

# CHANGING THE PAYMENT LANDSCAPE

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The payments business has changed dramatically over the last couple of years. For many, many years it was very commoditized, so to speak. Not much change in the business. 25 to 30 years of basically the same payments systems, same payment processes. In the last few years, a lot of it driven by the regulatory environment, but also some technology changes have really dramatically impacted how we do business today.

So, the regulatory changes and, really, the overall environment changes, force us into a situation where we need to be able to react more quickly to those changes and a big part of that from a foundation perspective in the payment space is to have a core operating system that can react to those changes and can be much more nimble, much more global in approach, in how we address those items that come up.

The technology that we had really was insufficient for the needs that we had to meet in the regulatory requirements, as well as the changing dynamic of how payments were being made. So, we made a significant investment, probably about four or five years ago, where we decided to replace our core payments infrastructure for everything that we did.

So, our key development we wanted to focus on as a starting point was Europe and servicing our core business and clients from a European perspective. So, first out of the box was to add Frankfurt, our Frankfurt branch, and direct euro clearing. So, now we have some core services there for our clients. We also added our London branch with CHAPS clearing to connect and do GBP clearing for sterling, for that currency, along with FX capabilities and the ability to make payments in an additional 50 markets as needed.

The new and emerging technologies and what's happening from a payments perspective today is absolutely incredible. Besides core payment changes like, for example, within the U.S., they're adding a new same-day ACH capability. That will be implemented sometime next year, as well as a real-time payment system that's going to be developed and implemented in the U.S. as well.

The emerging technologies are really quite fascinating in terms of what they can do in terms of how we conduct business as a company and how actually value transfers between participants



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globally. I think what we've seen in activities such as block chain, the bitcoins of the world, distributive ledger functionality, those new payments systems, which actually transfer other assets as well, can fundamentally change how we do business.

So, the technology, in terms of where it goes, we're a little bit unsure at this point. I think our primary obligation right now is staying very close to it, understanding it, working with technology companies, FinTech companies, other banks, market infrastructure providers in determining really what makes sense for us to participate in. Where are the winners going to be? Where are the best opportunities for us? We're trying to stay in touch with what is the best potential opportunity.

I have to say it's a very exciting time to be in the payments business. There are so many different things going on. So, staying close to it is actually very exciting and engaging, and I know, from a team perspective, we're very excited about finding out what those next opportunities are, what that next direction is going to be to take the company and our clients forward.

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