How payment providers can capitalize on growth opportunities across MEA

Building a better working world

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Foreword

Digital payments are already widespread in affluent markets across the Middle East and Africa (MEA), such as the UAE, the KSA, Nigeria and South Africa. EY teams conducted research across several MEA markets and found that payment processing constitutes a US$7b revenue pool in 2022, which would grow to US$10b by 2030. By 2030, payment services providers (PSPs) and digital marketplace aggregators across MEA are forecast to process US$800b in payments, and generate over US$1b in payments revenues.[1] The rise of API platforms and payments-as-a-service (PaaS) are also unlocking newer models such as payment facilitator (PayFac) and bank identification number (BIN) sponsorship for entrants to selectively participate in the payment processing value chain.

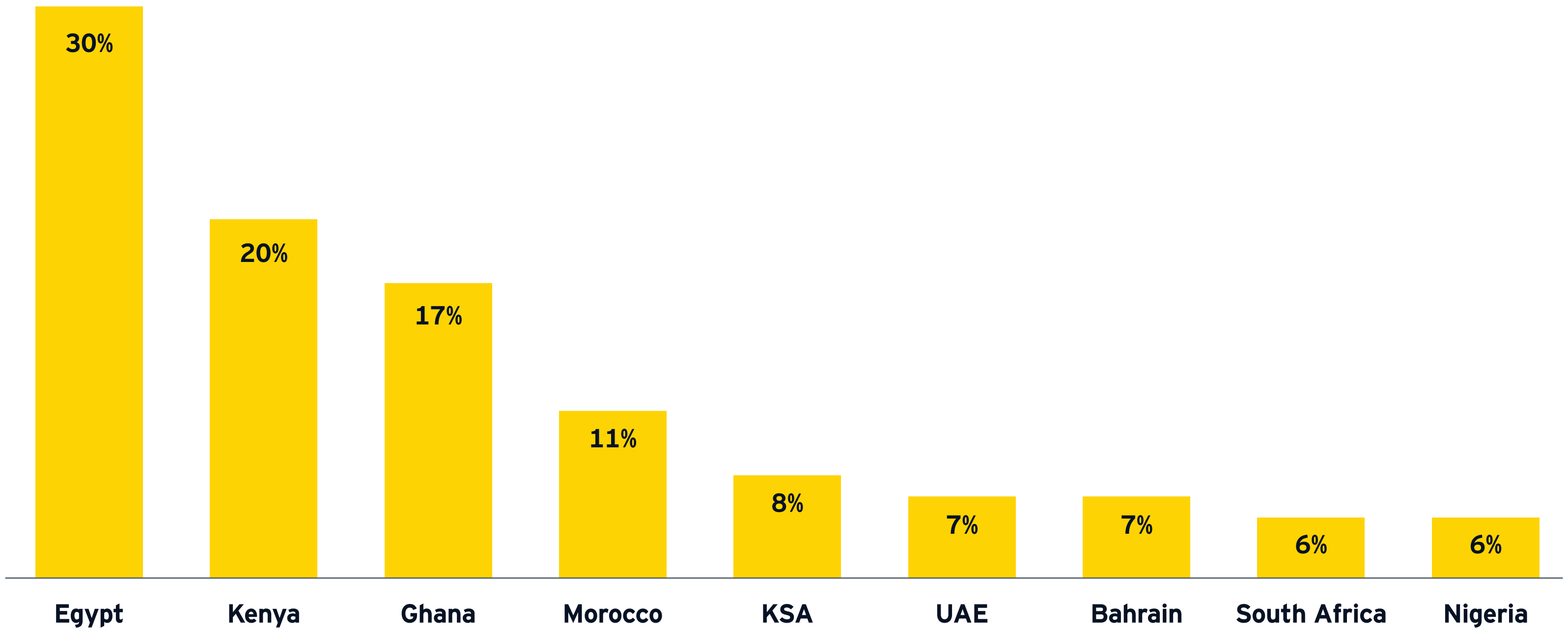
EY research and the market experiences globally and across the MEA markets have identified nine success factors essential for both new entrants to MEA markets and traditional back-end payment processors planning to stand out in the market.

01

MEA markets are still cash-centric, but digital payments are growing rapidly

Digital payments are already widespread in affluent markets across the MEA, such as the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA), Nigeria and South Africa. Digital payments are also growing rapidly across other markets in the region, albeit from a low base of 2% to 3%.[2]

