| Cash App Fees                        |  |
|--------------------------------------|--|
| Monthly service                      | \$0  |
| Per purchase                         | \$0  |
| ATM withdrawal                       | \$2  |
| Inactivity                           | \$0  |
| Send money from credit card          | 3% of transaction amount                                       |
| Instant deposit to your bank account | 1% or 1.50% of transaction amount                              |
| Cash App Investing                   | \$0  |
| Investing commissions                | \$0  |
| Bitcoin purchases and sales          | Service fee per transaction<br>Potential additional market fee |

# Square Cash Within Square/Block



## The Square Ecosystem



# Cash Account

## 4. Treatment of Funds

*Square will not mix your funds with Square's corporate funds. Your funds will be held in pooled bank accounts with the funds of other Cash App customers.*

If you do hold funds in your Cash App Balance, Square will hold such funds separate from its corporate funds, will not use your funds for any corporate purposes, nor will Square voluntarily make your funds available to its creditors in the event of bankruptcy. Square will combine your funds with the funds of other users and place those pooled accounts in one or more bank accounts in Square's name.

## Details about your Cash App Account

|                       |     |
|-----------------------|-----|
| Monthly Fee           | \$0 |
| Per Purchase Fee      | \$0 |
| ATM Cash Out          | N/A |
| Cost to Add Cash      | \$0 |
| ATM Balance Inquiries | N/A |
| Customer Service      | \$0 |
| Inactivity            | \$0 |

### **We charge two other types of fees.**

Send from Credit Card: 3%

Instant Deposit: 1% or 1.5%

### **We currently do not offer overdraft or credit features.**

FDIC insurance is not available at this time.

# Cash App Product Extensions

- In 2018, Square added the ability to buy and sell bitcoin, as well as transferring it to a digital wallet, all without the transaction times and costs associated with bitcoin marketplaces.
- It has since become the leading source of revenue for Cash App, accounting for 72 percent of its revenue in the second quarter of 2020. Square made “negligible” revenue in the first few years, according to chief financial officer Amrita Ahuja, but in the past two has recorded significant revenue growth, primarily because of the introduction of bitcoin.
- It also launched zero commission stock trading inside the Cash App, putting it in direct competition with Robinhood. **It's clear that Square wants Cash App to be more than simple payment tool, but a hub for all financial interests – all it needs now are the typical bank services: loans, mortgages and savings.**

# Cash App Profit

## Cash App Profit

|         |               |
|---------|---------------|
| Q1 2018 | \$27 million  |
| Q2 2018 | \$38 million  |
| Q3 2018 | \$51 million  |
| Q4 2018 | \$78 million  |
| Q1 2019 | \$85 million  |
| Q2 2019 | \$105 million |
| Q3 2019 | \$123 million |
| Q4 2019 | \$144 million |
| Q1 2020 | \$183 million |
| Q2 2020 | \$281 million |

Source: [Square](#)

## Cash App Bitcoin Revenue

|         |               |
|---------|---------------|
| Q3 2018 | \$43 million  |
| Q4 2018 | \$52 million  |
| Q1 2019 | \$65 million  |
| Q2 2019 | \$125 million |
| Q3 2019 | \$146 million |
| Q4 2019 | \$178 million |
| Q1 2020 | \$306 million |
| Q2 2020 | \$875 million |

Sources: [CNBC](#), [Coin Telegraph](#), [Coindesk](#)

# Square for Business



- How it Works
  - Square in Merchant Processor for Small Business
  - Square Puts Funds from its Merchant Processing (credit/debit) for Customer into uninsured Square “Account”(Square Cash)
  - Customer Uses Debit Card Issued by Square Cash Partner Bank to Spend Money in Uninsured Account
  - Account Has No Deposit Insurance, but Customer Can Send Money Periodically to a Connected Bank Account
  - Basically Free, but Square Gets Customer Spend Data and Interchange Split
  - Cuts Former Relationship Bank Out of the Picture
- Issues: Lack of Deposit Insurance, Revenue Sharing, Durbin Interchange



## Why Square's Expanding Ecosystem Threatens Banking's Future

**SUBSCRIBE NOW** GET THE FINANCIAL BRAND NEWSLETTER FOR FREE - **SIGN UP NOW**

What started with a little plastic 'dongle' and an app for mobile card payments quickly morphed into a multi-pronged challenge not only in small business payments, but lending and P2P. Here's why Square is such a formidable competitor to banks and credit unions already, even before its ILC charter takes effect, which could propel it further into retail banking territory.

MARKETS

## Square Receives FDIC Approval, Aims to Open a Bank By 2021

CONTRIBUTOR

Zacks Equity Research — [Zacks](#)

PUBLISHED

MAR 20, 2020 10:27AM EDT

# Banking on the future of business

Square Financial Services will serve as the engine to power new, improved banking products — we're just getting started. Coming 2021.

Enter your email address.



Join the waitlist

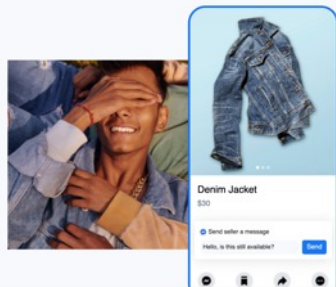
# Facebook Pay

Facebook Pay is an easy, secure way to pay in more places than ever



## Facebook Pay on Facebook

[Learn More](#)



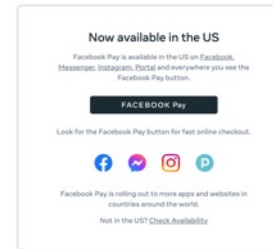
### See it, buy it

Make purchases from your favorite available on Facebook Shops or buy items from the people in your community on Marketplace.

- + Show you care
- + Share experiences

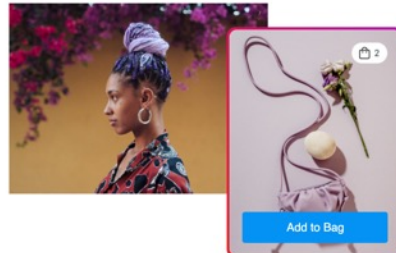
Send money, shop or donate on the apps you already use.

Now check out quickly when shopping online.



## Facebook Pay on Instagram

[Learn More](#)



### Shop the latest

When a brand or creator posts something you love, buy it without leaving the Instagram app.

- + Show you care

# FACEBOOK Pay

Speed through online checkout

[Learn More](#)

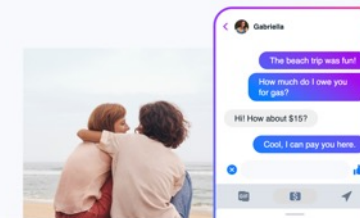


When you tap the Facebook Pay button, it loads your saved payment, shipping, and contact information automatically, so you can check out quickly.

Now to Facebook Pay? Add a payment method without leaving the checkout experience.

## Facebook Pay on Messenger

[Learn More](#)



### Send money while you chat

Transfer money to friends and family as easily as sending a message, with no fees and without interrupting your conversation.

# Facebook Pay

- Mobile Wallet
- Debit Card to Debit Card P2P to Facebook Friends
- Credit Cards and PayPal
- Simple to Use
- Allow Payments Within FB Platforms:
  - In the US, it can be used in Facebook, Messenger, and Instagram
- Free, **Funded by Advertising**

## FACEBOOK Pay



### How do I send or receive money in Messenger?

[Messenger for Android](#) [Messenger for Desktop](#) [Mobile Help](#) [Share Article](#)

Only use Messenger to transfer money to trusted friends and family. Marketplace purchases paid through Messenger do not qualify for purchase protection.

#### Desktop (messenger.com):

To send money:

- 1 Start a message with the person you want to send money to.
- 2 Click  then  and enter the amount you want to send.
- 3 Click **Pay** or click **Next** if you haven't added a debit card to your account and follow the onscreen instructions.


