TrendWatch 2.0

Q1 2020

Payments System Industry Synopsis

Contents

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Random Thoughts

Editor's Note: We are stepping away from Random Thoughts this quarter to give Jack Benton a platform for soliciting thoughts on how work will be transformed in a post-pandemic era. Among Jack's many achievements, he was the Executive Director of the National Commission of Electronic Fund Transfer, a Presidential appointment. Never one to stopping thinking, Jack is asking that we all contribute to a compendium of ideas for workplace and family life change. Your thoughts are encouraged and can be posted at the URL cited at the end of the article. Thank you Jack.

CHANGING HOW WE WORK DURING THE FIRST COVID-19 CYCLE

Will people return to work in a risk-free environment, or will workers face material risks in the workplace during the first COVID-19 cycle?

It is difficult to imagine a risk-free option. The longer the government keeps the economy closed the deeper will be the economic destruction. The people who will be most crushed by this are those most dependent on the economy for a regular check, and that's the vast majority of people who work. I think that we would be living in a fantasy world if we believe that the government has the resources to pay these checks for six months to a year. However, leaders with more power and authority than I will need to calculate these risks and make a judgment about when to open up the economy, and how to open it up.

Can we mitigate these risks?

The purpose here is to build a living breathing compendium of ideas about how to change how we work and rearchitect how jobs are positioned within a business to become consistent with global COVID-19 risk mitigation guidelines: social distancing, exceptional hygiene, and an uncompromising principle that you do not enter a physical workplace, or you leave immediately, if you have the slightest sense that you are not well.

Obviously, we need to stay on alert as the health authorities iterate through these guidelines because our thinking is based, first and foremost, on conformance to their thinking.

Changing the work Paradigm

Our collective purpose is to imagine as many ideas as we can about how the work paradigm could be changed – slightly, materially, or fundamentally. We want to identify very specific job functions in a wide array of jobs, covering a wide spectrum of industries, and imagine how that job, that critical process could be conducted consistent with the CDC guidelines.

Pick your industry: product manufacturing, software development, customer service, light manufacturing, consumer banking, entertainment, transportation, public transit, food services, finance and investing, legal, medicine – everything else we do.

Pick where the work is performed: big companies, small businesses, independent contractors, academia, public service, schools, and more. Then we must imagine our jobs, or jobs we know about, or critical processes in our work and develop a compendium of examples of how jobs, functions and processes could be altered, adjusted, or redesigned.

Our purpose herein is to document a compendium of ideas and act as a catalyst for those returning to the front lines. Maybe we can give these people a head start, given that they will be facing a much wider set of business burdens.

This is the first version of this compendium of ideas.

Where do we start? We start with what we have learned during the past month. People are redesigning how work is done on the fly. In other cases, people are doing real process re-engineering by re-examining work processes and trying to figure out how you could do the work without locational dependency. Listed below is a first attempt to start cataloguing ideas.

Change the spatial dynamics in the work environment. No one sits closer than ten feet from another. Expand the space. Yes, it will cost, but not as much as being shut down.

Change the social dynamic. No physical touching. No congregating. Do your cheerleading on-line. Meet on Zoom, Microsoft Teams, or whatever. Or similar platforms.

As Tom Friedman stated in a recent NY Times column, perhaps no one goes back to work before a 14-day self-quarantine. Many of us are already in the middle of that. Give or take the time, the idea is that no infected person enters the work environment. (Tom's column, "A Plan to get America back to work". Required reading.)

Businesses need to put maximum pressure on the government to provide universal testing of anyone re-entering the work environment. This will mitigate a great deal of risk. Whereas a month ago there was not even a consensus about how to test, we now have simple tests that can be self-administered inside a medical facility of some kind which will provide results inside of fifteen minutes. We can mass produce what we need to do these tests and we have the processing equipment which does the analysis. (See companion essay on the Bill Gates's TED talk for more details.)