Digital payments growth 2017-21

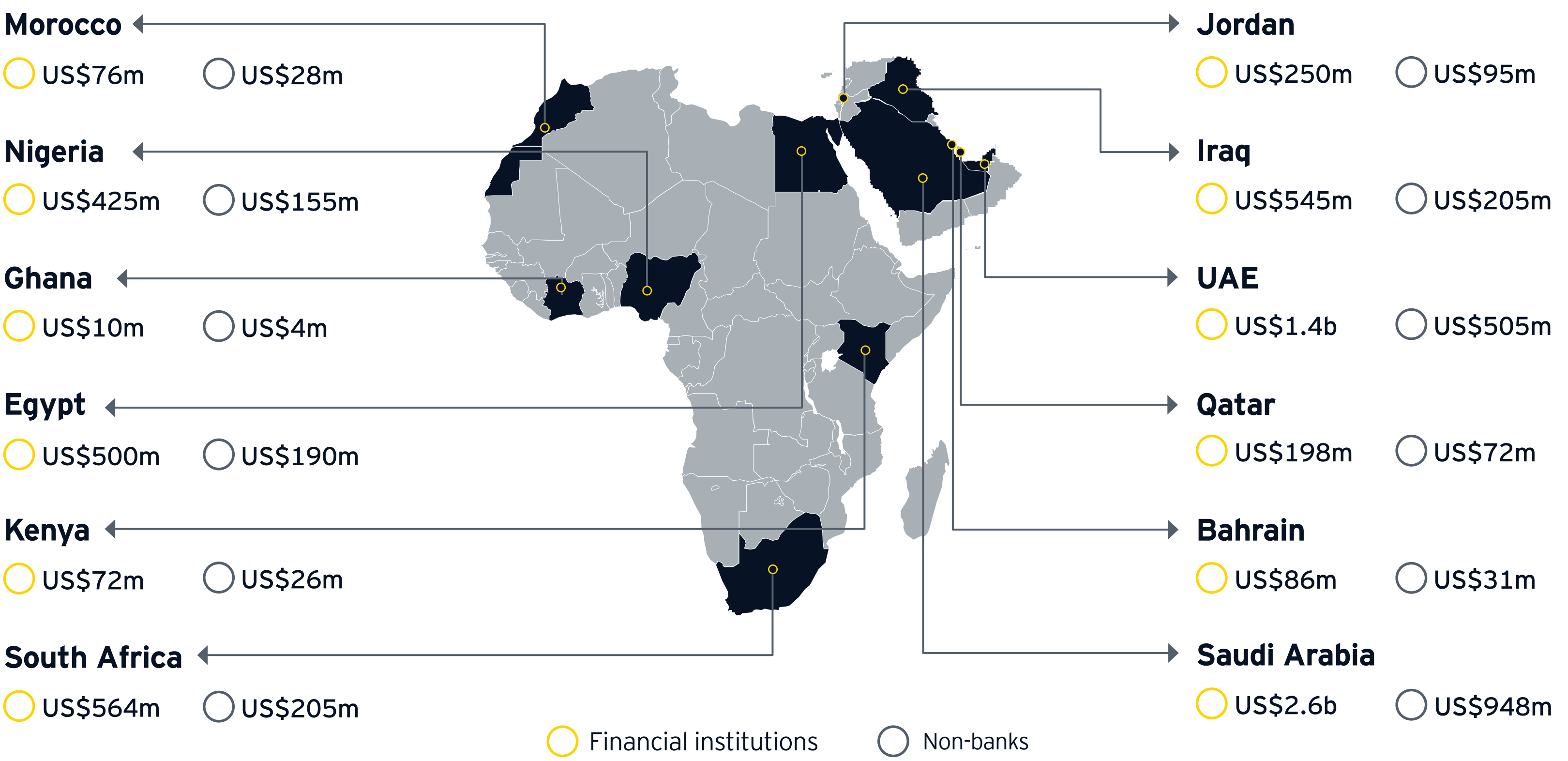


	Egypt	Kenya	Ghana	Morocco	KSA	UAE	Bahrain	South Africa	Nigeria
Cash payments	45%	37%	99%	74%	53%	20%	27%	63%	38%
Banking penetration	32%	56%	42%	28%	72%	87%	83%	40%	67%
GDP per capita	US$3.5k	US$1.8k	US$2.3k	US$3.0k	US$20k	US$43k	US$23k	US$2.1k	US$5.0k

Figure 1: Digital payments growing rapidly across the MEA, albeit from a low base
Sources: EY analysis, calculations based on World Bank data and FIS Global Payments and ACI Worldwide reports.

The growth in digital payments is being driven by telco and tech-led mobile commerce (m-commerce) marketplaces, with support from regulators looking to further develop financial services in their respective countries, e.g., the development of financial services is a cornerstone in the government's ambitious Saudi Vision 2030. EY research suggests that digital commerce is likely to grow by 11.5%[3] y-o-y during 2022–30 across the region, led by fast-growing pan-regional retailers such as Lulu Hypermarkets, Careem, and Talabat, to name a few. This growth is supported by the growing availability of point of sale (POS) terminals in countries across the region, with food delivery companies like Talabat also driving the adoption of POS applications on smartphones. Regulators across the region are doing their part, e.g., the al Amia Citizens Card program in Egypt aims to distribute social entitlements to citizens directly through mobile payments wallets backed by Visa.

EY primary research across several MEA markets suggests that payments processing constitutes a US$7b revenue pool in 2022, which would grow to US$1b by 2030.[4]



Banks

2021

US$5.8b

2030

US$7.8b

- Payment processing fees
- Management fees
- Project fees or API subscription fees
- API enabled VAS

Aggregators, PSPs, retailers

2021

US$2.1b

2030

US$2.8b

- Payment processing fees
- BIN sponsorship
- Value-added services

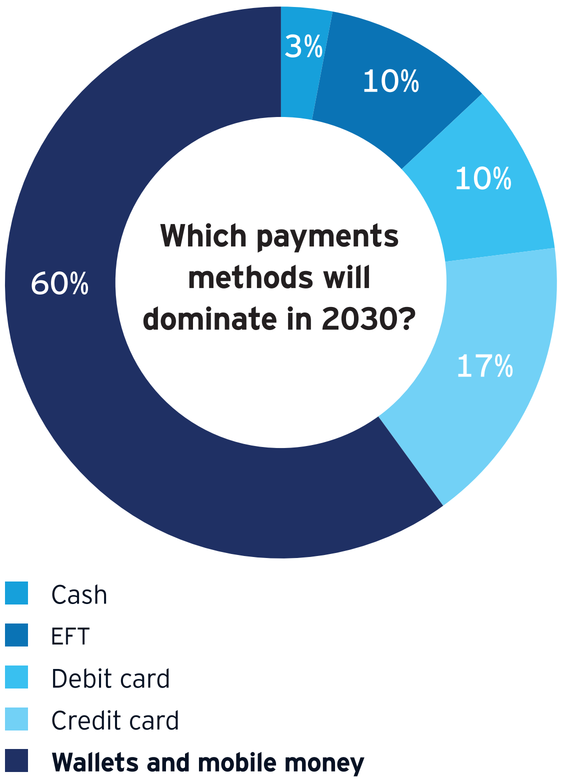
Figure 2: Digital payments constitutes a US$500m revenue pool, growing to US$800m by 2030

Sources: EY analysis, calculations based on World Bank data, FIS Global Payments and ACI Worldwide reports, Mastercard report on interchange fees, CBUAE reports, SAMA monthly bulletins and country-specific Central Bank reports.

Traditional credit, debit and prepaid cards issued by banks still drive 84%[5] of digital payments across the region, with room to grow as consumers acquire additional credit cards in rapidly developing markets. In the UAE, the average consumer has three credit cards, while the KSA or South African consumer has two cards, and Egyptians have, on average, one credit card per banked person.