To receive money:

If you've already added a debit card to your account, any money sent to you is automatically completed and you don't have to do anything.

To add a debit card to your account:

- 1 From the Messenger homepage, open the conversation containing the money.
- 2 Click **Add Debit Card** and follow the onscreen instructions.

Keep in mind your bank may take up to 3 business days to make the money available to you.

If the  sign in messages is grayed out or missing, or you don't have access to Payments in messages, please complete this form.

# FACEBOOK Pay





With Facebook Pay, making payments is simple

[Frequently Asked Questions](#) ↓

Availability varies by country



## Latest Transactions

|   |           |         |
|---|-----------|---------|
|  | Facebook  | \$20.45 |
|  | Messenger | \$40.00 |
|  | Instagram | \$53.98 |
|  | WhatsApp  | \$7.72  |



## How does Facebook Pay work?

Facebook Pay is a seamless and secure way to make payments on Facebook, Instagram, Messenger, and WhatsApp. You enter your payment account information once and then use Facebook Pay across the apps. A PIN or device biometrics can be added to secure individual payments. Facebook Pay is also a way to view payment history, manage payment information, and access customer support. Facebook Pay is available in the US on Facebook and Messenger and is rolling out on Instagram. It will continue to roll out to other apps and countries, bringing this service to more people over time. [Check Facebook Pay's availability where you live.](#)

# Facebook Pay

FACEBOOK Pay

- Facebook--“Facebook Pay is part of our ongoing work to make commerce more convenient, accessible and secure for people on our apps. And in doing so, we believe we can help businesses grow and empower people everywhere to buy and sell things online. ”
- Translation: The Verge—“Keeping Facebook users inside [Facebook, Messenger, and Instagram] for payments, rather than having them slip out to use Apple Pay, Google Pay, Venmo, PayPal, Zelle, or other digital currency platforms, **will help the company’s advertising bottom line.**
- “As payments grow across Messenger and WhatsApp, and as we’re able to roll that out in more places, I think that that will only grow as a trend,” Facebook CEO Mark Zuckerberg said on the company’s latest earnings call...”

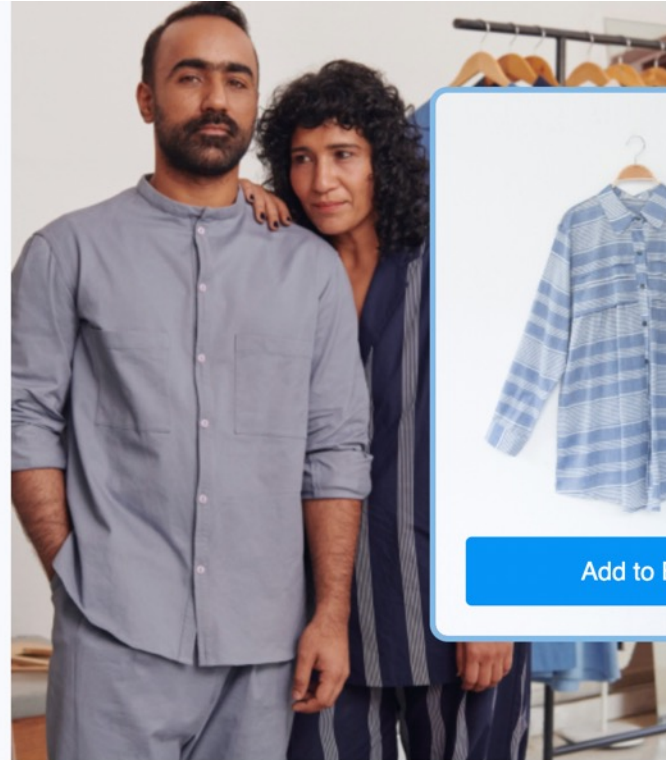


# Facebook Pay Ambition—The World Outside the Walled Garden

## Facebook Pay can help your business grow

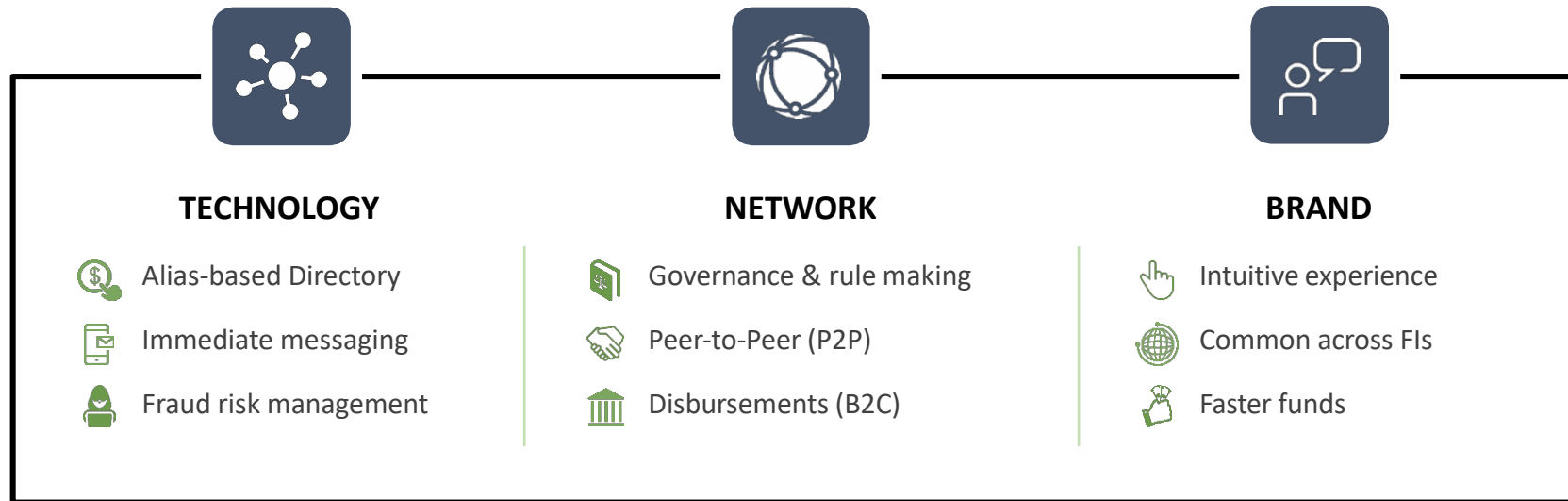
Accept payments easily and quickly with Facebook Pay. Whether you're a global brand, a small business or an individual seller, Facebook Pay can help support your business.

[Learn More](#)