Because we are ordering people to stay away from work, or leave, if they have any sense of illness, or until tested, we need to provide government funded paid sick leave, at least until we get through the COVID-19 first cycle. This is not a political issue. It's a necessity to get people back to work consistent with the guidelines and it would be temporary. The politicians can work out long term solutions after we have survived cycle one of COVID-19.

Continue social distancing in everyone's private lives.

Experiment with new rules for flying on an airplane. We spend billions now examining people for weapons and explosives. Maybe now we need to take your temperature, or inspect you for any symptoms, or put you through a test which will add fifteen minutes to your travel time.

If a traveler passes a screening test to fly, Airlines are forced to keep middle seats unoccupied during these six months to a year period, unless occupied by a person from your same household. Hey, it is better than not flying at all.

New spatial rules for all forms of transportation.

If you want to ride on a subway you need to be tested every week and display a card. This wouldn't eliminate sick people, but it surely would mitigate the risk.

Issue a daily ration of facemasks to all workers as soon as we have met the capacity needs of our health care system. Expand use where it makes sense.

No bulk standing in line anywhere. Figure it out. 6-10 feet. We need to change social habits. Not only do we need to que up, we need to do so with space. And we need to quickly make it socially unacceptable not to conform.

Spatial rules need to be followed in every commercial establishment: restaurants, theatres, movie houses. In short, available capacity in all such places will be cut in half. 50% may be better than zero. In time, venues may need to become much larger. Figure it out.

Everything can't be figured out. There will be some net losses. But there will also be net increases.

The above comments are illustrative. We are going to throw spaghetti against the wall and see what sticks. A lot won't.

If you wish to participate, leave your ideas at the following URL: Here's what I think.

Until next time and many thanks to all.

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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 up 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.

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TrendWatch Summary: Industry Focus Areas – Q1 2020

Recent Activity Level	Industry Impact	Entrenched Player Impact	Market and Industry Situation	
			Focus Area	**Recent Movements**
Low	🔴	🔴	***New Payment Forms***	Pretty anemic.
Med	🟡	🟡	***ATM Restructuring***	The pandemic may propel a new vision of these devices; far less brand- and loyalty-promoting and more open to all users through mobile devices and unique access codes.
High	🟢	🟢	***POS Volume Trend***	Contactless transactions are taking a larger share now; limit increases will help as well.
Low	🟡	🟡	***Legal/Regulatory Issues***	It is virtually impossible to predict how new legislation will impact the payments sector, but one thing is for sure: the next pandemic will require immediate and easy access to liquidity for consumers caught short. Can Congress help?
Med	🔴	🟡	***New Venture Growth***	Health care had already begun to drain our industry of VC and PE funds; that trend is sure to continue.
Med	🟢	🟢	***Earnings Announcements***	Earnings were reasonably good last quarter; corporate guidance warnings started to come out and will likely become commonplace for 2020.
Low	🔴	🔴	***Industry Investments***	M&A remains active and will likely increase as smaller innovators give up the ghost.
Med	🔴	🔴	***Payments Industry Security***	Not 24 hours after the Federal and state Safer at Home orders in March, fraudsters began efforts to take advantage of companies fighting to counteract COVID-19 and consumers caught in its crosshairs.

🟢 Positive
🟡 Mixed
🔴 Negative

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Industry Players to Watch

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.

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2020 Payments Industry YTD Yields

While the Market, as defined by the Dow, shed 23.2 percent of its 2019 yearend value, our portfolio gave back 31 percent; empirical evidence that sector- and stock-picking can be hazardous. There are 16 storylines here, one for each of our equities, but in general, the more each enterprise relies on personal interaction, the worse its capital stock performed. Hopefully, as we become more comfortable with distance learning and new forms of interaction with merchants, consumers, and others, our payments player values will return. Fingers crossed.

