



What Does Big Banks' Foray into Digital Wallets Hold?

payments industry update competition

Summary: The financial industry's largest players are gearing up to introduce a new digital wallet aimed at competing with behemoths like PayPal and Apple Pay. Though it is still unclear how everything will play out, CFIs should keep a close watch on what they are planning while continuing to focus on their own digital offerings.

The first Internet search engine, Archie, was created by Alan Emtage, a McGill University student, in 1990. By the late 1990s, however, consumers had their choice of multiple, more sophisticated search engines including Ask Jeeves, Ask.com, AltaVista, Yahoo! and Excite. But within only 2Ys of Sergey Brin and Larry Page introducing a new search engine that provided people with more relevant responses than existing competitors, Google was far and away the most popular choice. Today, Google controls 92% of the search engine market and processes roughly 8.5B searches daily.

In the same way that Google entered an already crowded field of search engines and quickly became the dominant player, seven of the banking industry's largest players have joined forces to take a chunk of the digital payment services market away from well-established players such as PayPal and Apple Pay.

New Competition

Bank of America, Capital One, Chase, PNC Bank, Truist, U.S. Bank, and Wells Fargo, the seven banks that launched peer-to-peer money transfer app Zelle, have set their sights on creating a digital wallet that can hold its own against entrenched players such as PayPal. Paze, which will be managed by Early Warning Services, the parent company of Zelle, [is gearing up to launch in the second half of 2023](#).

Paze is expected to be connected to roughly 150MM credit and debit cards from participating banks from the get-go. News of the new digital wallet comes while Apple is gearing up to strengthen its own hold on the digital payment market by creating a checking account and introducing [its own buy now, pay later service](#).

For consumers, Early Warning Services promises that the ability to make credit card payments without having to type in credit card numbers will mean greater security and convenience, while the appeal for retailers will be simplified checkouts, fewer rejected payments, and fewer online purchase abandonments. At present, [30% of online purchases are still made with manually entered credit card details](#), and 55% of consumers in the US still choose not to store payment information with retailers. Meanwhile, roughly 46% of consumers already have at least one digital wallet on their phones.

Though details are still emerging about the new digital wallet, Early Warning Services has said that, like Zelle, it will not be limited only to its consortium members and will be available, in stages, to all banks and credit unions in 2024. Still, there is no guarantee the venture will succeed. Paym, a similar venture launched in 2014 in the UK by 15 of the country's largest banks and building societies, [shut down after only 8Ys of operation](#).

Potential Impact

Industry experts predict that Early Warning Services' digital wallet introduction is part of a bigger plan to likely tie to Zelle's services with a pay-by-bank offering. If done right, experts at Accenture believe that consumers' trust in financial institutions could help Paze gain significant support among consumers.

For CFIs, the new digital wallet means greater competition for consumers, particularly given the combined breadth of the banking behemoths backing it. Since plans are to open the wallet to all financial institutions, it is likely CFI adoption will be similar to that of Zelle. But with no clarity yet regarding the types of fees that will be involved for participating financial institutions, it is hard to know exactly how this will impact CFIs.

Until there is greater clarity, your best move is to continue focusing on your own digital banking initiatives and ensuring that they are both easy-to-use offerings and ones that consumers are looking for. You should also ensure that your mobile app can be easily integrated with other services and offers the most popular features of competitors, such as:

- Monitoring that provides customers alerts about upcoming renewal charges for subscription services they may have forgotten about.
- Aggregation services that give customers the ability to manage all their accounts, both with your organization and external accounts, from a single location.

GREATER TRANSPARENCY WITH INTERNATIONAL PAYMENTS

Utilizing SWIFT gpi, PCBB can provide you and your customers with faster international payments combined with greater transparency for tracking payments. Learn more about our [international services](#).

ECONOMY & RATES

Rates As Of: 04/24/2023 05:37AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.14	0.29	0.72
6M	5.07	0.13	0.31
1Y	4.73	0.12	0.02
2Y	4.14	0.11	-0.29
5Y	3.62	0.05	-0.38
10Y	3.54	0.06	-0.34
30Y	3.75	0.10	-0.22
FF Market	FF Disc	IORR	
4.83	5.00	4.90	
SOFR	Prime	ORER	
4.80	8.00	4.82	

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.