# What is Zelle®?

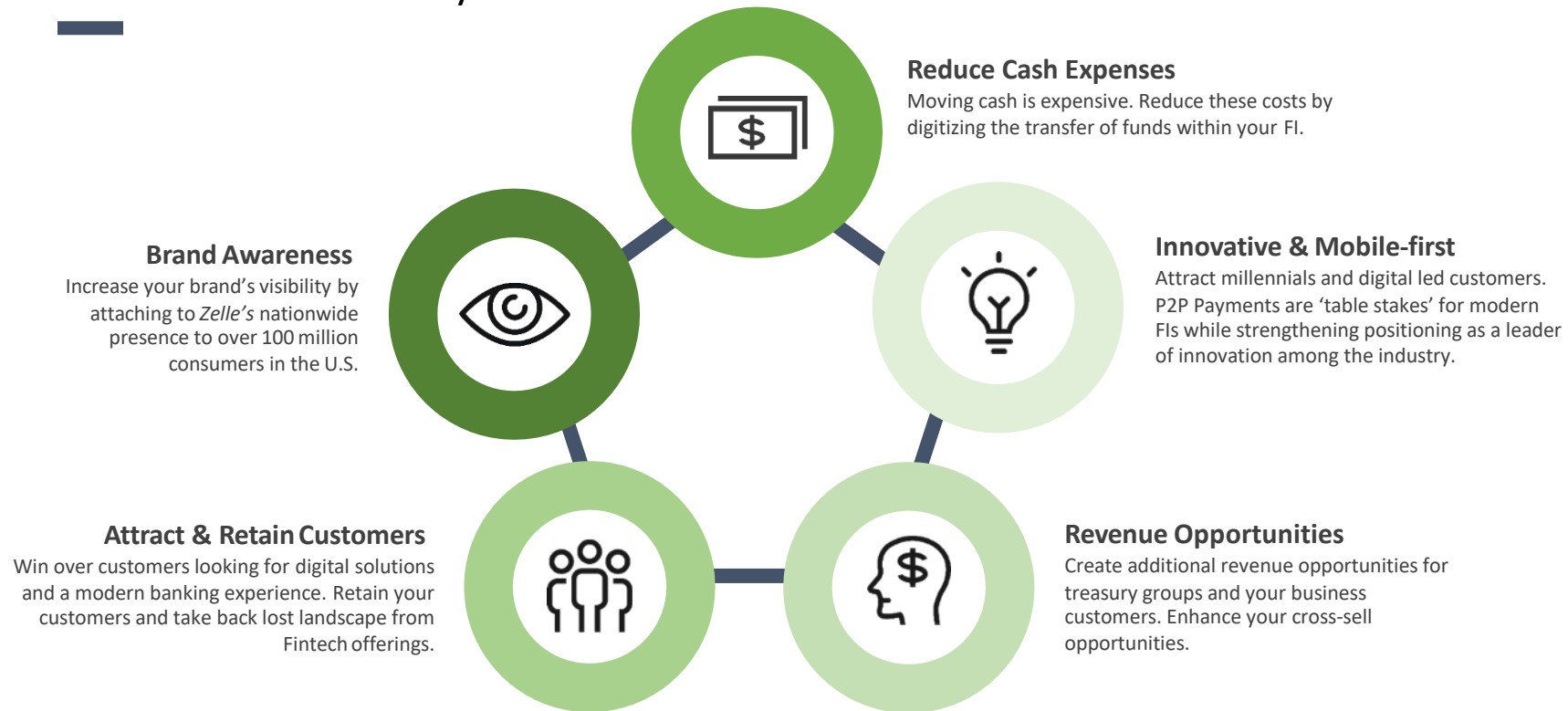
- Initiate Email or Phone #
- Integrated with Bank Apps
- Bank-to Bank System (ACH Rails)
- Free
- Most Banks Included
- Immediate Funds





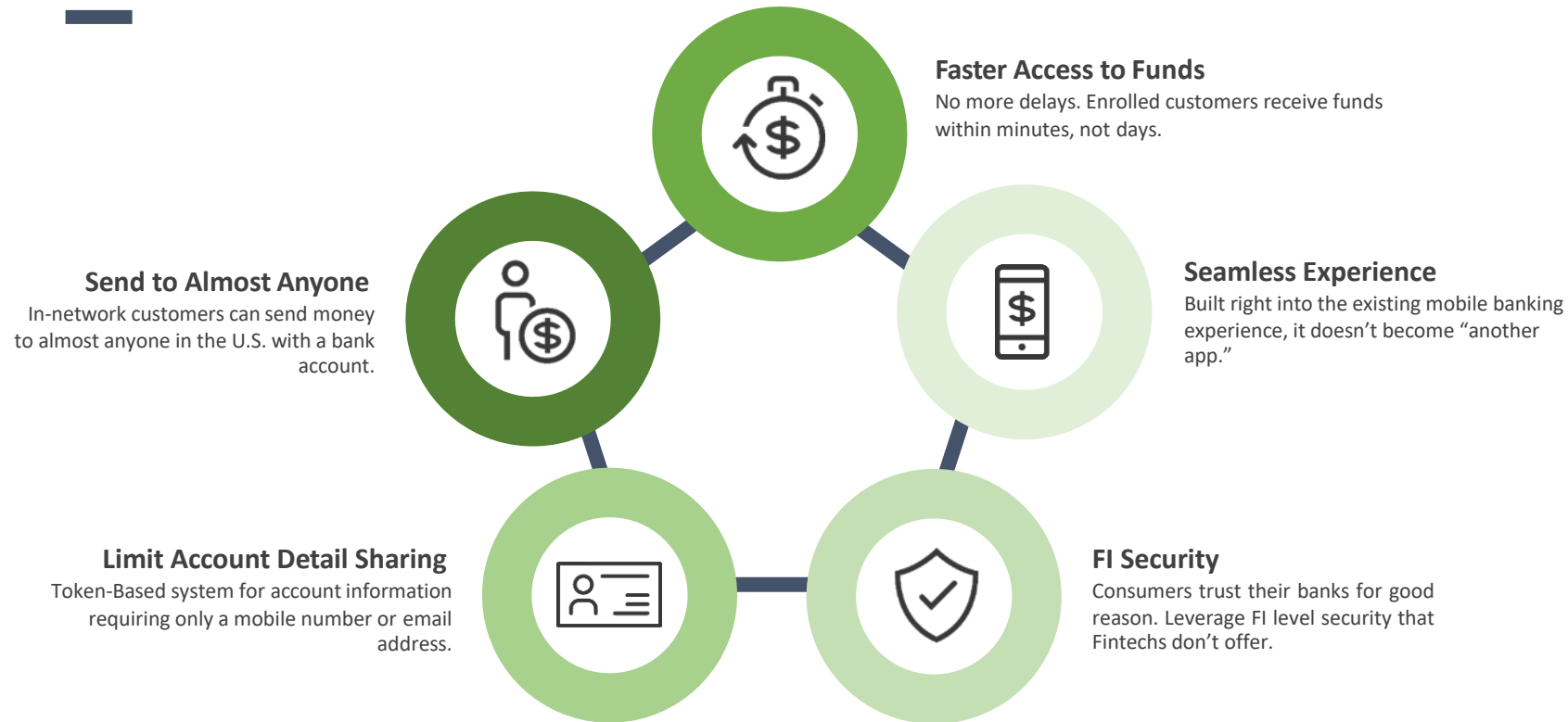
# Zelle

## What's in it for your bank?



# Zelle

What's in it for your customers?



# Zelle Network® Partners

## PROCESSORS



## TECHNOLOGY PARTNERS



## ECOSYSTEM PARTNERS



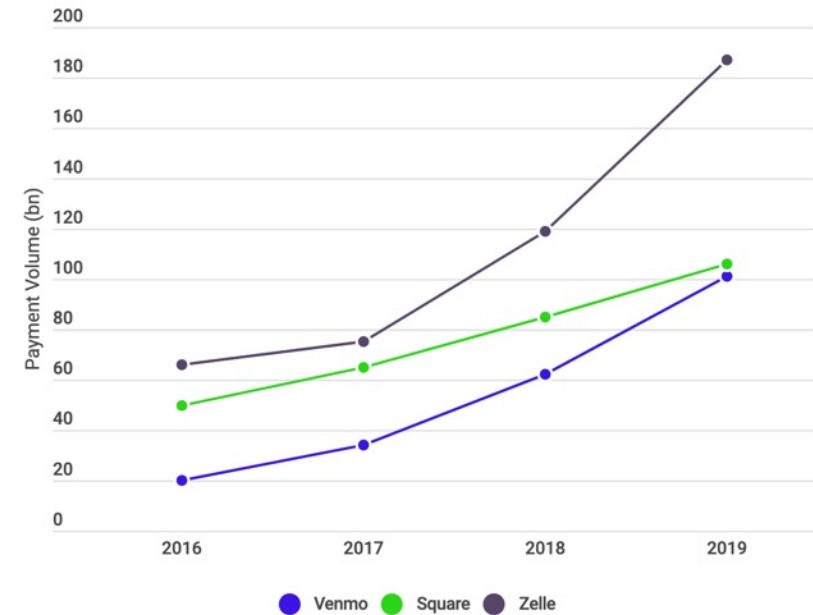
# Zelle Adoption is Rising Fast

**\$307 billion**

Scottsdale, AZ, February 2, 2021 – Early Warning Services, LLC, the network operator behind **Zelle®**, today announced record payment **volume** and value in **2020** with 1.2 billion transactions, totaling \$307 billion sent – an increase of 58% and 62% year-over-year, respectively.