However, credit card processing fees, the so-called merchant discount rate (MDR), is under pressure in several markets as regulators look to drive digital payments with lower card processing fees. Accordingly, the MDR can be expected to decline from highs of 2.5% in some markets toward the developed market median of 1.3% by 2030[6], with knock-on effects on revenues for payments processors.

FinTech m-commerce platforms and newer payment methods are propelling digital payments growth across MEA, with growth in payments made through digital wallets and mobile money instruments outpacing traditional credit card payments at POS terminals. By 2030, PSPs and digital marketplace aggregators across MEA are expected to process US$15b in payments and generate US$275m in payments revenues.[1]



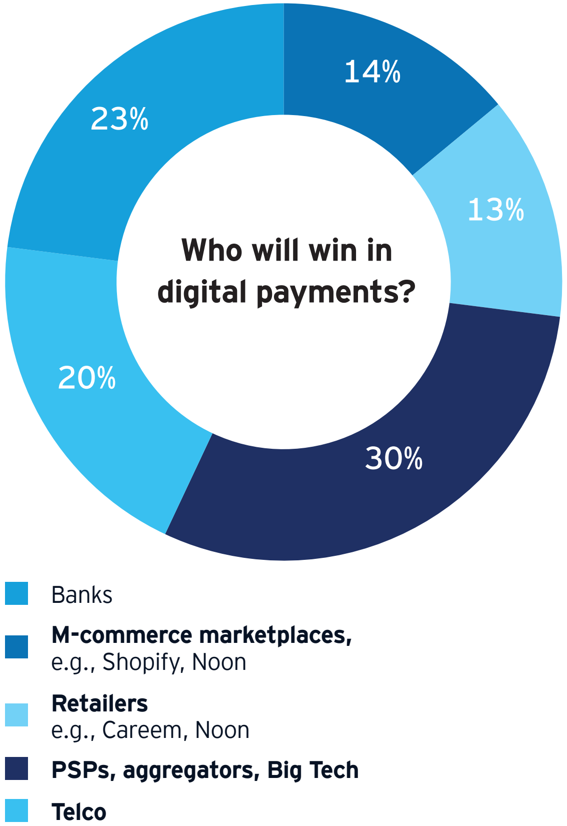


Figure 3: Digital commerce platforms and alternative payment methods (APM) driving digital payments growth
Source: EY analysis, calculations based on World Bank data and FIS Global Payments and ACI Worldwide reports.

02

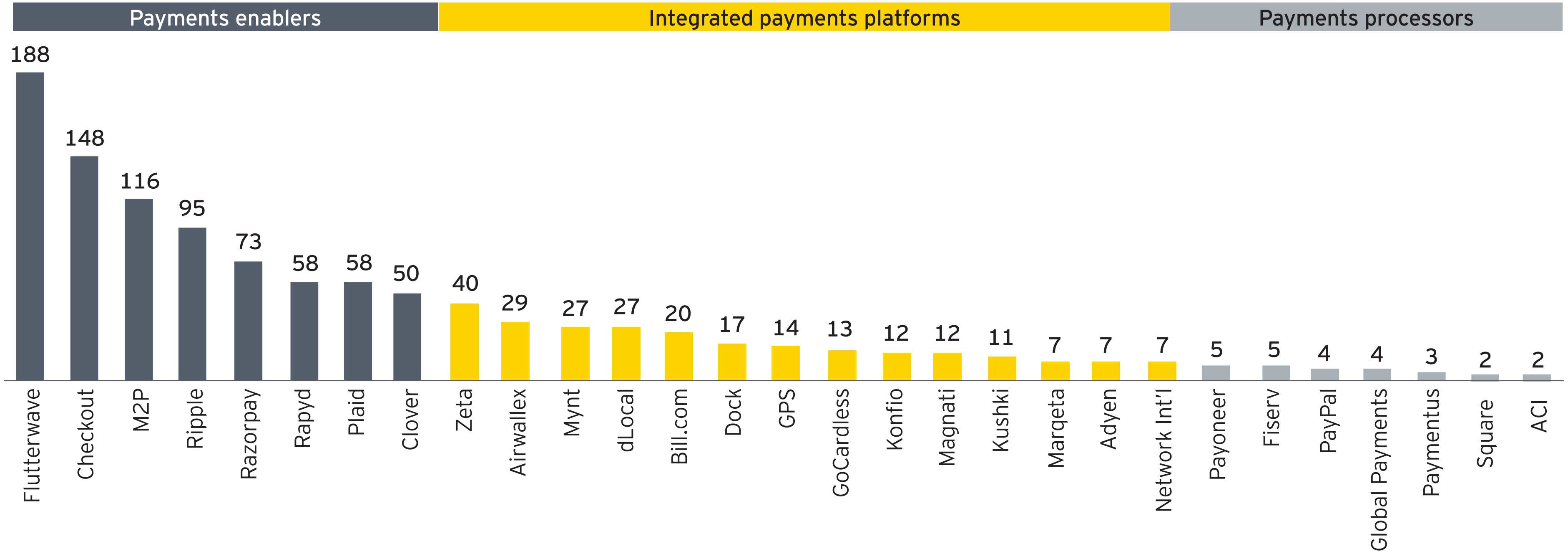
Value in payments migrating to integrated payments platforms

Traditional payments processing models from established back-end processors (e.g., FIS, ACI, Fiserv, etc.) depend on monolithic platforms. These models require lengthy and expensive bespoke projects for any customizations desired by the bank or payments aggregator, e.g., to roll out disposable, single-use virtual cards, or to enable a new payments method on POS terminals. The typical sequence of events involves the creation of a detailed business requirements document (BRD) by the client, followed by negotiations over the commercial terms and subsequent development and testing of the new feature on the client's managed payments processing platform. Often, 15% of fees paid to the back-end processor by the client are for such bespoke projects.

In contrast, modern integrated payments platforms from companies like Stripe, Adyen, Marqeta and Zeta enable the bank or PSPs to configure new products and services on their own through application programming interfaces (API), based on a standard catalogue of add-on features and products. Such API also enables the bank or marketplace aggregator to rapidly innovate with transaction data-powered VAS, such as liquidity and financing solutions for merchants, or banking-as-a-service (BaaS) offerings for consumers. EY research suggests that VAS will drive more than 50%[7] of payments processing revenues across MEA by 2030, with more than half coming from emerging solutions.