Industry Player	12/31/2019	3/31/2020	Price △	Cap Value △	YTD 2020 Yield	YTD 2020 Rank
Alliance Data Systems	$112.20	$33.65	($78.55)	($4,673.73)	-70%	15
American Express	124.49	85.61	(38.88)	(41,990.40)	-31%	9
Bill.com (12/19 IPO)	38.05	34.20	(3.85)	(271.81)	-10%	2
Cardtronics PLC	44.65	20.92	(23.73)	(965.81)	-53%	13
Discover Financial Services	84.82	35.67	(49.15)	(23,636.24)	-58%	14
Euronet Worldwide	157.56	85.72	(71.84)	(3,620.74)	-46%	12
Fidelity National Information Services	139.09	121.64	(17.45)	(3,329.46)	-13%	4
Fiserv Inc.	115.63	94.99	(20.64)	(3,217.78)	-18%	7
Everi (fka GCA)	13.43	3.30	(10.13)	(781.02)	-75%	16
Jack Henry & Associates	145.67	155.44	9.77	819.70	7%	1
Mastercard Worldwide	298.59	241.56	(57.03)	(7,379.68)	-19%	8
MoneyGram International	2.10	1.31	(0.79)	(45.71)	-38%	11
PayPal	108.17	95.74	(12.43)	(15,164.60)	-11%	3
Square	62.56	52.38	(10.18)	(3,328.86)	-16%	6
Western Union	26.78	18.13	(8.65)	(4,919.86)	-32%	10
Visa	187.90	161.12	(26.78)	(22,653.20)	-14%	5

Bitcoin Closing Price	$7,177.36	$6,441.40	($735.96)		-10%

Sources: Company releases; Morningstar.com; Bloomberg.com; and Coinbase.
Note: 2019 YTD yield excludes dividends; based on 12/31/19 and 3/31/20 closing prices.

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Interesting News This Quarter

Subject	Source / Date	Summary
Mastercard	*CNBC February*	**Mastercard** begins to make strides to help banks and non-FI ATM deployers offer cash access services to mobile phone users. Its "Cash Pick-Up" service enables consumers to retrieve funds at participating ATMs through use of a text message code and geofencing link to nearby devices. Friends and family-sent funds or emergency conditions will facilitate access to cash without cards with reasonable limitations - $500 per transaction or $3,000 per day. When coupled with the network's recent deal to bring 7-Eleven's 8,000 devices into the fold, Cash Pick-Up may gain traction with both the underserved market and those caught in a cash-short bind.
Visa	*Digital Transactions February*	Before COVID-19 intervened, **Visa** (and Mastercard and American Express) had announced plans to significantly alter interchange rate charges for CNP transactions while (notionally) knocking down a few other acceptance categories. Card Not Present transactions, the mainstay of e-tailer payments, will rise by 4 to 5 percent depending on the type of card used while high-volume supermarkets accepting a premium card (i.e., cash-back or rewards-loaded) could see a 33 percent drop in today's rate. Some segments, including real estate and education, would also see reductions. Of course, "rack" rates and "real" rates vary, and retailer trade associations aren't pleased while the card brands aren't talking. Once COVID-19 is behind us, perhaps a clearer picture of the future for acceptance costs will come into focus. Let's hope.
Level	*ATM Marketplace February*	Neobank startup, **Level**, joins the ever-growing throng of upstart players hoping to attract media attention and customers by paying over-the-moon rates on deposited funds. In this case, Zero Financial has posted a 2.1 percent APY and a cashback debit card to attract new deposits. Evolve Bank & Trust is lending its FDIC coverage to those nervous about dropping a bundle into the new "bank." We wonder what is "neo" about competing on price?
RILA	*Digital Transactions February*	Speaking of prices and retailers, the **Retail Industry Leaders Association**, a trade group, is back on Capitol Hill banging the "we got robbed" drum over the Fed's inaction concerning debit card fees managed under Regulation II. The group's spokesman believes that retailers are being gouged by at least 4 cents per debit click as bank costs for authorization and settlement have declined over time. Meanwhile, the banking industry's Electronic Payments Coalition is claiming that its constituents got screwed under Durbin and that today's rates (now ten years old) aren't "reasonable and proportional" and remain artificially low. Old math, new math, or Common Core, you'd think this would sort itself out. Maybe not.