Venmo vs Cash App vs Zelle: Payment Volume



Share

Business of Apps

Note: Square total payment volume includes income from outside the Cash App. If broke down, Venmo would most likely be ahead of Cash App.

# BUT: All This FinTech Payments Innovation is Still Riding the Old Payment Rails

- Bank Control of Payment System Limits Innovation



- How a Bank Does it
  - Charter from US or State Creates Various preferences in Law
    - Preemption/exportation
    - Setoffs etc.
  - Deposit Insurance from FDIC
    - Cheap & Stable Funding
    - Security for Customers
  - **Direct Access to Payments System**
    - Initiate and Receive Payments
    - Prevent Non-Bank Competition
  - Broker-Dealer and/or Asset Management subsidiaries

# Remember the Three C's....

## *The Three C's*

Compete



Cooperate



Compensate



# FinTechs Must Compete for Customers



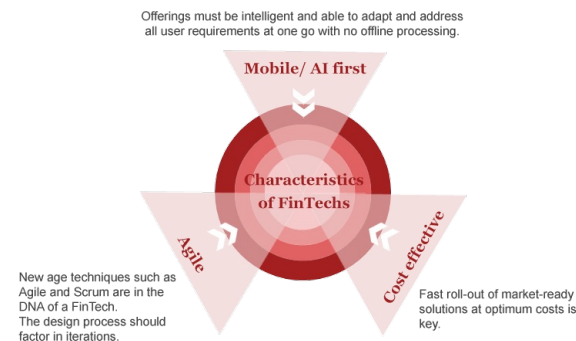
## Banks

- Scale
- Physical Distribution
- Funding Advantage
- Brand



## Fintechs

- Superior UX and UI in Mobile Delivery
- Speed





# They Must Cooperate to Access Critical Financial Rails through Banking System for Customeres

## Bank Oligopoly

- Bank Exclusive Access to Deposits and Payments System
- National Lending Preemption
- Regulatory Third-Party Risk Management Guidance

## Key Financial Rails

- Insured Deposits
- Fedwire/ACH
- Card Systems (Visa/MC)
- National Lending

FinTechs Can't Avoid Partnering with Banks

# Fintech Must Compensate Toll Takers That Impede UX and Profitability

## Toll Takers

- Fed Member Banks for Wire and ACH Access
- Deposit-Taking and Demand Deposit Capability for Neobanks
- Card Systems (Visa/MC)
- Fronting Banks for National Lending





Questions?

# Minimizing the 3 C's....Transferwise



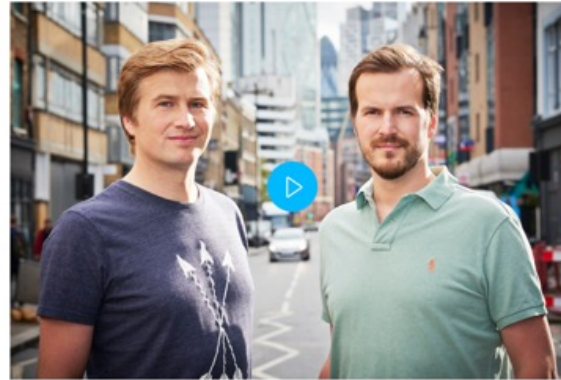
# Minimizing the 3 C's....Transferwise

## Like a lot of good stories, this one starts with two friends.

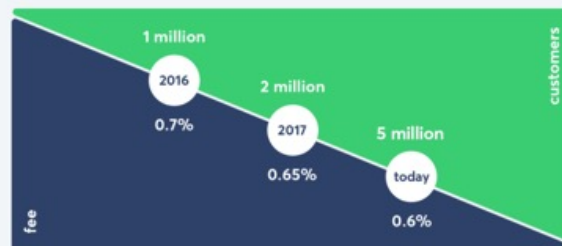
They're both from Estonia. Taavet was the first employee at Skype, so he got paid in euros. But he lived in London, and needed pounds to pay the bills. Kristo worked for Deloitte and lived in London. He got paid in pounds, but had a mortgage back in Estonia. He needed to pay that in euros.

Every month they moved their money the old way – which wasted their time and money. So they invented a beautifully simple workaround that became a billion-dollar business.

Ready to send? [Click here.](#)



## The more customers, the lower the cost



## They found a better way.

Each month, they looked up the [actual exchange rate on Reuters](#). Taavet put his euros into Kristo's Estonian bank account, and Kristo topped up Taavet's UK bank account using his pounds. Both got the currency they needed almost instantly, and neither paid an extra cent on bad exchange rates or unreasonable charges.

There was no waiting, no stress, and no extra costs. 'There must be others just like us...' they thought. The rest is TransferWise.

Do you need to send money? [Click here](#) to join TransferWise.

# Transferwise— More Innovative P2P Approach

- If you want to convert your pounds to euros, you send the money in pounds to TransferWise's UK-based account. The equivalent amount is then sent from
- TransferWise's euro account to the recipient.
- This smart system means that the money never actually moves across borders, and the currency conversion is done using the real mid-market exchange rate

## HOW TRANSFERWISE WORKS

TransferWise is the new, smarter way to send money abroad. There's no exchange rate mark-up, and one small, fair fee that's shown upfront. Here's how it's possible.

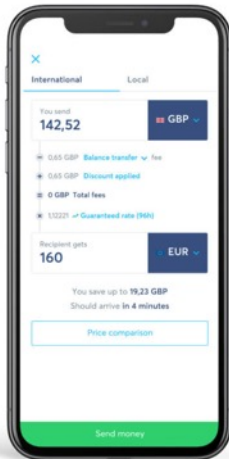




# TransferWise



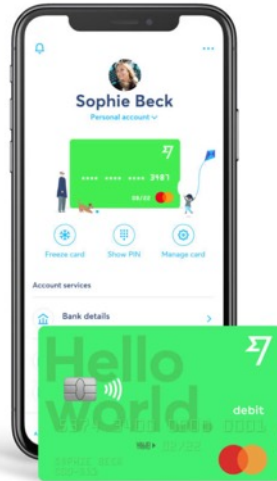
Available for you in **United States** ▾



**Send money cheaper and easier than old-school banks.**

Send money at the real exchange rate with no hidden fees.

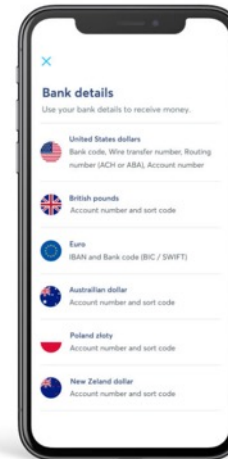
[Send money >](#)



**Spend abroad without the hidden fees.**

Use a card in 200 countries, spend with Apple and Google Pay, and withdraw anywhere. Get yours for 9 USD.

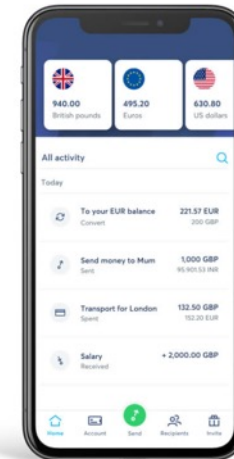
[See our pricing >](#)



**Receive payments like a local in 9 currencies.**

Get your own UK account number, Euro IBAN, US routing number, and more.

[See all account details >](#)



**Convert and hold 55 currencies.**

Holding multiple currencies is completely free, and we use the real exchange rate to convert.