Investors recognize this trend, and API-powered payments enablers and integrated payments platforms are valued higher than payments processors by public markets.

Market valuation and revenue



	Flutterwave	Checkout	M2P	Ripple	Razorpay	Rapyd	Plaid	Clover	Zeta	Airwallex	Mynt	dLocal	Bill.com	Dock	GPS	GoCardless	Konfio	Magnati	Kushki	Marqeta	Adyen	Network Int'l	Payoneer	Fiserv	PayPal	Global Payments	Paymentus	Square	ACI
Valuation 2022, US$b	3	40	0.6	15	7.5	15	13	30	1.5	5.5	2	6.5	12.7	1.5	0.5	2	1.3	1.2	1.5	3.9	43	2	2.6	84	111	30	1.3	32	2.5
Revenues 2021, US$b	0.016	0.3	0.005	0.15	0.1	0.26	0.2	0.6	0.04	0.2	0.07	0.2	0.6	0.1	0.04	0.16	0.11	0.1	0.14	0.5	6	0.3	0.5	16	26	8.5	0.4	17	1.4

Figure 4: Payment enablers and integrated payments platforms players are valued higher by markets
Note: Clover is owned by Fiserv; data shown separately here to illustrate the higher market value of payments enabling platforms vs. traditional back-end payments processing.
Source: EY analysis, calculations based on data from Wall Street Journal and Crunchbase website.

The rise of API platforms and PaaS are also unlocking newer models such as payments facilitator (PayFac) and bank identification number (BIN) sponsorship for entrants to selectively participate in the payments processing value chain.

For an established payments player, PayFac or PSP models enable clients to strike a balance between risk and reward, whereas software platforms and retailers may find BIN sponsorships an easier route to entry.

		Third-party processing			
	Direct acquiring	**Retail PayFac**	**Wholesale PayFac**	**PSPs**	**BIN sponsorship**
End customer experience	Payments experience screens	Payments experience screens	Payments experience screens	Payments experience screens	Payments experience screens
	Payments journeys	Payments journeys PSPs	Payments journeys	Payments journeys	Payments journeys
Merchant sales	Marketing	Marketing	Marketing	Marketing	Marketing
	Pricing	Pricing	Pricing	Pricing	Pricing
	Solutions	Solutions	Solutions	Solutions	Solutions
	Maintenance	Maintenance	Maintenance	Maintenance	Maintenance
Risk	KYC/AML/FATF	KYC/AML/FATF	KYC/AML/FATF	KYC/AML/FATF	KYC/AML/FATF
	Network certification	Network certification	Network certification	Network certification	Network certification
	BIN license	BIN license	BIN license	BIN license	BIN license
	Merchant risk	Merchant risk	Merchant risk	Merchant risk	Merchant risk
Transaction processing	Payments initiation	Payments initiation	Payments initiation	Payments initiation	Payments initiation
	Authorization	Authorization	Authorization	Authorization	Authorization
	Settlement and reconciliation	Settlement and reconciliation	Settlement and reconciliation	Settlement and reconciliation	Settlement and reconciliation
Merchant servicing	Chargeback and disputes	Chargeback and disputes	Chargeback and disputes	Chargeback and disputes	Chargeback and disputes
	Account services	Account services	Account services	Account services	Account services
	Invoicing	Invoicing	Invoicing	Invoicing	Invoicing
	Hosting	Hosting	Hosting	Hosting	Hosting
	Managed POS services	Managed POS services	Managed POS services	Managed POS services	Managed POS services
VAS	VAS	VAS	VAS	VAS	VAS

Payments provider

Hybrid

Partner

Figure 5: Different participation models available, with varying trade-offs between risk and reward

03

Nine key success factors for payments players in MEA

EY research and market experiences, both globally and across the MEA markets, have identified nine key success factors that are essential for both new entrants to MEA markets, and for traditional back-end payments processors planning to stand out in the market.