Interesting News This Quarter

Subject	Source / Date	Summary
Square	*Finextra* *March*	Jack Dorsey's brainchild, **Square**, has received conditional approval for an Industrial Loan Company (ILC) license to become a deposit-taking bank. This is Jack's second trip to the well; the initial application was withdrawn in 2017 after the ICBA squawked. Square Financial Services is expected to open in 2021 with an emphasis on offering small business loans and deposit products, a logical product suite for Square, a merchant services processor. Second time's, the charm.
Varo	*Axios* *February*	Not to be outdone by Square, **Varo**, another neobank, has received approval by the FDIC for a banking charter. The final step in the process is expected in Q2 at which point depositor funds presently sitting in Bancorp Bank will transfer to Varo and it will be off and running. Good luck with that, Varo.
Consumer Credit	*MarketWatch* *February*	Oh, oh. MarketWatch reported in February that consumers went on a spending binge in December resulting in an increase in consumer debt of $22.1 billion. The 6.3 percent gain is roughly $7 billion higher than economists had forecast. Revolving credit (i.e., credit card debt) grew by 14 percent, the fastest pace of growth since April 1998. TrendWatch has cautioned in the past about hyperactivity in credit card usage and balance growth. The next several months may result in credit quality pressure on lenders before the U.S. workforce gets back to it.
CO-OP Financial Services	*CU Times* *March*	Sensing a rising need among its credit union members, **CO-OP Financial Services** has launched a program to help financially stressed members. Skip Payment allows cardholders to miss the minimum payment. Interest and Fee Relief suspends new interest and fees while Fee Relief suspends late fees. A companion cardholder app, Springboard, lets credit unions allow members to alter their cardholder relationships by deferring payments, increasing credit limits, update minimum due payments, and other attributes. All good steps to avoid a hard landing in a couple of months, we believe.
Mastercard	*Finextra* *February*	Card brand **Mastercard** wins the "ain't it (tragically) ironic" award this quarter for having received approval from the People's Bank of China to begin formal preparations to set up a domestic bankcard clearing institution in that country. The vehicle being used by MA is a majority-owned joint venture with NetsUnion Clearing Corporation. Setting up the venture and operations will likely take a year, sufficient time for the country's air to clear, we hope.
Royal Bank of Canada	*Bank Innovation* *February*	"The Canadians are coming!" Well, they were already here (e.g., BMO Harris) but **Royal Bank of Canada** has decided to bring its full brand into view by launching a direct-to-consumer bank in search of affluent Americans. It's unclear if the bank's California subsidiary, City National Bank, will be tucked under the new high net worth RBC rubric. Either way, Americans with a few extra shekels will soon have another option for investing.

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Interesting News This Quarter