[See all currencies >](#)





# Transferwise Cost



Compare our pricing

**We charge as little as possible. No subscription.**

|   |  |  |  |  |  |
|---|--|---|---|---|---|
| Send 250 USD to EUR                           | 2.35 USD   | 12.44 USD   | 42.65 USD   | 41.87 USD   | 43.84 USD   |
| Spend 250 USD on debit card in EUR            | 1.62 USD   | 7.50 USD  | 7.50 USD  | 7.50 USD  | 7.50 USD  |
| Withdraw 250 USD from ATM / month cash in EUR | Free   | 12.50 USD   | 10 USD  | 12.50 USD   | 12.50 USD   |

The above information applies when you pay via bank transfer or ACH payments. [How do we collect this data? >](#)

# Transferwise and the Bank Rails

## HOW TRANSFERWISE WORKS

8/21



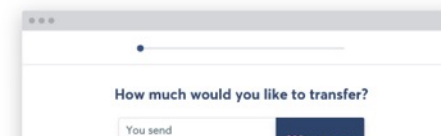
## Paying by bank transfer

First, you'll need to set up your international money transfer on TransferWise. Then, you'll need to exit your TransferWise account, and pay by bank transfer directly through your bank. You can do this either:

- Online, through your online banking
- Over the phone, with your telephone banking
- Or in person, at a bank branch.

Here's a step by step guide with a bit more detail.

### 1. Set up your transfer on TransferWise



By Brian Yermal Jr. Top Stories Bank of America Corp.

#### All topics

- Getting started
- Managing your account
- Understanding fees and rates
- Currencies
- [Paying for your transfer](#)
- Status of your transfer
- Borderless account
- TransferWise debit Mastercard
- TransferWise for Business
- Verification
- Sending large amounts
- Inviting friends
- Cancellation and refunds
- Data and security
- Technical issues

# TransferWise for Banks B2B White Label

**A new way for banks to  
offer cheaper, faster  
international payments.**

Integrate with TransferWise and give your customers competitive prices for sending money abroad. Savings up to 8x compared to other banks.

[Get in touch to get started](#)

[Learn more](#)



 **TransferWise**  
for Banks

# 9 building blocks

- Customer Segments
- Value Proposition
- Channels
- Customer Relationships
- Revenue Streams
- Key Resources
- Key Activities
- Key Partners
- Cost Structure










# The Business Model Canvas

Designed for: **Transferwise**

Designed by:

Date:

Version:

|  |   |   |   |  |
|--|---|---|---|--|
| Key Partners<br>      | Key Activities<br> | Value Propositions<br> | Customer Relationships<br> | Customer Segments<br> |
|  | Key Resources<br>  |   | Channels<br>               |  |
| Cost Structure<br> |   |   | Revenue Streams<br>       |  |







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Designed for: **Transferwise**

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Version:

|  |   |   |   |   |
|--|---|---|---|---|
| Key Partners<br>      | Key Activities<br> | Value Propositions<br> | Customer Relationships<br> | Customer Segments<br><br><br>Mass Market<br>International<br>Transfer Needs<br>Consumers and<br>Businesses |
|  | Key Resources<br>  |   | Channels<br>               |   |
| Cost Structure<br> |   |   | Revenue Streams<br>       |   |



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Designed by: Strategyzer AG

The makers of Business Model Generation and Strategyzer










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|  |   |   |   |   |
|--|---|---|---|---|
| Key Partners<br>      | Key Activities<br> | Value Propositions<br> | Customer Relationships<br> | Customer Segments<br><br><br>Mass Market<br>International<br>Needs<br>Consumers and<br>Businesses<br><br><br>Two-Sided<br>P2P Platform |
|  | Key Resources<br>  |   | Channels<br>               |   |
| Cost Structure<br> |   |   | Revenue Streams<br>       |   |






# The Business Model Canvas

Designed for: **Transferwise**

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Version:

|  |   |   |   |   |
|--|---|---|---|---|
| Key Partners<br>      | Key Activities<br> | Value Propositions<br> | Customer Relationships<br>                         | Customer Segments<br><br><br>Mass Market<br>International<br>Needs<br>Consumers and<br>Businesses<br><br>Two-Sided<br>P2P Platform |
|  | Key Resources<br>  |   | Channels<br><br><br>Social Media<br>Search Engines |   |
| Cost Structure<br> |   |   | Revenue Streams<br>                               |   |










# The Business Model Canvas

Designed for: **Transferwise**

Designed by:

Date:

Version:

|  |   |   |  |  |
|--|---|---|--|--|
| Key Partners<br>      | Key Activities<br> | Value Propositions<br> | Customer Relationships<br><br><br>Transparent &<br>Inexpensive<br>Product &<br>Pricing<br>Live Chat | Customer Segments<br><br><br>Mass Market<br>International<br>Needs<br>Consumers and<br>Businesses |
|  | Key Resources<br>  |   | Channels<br><br><br>Social Media<br>Search Engines  |  |
| Cost Structure<br> |   |   | Revenue Streams<br>  |  |



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Version:

|  |   |   |  |  |
|--|---|---|--|--|
| Key Partners<br>      | Key Activities<br> | Value Propositions<br><br><br>Much Faster,<br>Much Cheaper,<br>Much Easier | Customer Relationships<br><br><br>Transparent &<br>Inexpensive<br>Product &<br>Pricing<br>Live Chat | Customer Segments<br><br><br>Mass Market<br>International<br>Needs<br>Consumers and<br>Businesses |
|  | Key Resources<br>  |   | Channels<br><br><br>Social Media<br>Search Engines  |  |
| Cost Structure<br> |   |   | Revenue Streams<br>  |  |



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# The Business Model Canvas

Designed for: **Transferwise**

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Date:

Version:

|   |  |  |   |   |
|---|--|--|---|---|
| Key Partners       | Key Activities  | Value Propositions <br><br>Much Faster,<br>Much Cheaper,<br>Much Easier | Customer Relationships <br><br>Transparent &<br>Inexpensive<br>Product &<br>Pricing<br>Live Chat | Customer Segments <br><br>Mass Market<br>International<br>Needs<br>Consumers and<br>Businesses |
|   | Key Resources   |  | Channels <br><br>Social Media<br>Search Engines  |   |
| Cost Structure  |  | Revenue Streams <br><br>Customer Fees (0.35%)                          |   |   |



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Designed for: **Transferwise**

Designed by:

Date:

Version:

|  |  |   |  |   |
|--|--|---|--|---|
| Key Partners<br>      | Key Activities<br><br><br>Platform Development<br>Customer Service<br>Marketing | Value Propositions<br><br><br>Much Faster,<br>Much Cheaper,<br>Much Easier | Customer Relationships<br><br><br>Transparent &<br>Inexpensive<br>Product &<br>Pricing<br>Live Chat | Customer Segments<br><br><br>Mass Market Consumers and Businesses<br>Needing International<br><br><br>Two-Sided P2P Platform |
|  | Key Resources<br>   |   | Channels<br><br><br>Social Media<br>Search Engines<br>White Label Bank                              |   |
| Cost Structure<br> |  | Revenue Streams<br><br><br>Customer Fees (0.35%)                          |  |   |