1 Integrated payments and value-added services (VAS) platform

Payment ecosystem to consume and share services

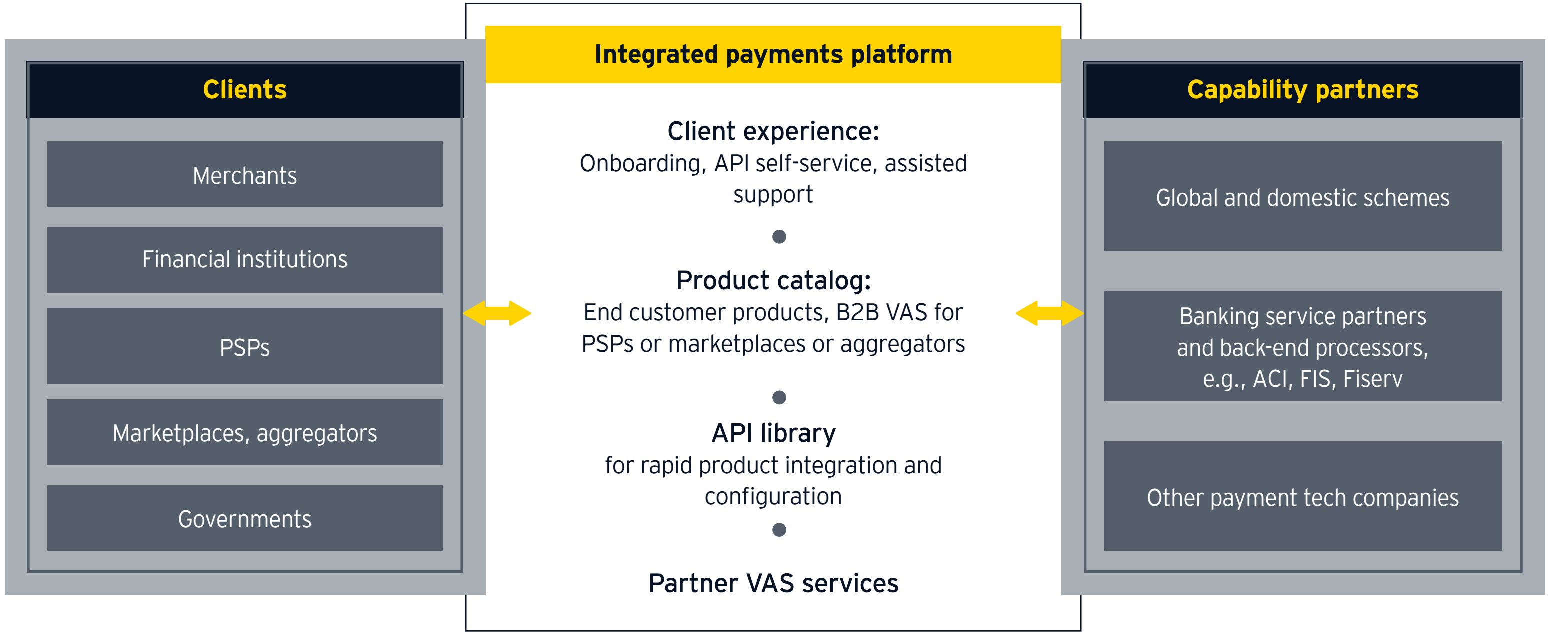


Figure 6: Single API integrated payments and VAS platform example

The ability to rapidly deploy and configure a payments processing solution and to easily configure both core payments methods as well as transaction data-driven VAS underpins the success of the companies like Stripe, Adyen and Marqeta. This is increasingly the yardstick with which both banks and non-bank PSPs will evaluate payments processing alternatives like Fiserv, FIS and ACI.

2 Client segment-specific payment propositions

Five specific client segments exist for third-party payments processing, each with its own unique set of pain points, priorities and needs from integrated payments platforms.

- **Financial institutions** are looking to defend the existing business against FinTech that are increasingly dominating commodity money movement services and moving up the value chain of traditional banking services such as lending. To enable new payments solutions, traditional large and expensive change projects are no longer sufficient. This requires them to be innovative as rapidly as FinTech. Banks are also looking to drive new revenues with embedded payments services that best leverage their profit and loss (P&L) and treasury capabilities.
- **Government** clients are looking to drive up financial inclusion, especially among lower socioeconomic segments, and expand the financial services sector in-country, as an enabler for broader macroeconomic growth. They require configurable payments processing platforms, as well as support for newer rails such as electronic fund transfer (EFT), and telecom mobile money wallets.
- **Payments** aggregators want to drive transaction volumes through a seamless payments experience and deliver sticky propositions for consumers and merchants alike. Moreover, they need to collaborate with banks to create new revenue streams through commodity BaaS and lending. They require configurable payments platforms integrated with POS lending, treasury and money transfer services, loyalty and analytics tools, as well as BaaS enablers such as wallets.
- **Digital marketplaces** must drive transaction volumes through a seamless payments experience deliver sticky propositions for consumers and merchants alike, generate new sales through insights on customer needs and preferences, and optimize inventory and cash flows across markets. Along with a reliable payments platform that can be quickly integrated, they are looking for POS lending, fraud management, loyalty and analytics tools, as well as business operation enablers such as online storefronts that are pre-integrated with one-click checkout solutions.
- **Merchants** want to drive transaction volumes by providing a seamless checkout experience by accepting a wide range of payments methods and minimizing declines to generate new sales through insights into customer needs and preferences and optimizing inventory and cash flows across markets.

3 Innovative catalogue of payment products and VAS configurable through API

Core issuing products will need to include traditional credit, debit and prepaid cards, as well as expected innovations such as virtual and single-use cards, tokenization on demand and enhanced security mechanisms such as 3D Secure (3DS). The latter category of services is also essential as it significantly simplifies network certification requirements such as PCI DSS. To stand out, an innovative payments platform provider will also need to provide innovations such as back-end token swapping and multi-function instruments which can be configured by the consumer to function as either a credit or debit card at any time. Similar offerings from Curve have proven popular with consumers, especially when paired with innovative buy now pay later (BNPL) solutions like Back in Time and with merchants, who are seeing higher transaction completion rates for larger ticket consumer purchases.

Core acquiring solutions need to include traditional POS solutions (both physical terminals and mobile applications), e-commerce gateways, and both stored value and pass-through wallets as white label solutions. Increasingly, innovative payments players are creating differentiation through cross-rails solutions such as the one from Starling Bank that enables users to pay from a credit card or Apple Pay directly into the receiving bank account.

The fastest growth area, however, is API-enabled and transaction data-powered VAS, such as intelligent money transfer and treasury-as-a-service (TaaS) offerings from Stripe, and alternative payments methods (APM) such as payments embedded in popular instant messaging platforms that are popular with merchants offering retail storefronts through.

White label consumer financial wellness and personal finance management (PFM) services (e.g., share trading and cryptocurrency wallets) have also soared in popularity on the back of successful offerings from Revolut, with established banks scrambling to catch up with similar convenient solutions sourced from FinTech players.

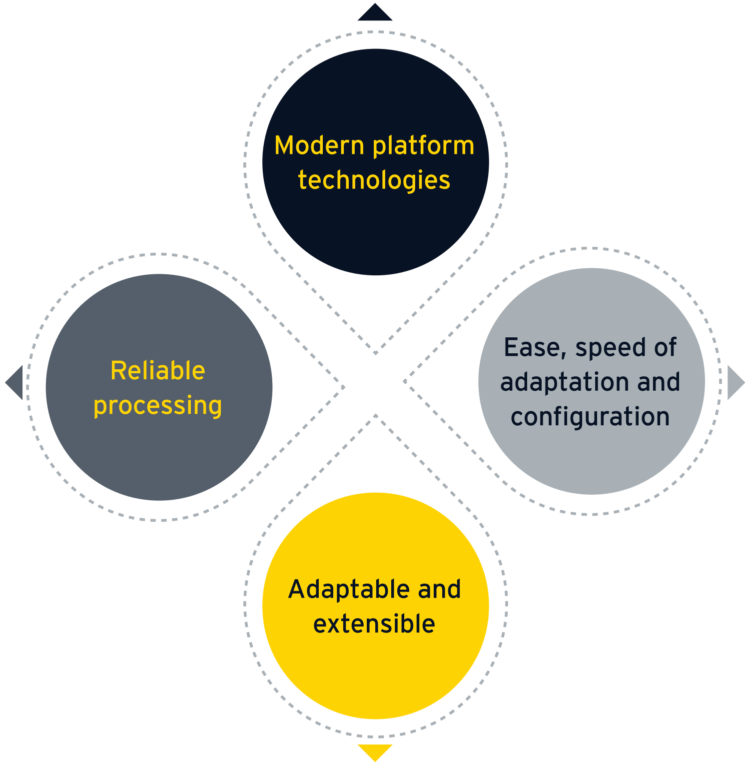
For payments aggregators and marketplaces, innovative solutions that drive higher transaction completion rates are essential, e.g., authentication services reducing declined transactions, reassuring transaction notification and fraud monitoring triggers. Payments platform innovators such as Bolt are creating new niches for both online and physical retailers with one-click payments solutions that mimic the convenient checkout experience on the Amazon retail platform.