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Banking Consolidations	*Various February*	Within a matter of four days, three banks, two in the UK and one in the U.S., announcing plans for **banking consolidations**. Virgin Money, a UK high-flyer, plans to cut 500 jobs and close 52 branches two years after its merger with Clydesdale Bank. Lloyds Bank will be furloughing another 780 banking jobs through its Lloyds, Bank of Scotland and Halifax operations. Both cited reduced usage of branching operations by Brits as the primary driver behind the actions. Meanwhile in the U.S., Capital One Financial Corp will be closing 37 bank branches as it transitions to a more online orientation.
Digital Payments Disruption	*CFOTech February*	Accenture has attempted to put a sharp pencil to the question of how seriously entrenched banking firms may be affected by competition from digital payments and financial services provided by challenger banks, absent adaptation strategies. Using a combination of empirical data observations, payments executive interviews, and forecasting methodologies, the firm believes that Australia banks, for instance, could see payments revenue shrink by $3 billion, a loss of 13.7 percent, over the next five years. Pressure on existing transaction fee rates, circumvention of established payments rails, and the emergence of instant payments are the principal forces behind the erosion. True, the results are theoretical and do not consider the pandemic's influence. They do reflect the need to stay aware and informed, however.
Digital Payments Disruption Rebuttal	*Business Insider January*	According to YouGov, the public opinion company, UK adoption of neobanks is falling far short of aspirations. Fewer than one in 10 Brits are using the mobile-only upstarts. Yet, 53 percent of the same lot of respondents say they use a mobile banking app provided by a traditional bank or building society. So, they like the mobile channel but are selective about who is providing it. Bright lot, those Brits.
PayPal	*Digital Transactions January*	Payments aggregator, **PayPal** scores a big win by inking a deal with (China) UnionPay for digital wallet support. The deal will ultimately result in UnionPay finding ways to support PayPal's merchant and consumer initiatives throughout China. At the outset of the deal, UnionPay card data will be added to PayPal wallets in Australia, Philippines, Singapore, Korea and Thailand. Couple this achievement with that of PayPal's acquisition of 70 percent of GoPay and the future importance of China consumers and merchants to the aggregator becomes clear.

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M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Visa, others	Very Good Security	Infrastructure-as-a Service	**Visa** and others (Goldman Sachs, Andreessen Horowitz, other notables) see the value of creating an approach to data security centered on building support infrastructure away from those needing Personally Identifiable Information (PII) for credit-granting and other decision-making tasks. **VGS** stores sensitive consumer data to enhance system security and to reduce compliance requirements normally borne by FIs and fintechs. The size of funding round has not been disclosed but VSG has raised nearly $50 million since its founding in 2015.
Mastercard	Trust Stamp	Non-PII security	**Mastercard** has made another strategic investment in a firm using AI-generated identity authentication. **Trust Stamp** uses biometric data which it hashes for subsequent analysis for trust-level scoring of business transactions. The firm is keenly focused on providing authentication work-around solutions for market sectors and geographies plagued with low connectivity. No word on the size of round led by MA but life-to-date funding is near $10 million.
Brink’s	Allied Irish Bank non-branch ATMs	ATM fleet	Less than one month following the notice by **Allied Irish Bank** and Bank of Ireland that their respective non-branch ATMs were available for purchase, **Brink’s**, the world’s largest cash management company, is picking up AIB’s fleet. AIB customers will not incur surcharges or additional fees when using any of the 500+ remote ATMs included in the transaction. Both AIB and BoI cited shifting strategies for customer interaction as the basis behind the decision to shed merchant-filled cash devices.
Brink’s	G4S	Security and cash management	In a move somewhat aligned with its AIB ATM fleet acquisition, **Brink’s** has paid $860 million for the cash operations of **G4S**, a UK-based provider of backend and retail cash solutions. The acquisition adds 14 markets to the Brink’s global footprint and represents the firm’s 14th acquisition since 2017. Brink’s continues to believe in the endgame for cash and just recently acquired 4.95 percent of MoneyGram International’s common stock. The latest move ought to help Brink’s solidify its role in fulfilling the cash management needs of MGI’s 200-country agent network. Brink’s isn’t the only company doubling down on the value of cash, see below.