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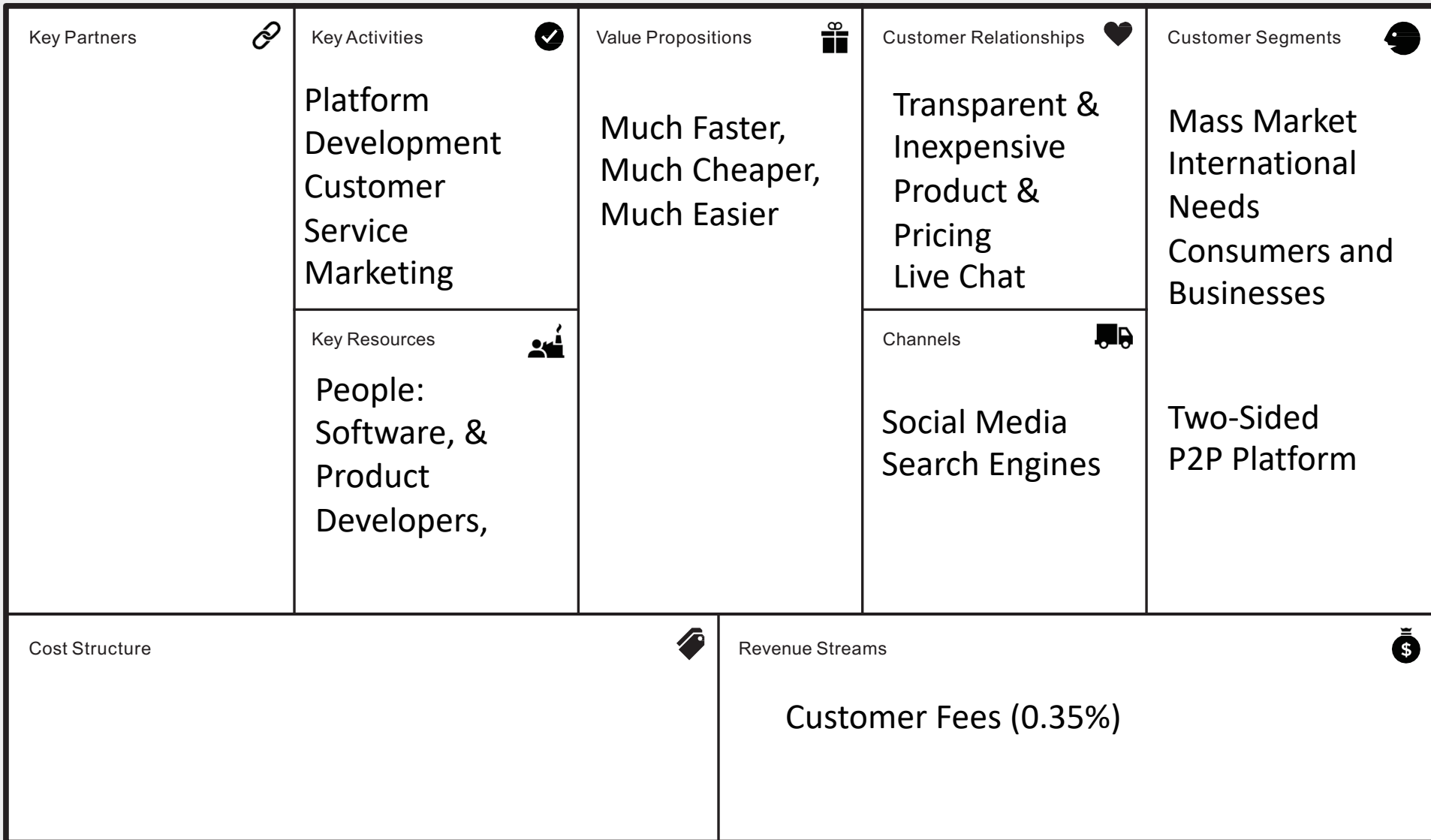
# The Business Model Canvas

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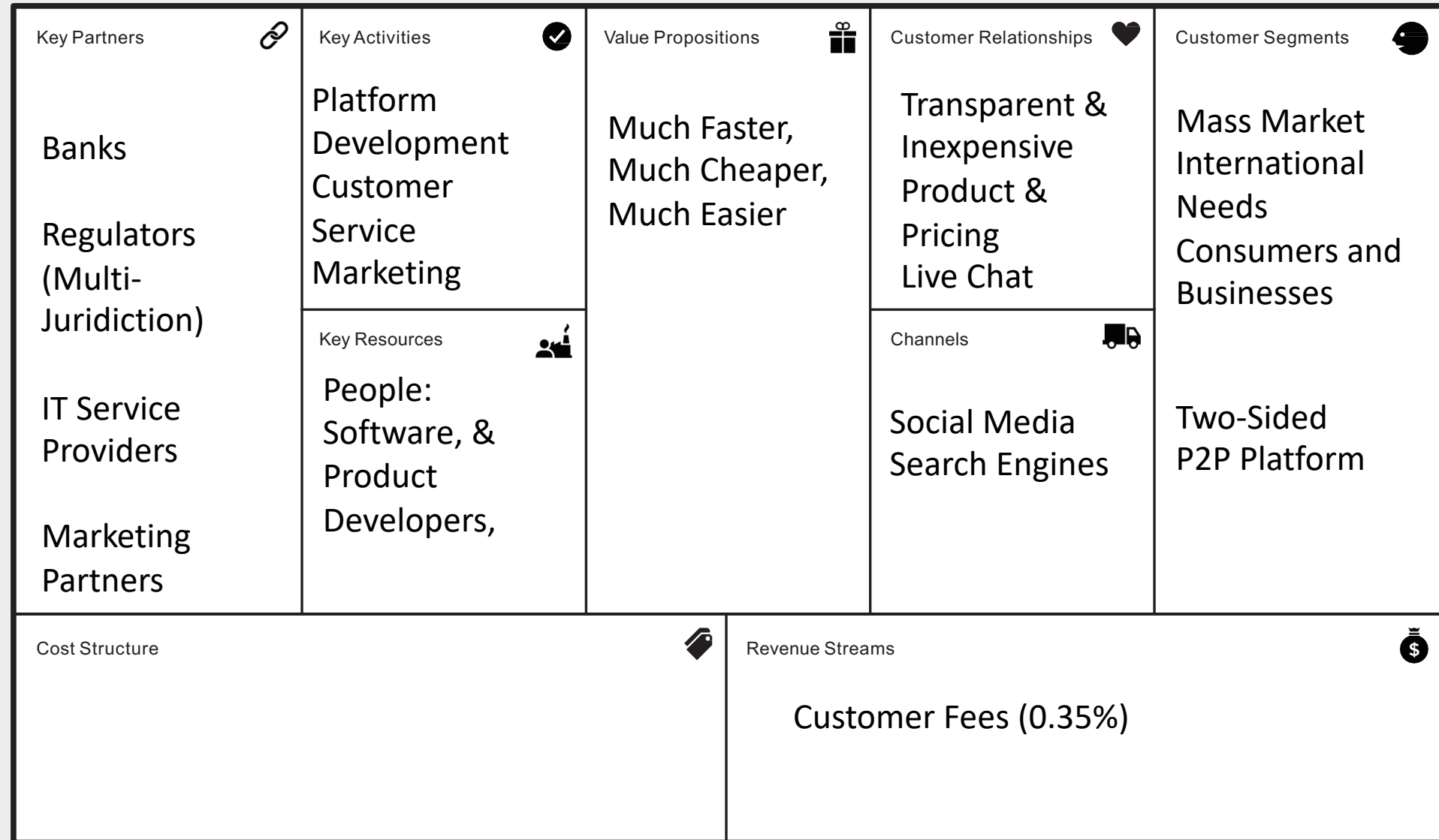
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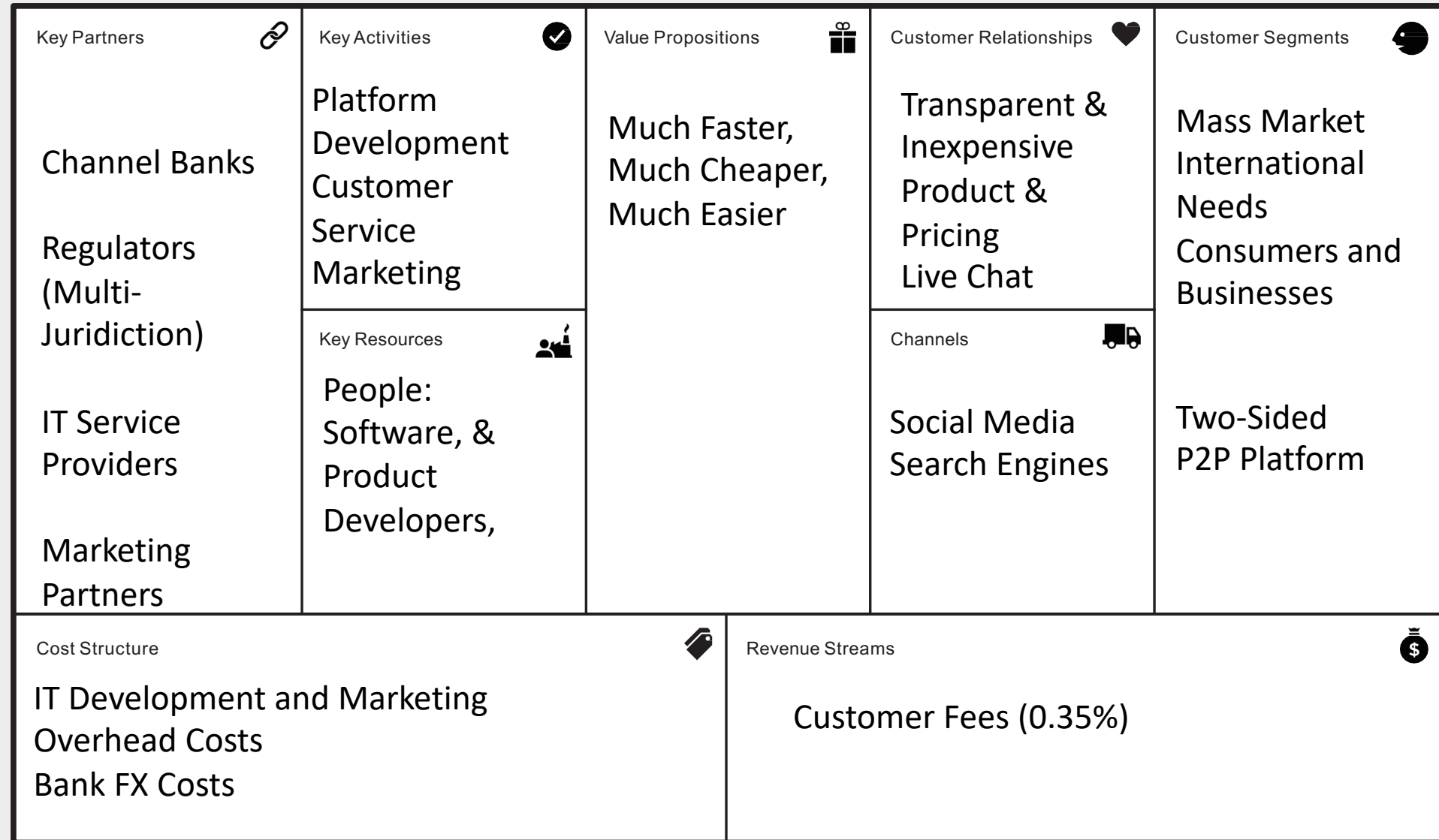
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Questions?