4 At-scale, innovative technology platforms

To be successful, an integrated digital payments and VAS platform player requires at-scale payments processing capabilities, an innovative and flexible payments orchestration layer, and client engagement solutions layer able to deliver differentiating experiences tailored to the needs of each institutional, platform and merchant client segments. To begin with, evaluate the firm's payments platforms through five lenses:

Will the platform design and operating model scale across existing open standards (e.g., ISO 20022, BIAN) and connect to next-gen third parties, e.g., digital currency marketplaces? Or does it depend on legacy platform technology and programming languages?

Does the platform support high-throughput processing? Is it reliable, stable and resilient under high-load operational conditions? Is it able to automatically spin up new instances to manage load or outages?



Can the platform rapidly adapt to regulatory and institutional changes in the next few years in response to new initiatives, e.g., real-time payments, new messaging standards, more stringent requirements governing fraud, risk and data privacy? Can changes to the platform be implemented in weeks, rather than months?

Strategic 1

Is the platform architecture aligned with the firm's vision of single API integrated payments platform? Does the platform roadmap support existing and emerging innovation?

Does the platform enable an efficient extension of payments services, rapid innovation through open API (e.g., REST) and data standards? Is the platform able to decouple legacy workflows and augment them with new workflows powered by emerging technologies such as deep learning models, blockchain, and IoT?

5 Leverage FinTech partnerships across the region

Several MEA markets have thriving local FinTech hubs that can be a great source of API innovation and local market-specific propositions that are often critical for international payments platforms to succeed in each MEA market.

To cite a few examples:

Egypt

Fawry provides a highly successful electronic payments network (EPN) solution that is rapidly expanding into the UAE, KSA and other GCC markets. Similarly, Halan provides fast-growing BNPL solution attuned to local market needs.

Nigeria

Flutterwave provides a payment infrastructure solution for global merchants and PSPs, with operations in Nigeria, Kenya, Ghana, South Africa, and seven other African countries.

South Africa

Yoco is an SME-focused payment processor currently serving South Africa but with plans to expand into other African markets and the Middle East.

Saudi Arabia

Geidea is the leading merchant acquiring and POS solutions player in the Kingdom and is now expanding into the UAE and Egypt. HyperPay offers payments gateway, PSPs, and online payments solutions across KSA, UAE, Jordan, and Bahrain.

UAE

Nymcard is an AI-driven platform for mobile network operators seeking to get into payments, as well as providing mobile wallet operators and financial institutions with accurate credit scoring for responsible lending across the UAE and Egypt.

6 Focus on markets with the greatest opportunity for creating defensible market positions

Dispersed payments revenue pools across MEA markets and deep country knowledge required to access those revenue pools. These coupled with finite investment capital and management time for new ventures make it essential for payments firms carefully identify the most suitable markets for new growth opportunities. EY research and experience gleaned from multiple client engagements suggest evaluating each market through three lenses:

- **Desirability: Is there genuinely an opportunity for new revenues with an integrated digital payments platform?**

The answer to this question typically depends on a range of macroeconomic factors like GDP per capita as the payments business ultimately depends on consumers' ability to spend, demographics (affluent youth, in particular, who drive digital payments online), and the ability to repatriate profits (e.g., a fast-depreciating currency or currency controls are issues in several MEA markets). It also depends on the growth of digital payments in the country, as well as market economic factors such as regulatory caps on interchange rates and the degree of disruption from APM, such as telco-led mobile money in Kenya, and real-time bank account transfers in Nigeria.

- **Viability:** Can a foreign entrant succeed in this payments market?

The widespread availability and maturity of payments infrastructures such as POS terminals and national domestic payments rails are usually good determinants of opportunity for payments platforms looking to roll out digital propositions rapidly.

Additionally, pro-digital payments regulations help, for instance, the seven categories of PSPs licenses available in the UAE, electronic money institutions (EMI) licenses and national FinTech sandbox infrastructure in KSA. In contrast, Egypt's slow adoption of electronic know your customer (eKYC) regulations and the requirement for payments firms to secure cumbersome banking licenses serve as barriers to entry for innovative international digital payments platforms.

- **Feasibility**: Can an integrated payments platform establish a defensible competitive position in this market?

A market structure that enables the payments firm to rapidly roll out existing payments platform propositions is preferable to developing bespoke solutions that may not be relevant for or scale across other markets; e.g., Adyen and Stripe have rapidly rolled out merchant acquiring propositions across MEA markets, often through BIN sponsorships with local banks and local regulatory requirements fulfilled through in-country partners while retaining a standardized global payments platform.

The existence of local FinTech players with either innovative technology or established market presence also helps, for example, Network International bought DPO to gain access to a wide range of markets in sub-Saharan Africa and to transform itself into a payments platform with its N-Genius API and payments gateway solution.