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M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Loomis	Automatica	Finnish ATM cash management	**Loomis**, a meaningful player in global cash management services, has paid $45.6 million (one times annual revenue) to acquire Finnish cash management and ATM firm **Automatica** from its three owners, Danske Bank, Nordea, and OP Financial Group. The target operates the largest ATM network in Finland and provides cash management and cash storage services to the country's banks and retailers. This transaction comes on the heels of a similar acquisition by Loomis in Sweden – Nokas Vardehantering.
			Editorial Comment: While it's pretty clear that the role of cash within the global economy is on the wane, its value continues to be well above that of near-zero, as forecast by many. Endgame strategies, particularly those involving decades and perhaps generations have been successful throughout millennia and remain praiseworthy in our view.
Worldline	Ingenico	POS terminals	Another mega merger has occurred. **Ingenico** boasts 30 million deployed point-of-sale terminals worldwide, more than one-third of all such devices. **Worldline** operates in Continental Europe and will wind up with $331.6 billion in annual purchase volume when the dust from this February 2020 transaction settles. The new company will rank third in global transaction volume. The immediate results of the merger will impact Europe as Worldline follows the Ingenico trail of installed devices. Combined revenues for the new Worldline will approach $6 billion with one-half generated through merchant services. U.S. retailers are likely thrilled to have a viable player holding down the third spot in transaction volume as their merchant services contracts approach expiration.
LendingClub	Radius Bancorp	U.S. banking	It was bound to happen, a fintech company has acquired a chartered bank in the U.S. **LendingClub** is an online provider of personal loans with a 2014 IPO and a couple of rough patches in its background (ousted founder and the like.) Rather than attempt to secure a banking charter the usual and often tedious way, LendingClub is acquiring Boston-based **Radius Bancorp** for $185 million in cash and stock. In doing so, LendingClub hopes to eliminate $40 million per year in banking fees and funding costs. The price seems steep given the expected returns; time will tell. Parenthetically, despite being EBITDA positive, LendingClub expects the Radius transaction to enable it to *breakeven* GAAP-wise within two years of the 12 to 15-month term until closure. Very patient investors, eh?

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M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
TCV, others	Revolut	Neobank	London-based neobank, **Revolut** captures $500 million in Series D funding bringing its total capitalization to $836 million. The upstart claims 10 million customers and 2,000 employees domiciled in 23 offices around the globe. Funds are earmarked for implementation of a lending service and extension of its high-yield savings plans across Europe. U.S. banking operations are supported by Metropolitan Commercial Bank (NYSE: MCB), a $3.5 billion FDIC insured bank based in New York.
Market Exit	State Farm	Banking	**State Farm** is calling it quits. Well, not entirely. Depositors and borrowers with State Farm Bank, one of the older FSBs, will soon see their relationships move to U.S. Bank, the 5th largest FI in America. The deal comes with a strategic alliance program between the two organizations for cross-marketing of their respective programs. U.S. Bank will benefit from introductions State Farm's 19,000 agents could provide.
Fiserv	MerchantPro Express	Merchant services	Integrated core and payments processor, **Fiserv** continues to bolster its merchant services standing by acquiring **MerchantPro Express** for an undisclosed amount. A Fiserv distribution partner since 2009, the target will augment Fiserv's other payment technologies – CoPilot, CardPointe, and Clover. And, head's up, retailers, the level of merchant services competitive options just got smaller. Fiserv recently took another dive into the merchant services pool through its acquisition of **Bypass Mobile**, a software systems provider with tight relationships with the sports venues segment. Bypass has relationships with 50 sports stadiums and arenas and the Austin-based firm had already integrated its software with Fiserv delivery technology. A good fit, it seems.
Sequoia Capital, Initialized Capital, others	Empower	Neobanking app	San Francisco-based **Empower**, a mobile banking fintech, raises $20 million in Series A funding and leads with a high-yielding checking and savings program. Yes, another one. Empower relies on AI and human coaching to target the upper end segments. NBKC Bank of Kansas City stands behind the deposits. But really, how many of these neobanks does the market need? Just asking.
Battery Ventures	NorthOne	Neobank	Silly question; here's another one. Battery Ventures leads an investment group to provide $21 million in Series A funding to **NorthOne**, a challenger bank focused on the needs of SMBs, freelancers, and startups. Radius Bank (soon to be owned by LendingClub) provides the FDIC coverage for deposits. Tie-ins to Xero, QuickBooks, and Shopify enable sub-account expense tracking for the segments targeted. This one we get, sort of.