# Transferwise Risk Canvas

- **Credit risk. ...** Low
- **Market risk. ...** High
- **Operational risk. ...** High
- **Liquidity (Funding) risk. ...** Low
- **Reputational risk. ...** High
- **Legal, regulatory and political risk. ...** High
- **Data management/AI risk. ...** High
- **Systemic risk. ...** Low

# Key Product Level Insights

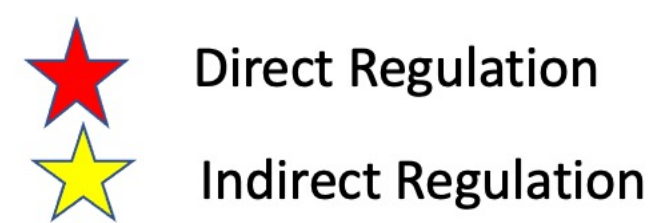
- **Customer**
  - Individuals and Businesses
- **Function: lend/pay/save/transfer?**
  - Transfer\Multicurrency Account and Debit Card
- **Distribution Direct/Indirect**
  - Both
- **Pricing**
  - Lowest

- **Who pays?**
  - Customer
- **Use of Banking Rails**
  - On and Off Ramps
- **Data/AI**

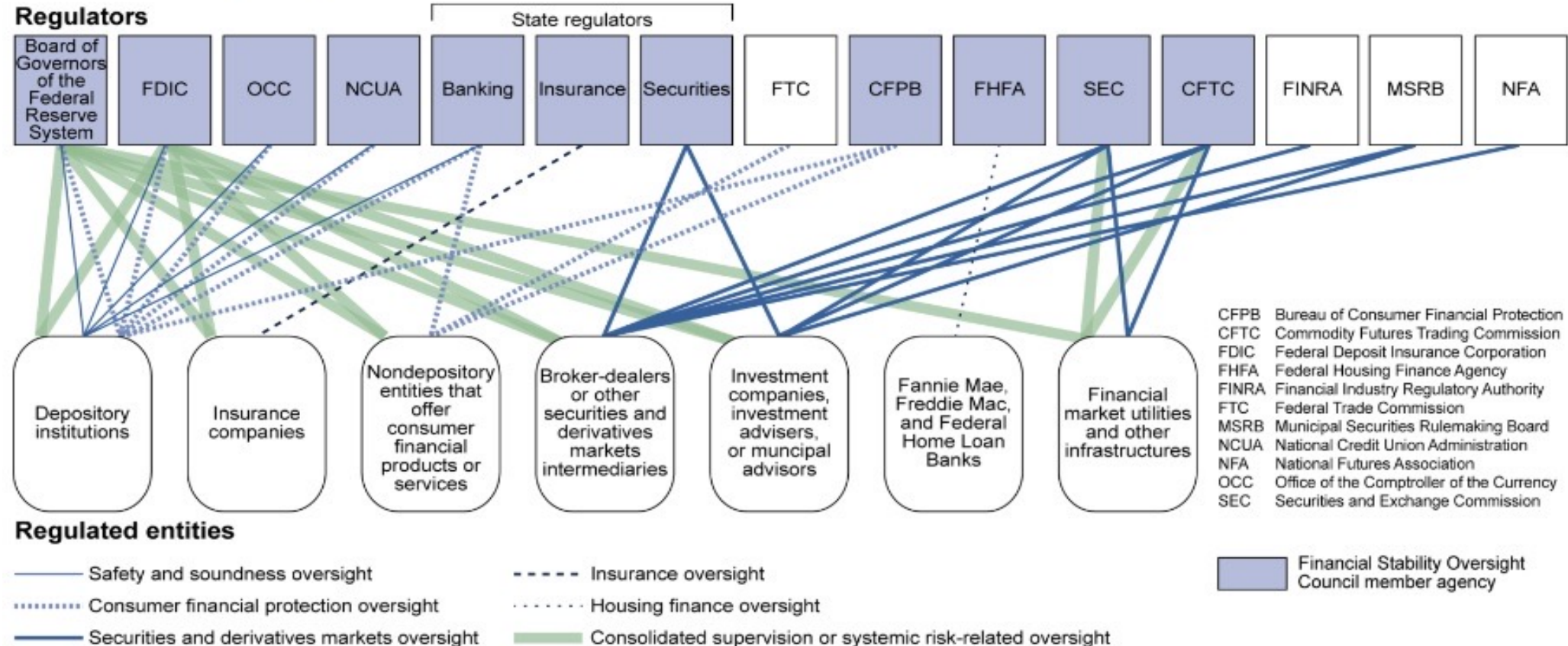
# Key Policy Screens for Consumer FinTech

- Utility/Scalability
  - Cost vs. Alternatives
  - Delivery at Scale Possible?
- Inclusivity/Exclusivity
  - Wealth/Income
  - Race/Ethnicity
  - Sex
  - Disability
- Outcomes Analysis
  - Balancing Freedom of Choice vs. Harm
  - Impact on Individual Financial Health
  - Product Structure & Behavioral Incentives
- Data Privacy/Control/AI Issues
- Systemic Impact