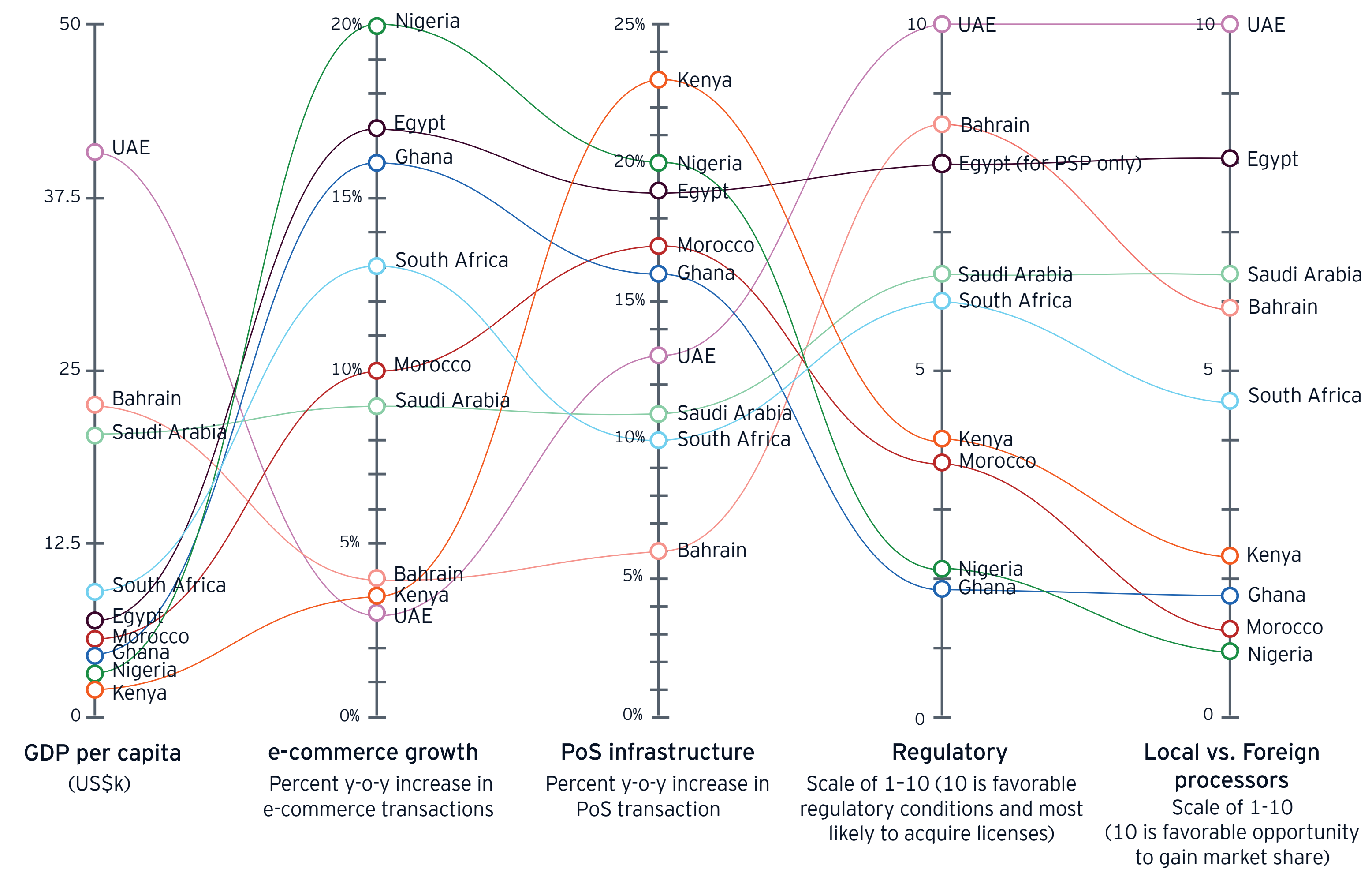


Figure 7: Desirability-viability-feasibility analysis of selected MEA markets

Source: EY analysis, calculations based on World Bank data and FIS Global Payments, ACI Worldwide reports and country-specific Central Bank reports.

7 How to design a pricing and discounting strategy to drive VAS consumption and client stickiness

Competitive pricing for traditional processing

Competitive pricing for traditional processing: Be competitive on unit prices for core cards processing, compared with back-end processors (e.g., Fiserv and TSYS).

Matched costs and revenue commitments for traditional processing

Predictable revenues along with anticipated fixed costs (e.g., due to contracts with backend processors, or own payments switch infrastructure) from core cards processing with minimum annual volume commitments.

Value-based pricing for differentiated VAS

Incentivize VAS uptake with "freemium," pay per use, and annual subscription pricing for API and data-enabled VAS offerings.

8 Operate as a product-centric organization to drive payments innovation and scale

A product innovation-led organizational model is essential for payments players looking to create value through rapid product innovation and exceptional client experiences. This model typically excels through standardized products delivered through at-scale platforms and evolving partnership ecosystems. This organizational model can be distinguished on the basis of five characteristics:

- **A** A product innovation-led culture and operating model.
- **B** High sales and revenue productivity, with exceptional client management capabilities, e.g., through customer success teams.
- **C** At-scale operations, with automated and straight-through onboarding, fulfilment and support processes.
- **D** Robust risk management capabilities, supported by data and AI or ML-powered automated risk and regulatory reporting processes.
- **E** An agile and accountable organizational culture, with incentives and scorecards aligned through the organization, and optimized organizational structures that enable rapid decision-making and bottom-up innovation.

In contrast, traditional payments processors carved out from banks are often set up as individual country-focused or financial institutional client segment-focused organizations. Markets-focused organizations work for firms with products or services that are unique to specific markets. It is particularly relevant if the markets in focus are genuinely different from each other, and requires larger in-country sales, operations and regulatory teams. Similarly, client segment-focused organizations work for players offering bespoke products and services to target segments, often banks and other financial institutions. These organizations typically deliver value through outsized revenue and margins from small groups of flagship clients and operate as arms-length product factories.

However, both of these organizational models struggle to scale and deliver integrated payments platforms innovation. As a result, successful digital payments players like Stripe, Adyen and Marqeta have all started from the ground up as scalable product innovation-led organizations.

9 Develop payments operating model capability maturity in key areas

The EY payments target operating model (TOM) framework outlines 12 areas of capability that payments players should seek to build or strengthen across the strategy and transformation, business and go to market (GTM) model, and operations areas.