M&A and Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Market Exit	Moven	Neobank	**Moven**, a reasonably well-heeled challenger bank with lots of years under its belt, is leaving the U.S. market for consumer banking after coronavirus cratered its latest funding round. Points out the vulnerability neobank fintechs might have to revenue stream volatility. "Banking is an easy business" said no banker, ever.
Madison Dearborn	EVO Payments	Merchant acquirer	Long-time shareholder, Madison Dearborn, injects another $150 million in **EVO Payments** specifically to enable the venture to navigate through the coronavirus pandemic. Debt reduction is the primary purpose for the investment while downstream investment opportunities come in second. Meanwhile, EVO plans to reduce fixed costs by 20 percent and to reduce capital spending by 75 percent. Applauding the first action, questioning the second; 75 percent is significant.

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Curiosities

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

Subject	Source / Date	Summary
Texas Capital Bank	*Finextra February*	**Texas Capital Bank**, a $32 billion commercial bank located throughout Texas and founded in 1998, has launched Bask Bank, a digital savings account which shuns interest accrual in favor of American Airlines AAdvantage miles. The AA miles accrue daily and are awarded based on average monthly balances. Depositors can earn bonus miles by opening new accounts, providing feedback, and maintaining staggered balance levels. Sign us up, oh wait, where can we go? A novel idea to be sure but Bask Bank is likely to be caught up in the pandemic for a bit.
Espresso Banking	*Finovate March*	"One lump or two?" In a differentiation play, at least six global banks are mixing a bit of caffeine with their financial services offerings. Capital One has 31 Capital One Cafes where tellers are now called Ambassadors (seems that baristas was taken.) Chase Bank opened its first coffee shop branch last December in a lash-up with Joe Coffee in downtown Manhattan. Tangerine, a subsidiary of Scotiabank, has spread its "Cafes" throughout the busiest Canadian cities but you won't find teller one in any of them. Sorry, digital only. CaxiaBank has followed up on its imaginBank approach to millennial banking with ImaginCafe and those imaginative minds at Umpqua now offers "banking stores" that have a retail look, free Umpqua-branded coffee, and yoga classes. Coffee slurpers who bank with Santander can have a brew at eight "Work Cafes" across the globe as depositors take advantage of spaces designed for meetings, events, and classes. My, my. Remember when coffee was a dime and now passwords were needed. Of course you do.
Lyft and Amazon	*PYMNTS.com March*	Two articles published on the same day quite recently caught our attention. First ridesharing fintech, **Lyft** has advised its drivers to consider taking warehouse and delivery jobs with **Amazon** "as a way to earn additional income right now," the notice said. The same day, we read that Amazon is encouraging its warehouse employees to transfer to the Whole Foods grocery team for roughly $19 per hour; apparently this would represent an increase in earning power for those opting in. Why not cut the corner and get directly into the grocery delivery business we wonder? Then there's the non-trivial matter of Whole Foods grocery workers staging a "sick out" to protest working conditions under the pandemic. Tough times, sadly.

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
Empower	New challenger bank in the U.S.	https://empower.me/banking/
Loomis	Cash services	https://www.loomis.us
NorthOne	SMB focused neobank	https://www.northone.com
Varo	Chartered neobank	https://www.varomoney.com
Worldline	Acquisitive merchant services	https://worldline.com

Back in the Day!

We were thrown a curve ball last quarter by Rick Lyons, one of the big stones in the electronic payments stream, when he offered up these devices from "back in the day." No one was able to conjure up the correct answers regarding their origin or purpose so here's a photo of the front cover of the calculator device. We all remember Mondex, right? Unless you're really old, it's not likely. Thank you Rick.

We'll have another "back in the day" teaser next quarter.