# Regulatory Structure



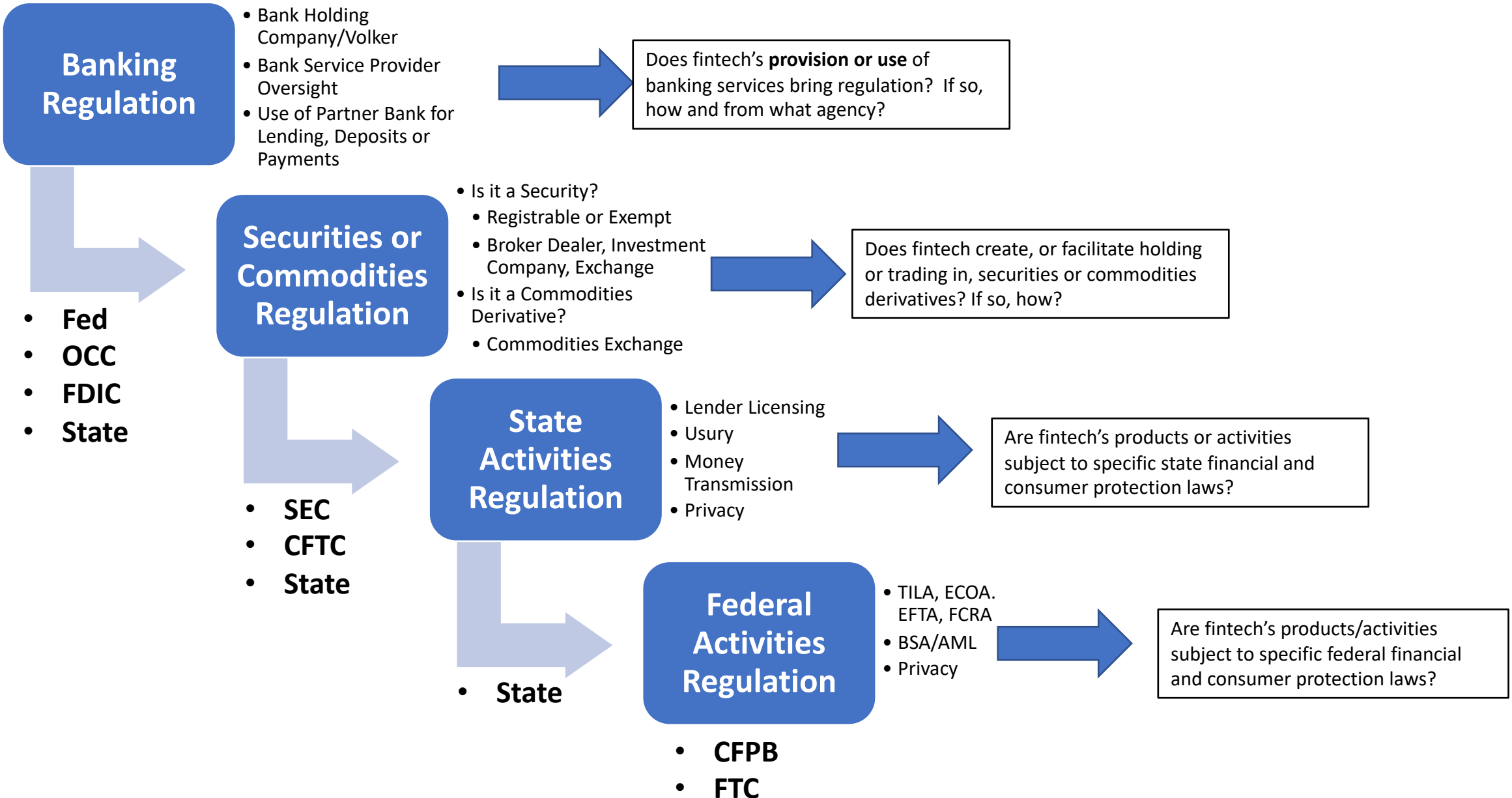
U.S. Financial Regulatory Structure, 2016



Source: GAO. | GAO-16-175

Note: This figure depicts the primary regulators in the U.S. financial regulatory structure, as well as their primary oversight responsibilities. “Regulators” generally refers to entities that have rulemaking, supervisory, and enforcement authorities over financial institutions or entities. There are additional agencies involved in regulating the financial markets and there may be other possible regulatory connections than those depicted in this figure.

# Follow the Waterfall





# Laws Applicable to TransferWise

## Federal Laws

- FinCEN BSA/AML
- Indirect Bank Regulation via Partner Bank

## State Laws

- Money Transmitter Laws

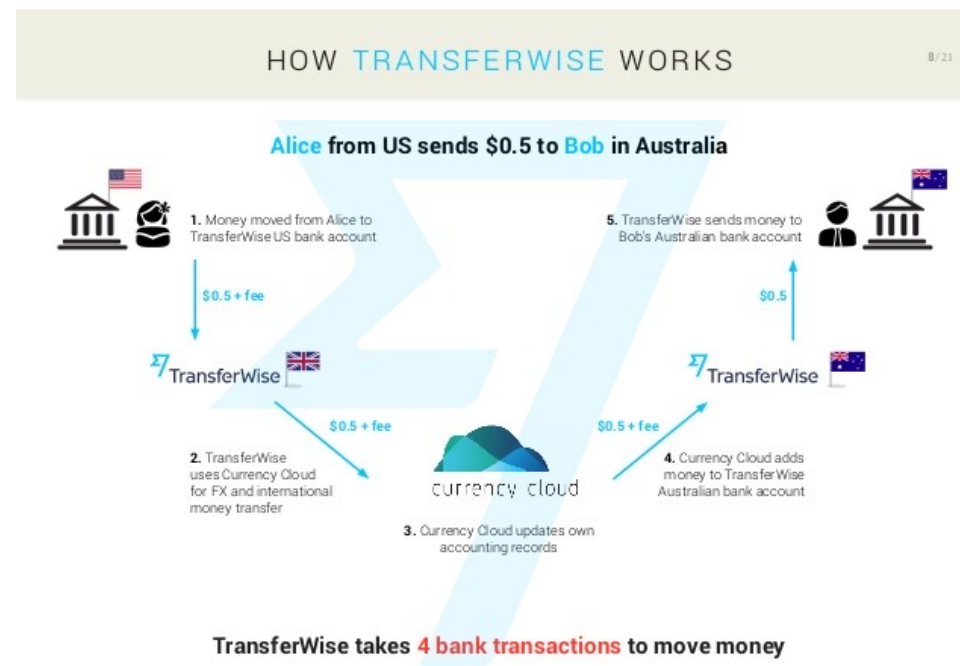
### United States

TransferWise Inc. is registered with the Financial Crimes Enforcement Network (FinCEN) and renews its registration annually. It is licensed as a money transmitter in the states listed [here](#) and supervised by regulatory authorities in each of those states.

In other US states and/or territories, money transmission services are offered by our partner financial institution Community Federal Savings Bank, which is supervised by the Office of the Comptroller of Currency.

# Cynic's View—Even Transferwise is Still Ridin' the Old Rails

- “The fundamental point perhaps is that Transferwise’s model is based on bundling teeny tiny payments which banks can’t be bothered to go after — with good reason — netting them, and then ensuring only the differential is transferred in one lump payment via the banks’ own systems.”
- “That’s a lovely model, providing it doesn’t cost you more to screen, protect and match those teeny tiny customers than what you potentially earn from them.”
- --FT Alphaville



# Payments FinTech Dilemma

- Can real innovation happen away from the banks, since they control the rails?
- The OCC FinTech Charter was supposed to be a way for FinTechs to access the payment rails directly
  - But it doesn't seem to be working...yet
- Neither the Bank or Fed solutions for real-time payments will allow direct access by nonbanks.