Strategy and transformation

Strategy and planning
- Client and market insights
- Planning and budgets
- Strategic initiatives
- JV and partnerships
- Innovation management
- Corporate strategy

Transformation
- Transformation governance
- Delivery management and tracking
- Delivery resource management
- Agile and DevOps

Business model and go to market (GTM)

Product management
- Design
- Customer experience
- New product development
- Product lifecycle
- Cards
- Mobile money and prepaid
- EFT
- VAS and data products
- API and FinTech partnerships
- Product marketing
- Collateral and documentation
- Pricing and yield management

Sales and marketing
- Sales
- Sales strategy and performance
- Account plans and discounts
- Banks sales
- Platform sales
- VAS and advisory services
- Customer engineering
- Customer success
- Sales operations
- Marketing
- Brand management and campaigns
- Loyalty and retention

Target operating model (TOM)

Organization and people
- HR
- Mapping skills and capabilities
- Roles and responsibilities
- Recognition and rewards
- Performance management
- Workplace experience
- Recruitment
- Contingent workforce
- Training

Treasury
- Cash and liquidity
- Cash forecast and management
- Intercompany flows
- Settlement operations
- Trade settlement
- B2B payments
- Financial risk management
- Financial risks (liquidity, equity)
- FX risks

Finance
- Finance operations
- Financial strategy and funding plan
- Monthly variance analysis and close
- Finance consolidation and close
- Change delivery
- Tax hub
- Bank management
- Bank relationships
- Bank accounts, fee and reporting
- Governance and control
- Systems security
- Management reporting

Risk
- Commercial risk
- Merchant underwriting
- Merchant risk monitoring
- Fraud detection
- Credit risk
- Vendor risk
- Risk governance
- Risk policies and reporting
- Regulatory risk
- Technology risk
- Operational risk, BCP
- Audit

Regulatory compliance
- FCC
- KYC
- AML, FATF
- Client welfare
- Client protection
- Data protection and privacy
- Compliance hub
- Regulatory change management
- Schemes compliance
- Certifications
- Regulatory compliance
- Regulatory reporting

Legal and procurement
- Employment contracts
- Vendor contracts
- Client, network contracts
- Intellectual property
- Merchant and consumer
- Procurement

Operations
- Onboarding
- Relationship clients
- Platform clients
- Issuing
- Card issuing and activation
- Card maintenance
- Acquiring
- POS device provisioning
- POS servicing and support
- Common services
- Transaction processing
- Settlement and reconciliation
- Fraud monitoring
- Disputes and chargebacks
- Pricing and billing
- Reporting
- Servicing and support
- Process design and automation

Technology and data
- Architecture
- Enterprise architecture
- Solution design, S/W engineering
- Platforms
- Issuer platforms
- Acquirer platforms
- Data and API
- Data platforms and tooling
- API gateway and performance
- Cloud and Infra
- Design and provisioning
- Networking and cybersecurity
- IT operations
- Monitoring and reporting
- Service and incident management

Figure 8: EY payments targeting operating model (TOM)

Our experience with launching successful integrated payments platforms suggests that an aspiring digital payments player should start by creating robust organizational capabilities in a few key areas:

Product management

Strengthen product lifecycle management, pricing and yield management capabilities for core cards processing products and create a focus on differentiating data-driven VAS and API products. Define segment-specific client onboarding, fulfilment and servicing experiences for each of the key institutional, platform and merchant client segments.

Establish a network of FinTech partnerships to source innovation for an ongoing stream of new data-driven payments propositions and strengthen organizational linkages between product management and sales, operations, and technology functions.

Sales and client management

Reorganize the marketing and sales operations to create a focus on platform sales and higher revenue productivity. Establish a focused team for platform sales and client management for FinTech, PSPs, market aggregators and merchants. The focus of existing high-touch relationship sales teams should be on institutional clients.

Create a customer success function to drive speed to revenue with faster digital onboarding and product configuration support, as well as enhanced client management. Deepen client relationships through joint proposition development, ongoing proofs of concept and additional VAS solution deployments that leverage existing transaction data streams.

Payments operations

Consolidate core cards processing and client servicing capabilities for scale and consistent client experiences. Strengthen straight-through processing (STP) capabilities with a process and automation factory that has the expertise to design, implement and continuously optimize front-to-back processes with automated STP.

Technology and data

Strengthen enterprise architecture and payments processing solutions, design and advisory capabilities, and create innovative client engagement platform capabilities, as well as data engineering and advanced analytics capabilities. Build a pool of expert digital delivery resources, including data scientists and full-stack software engineers, potentially including strategic technology partner resources to bring expertise.

Risk and regulatory compliance

Elevate risk and regulatory compliance capabilities under the chief risk officer (CRO) position. Describe the three lines of defense risk model , with the first line in business, second line in risk and regulatory compliance, and audit as the third line of defense, with automated triggers enabled by data and advanced analytics capabilities.

04

What it will take to win

Digital payments are growing rapidly across the MEA markets, driven by a young and reasonably affluent population in several countries who have grown up with Google, Amazon and Netflix. Regulators across the region are encouraging the growth of digital payments as a means of increasing financial inclusion beyond traditional banks and to develop the financial service sectors in their respective countries.

To successfully capitalize on this growing opportunity, payment providers will need to:

- Develop an innovative product catalogue and portfolio of data-driven VAS, attuned to the specific needs of traditional financial institution clients, as well as newer marketplace aggregators, PSPs and retail merchants.
- Create a simple API catalogue that enables these clients to self-serve and rapidly leverage payments innovation available on the platform.
- Transform the payments processing experience by deploying a fully digital client onboarding model to clearly differentiate from traditional processors.
- Create scalable commercial and client service models that can serve traditional, financial institution clients and newer PSPs or marketplaces.
- Define a pricing and promotions model designed to drive VAS and maximize yield.
- Focus on enhancing organizational capabilities to become an integrated payments platforms business.
- Aim to develop capabilities across the payments processing value chain, including back-end processing capabilities for scale and rapid innovation over the medium term.

Conclusion

Digital payments are growing rapidly across MEA markets, driven by a young and reasonably affluent population in several countries. EY research and market experiences, both globally and across MEA markets, have identified nine key success factors that are essential for both new entrants to MEA markets, and for traditional back-end payments processors looking to differentiate in the market. Regulators across the region are encouraging the growth of digital payments as a means of increasing financial inclusion beyond traditional banks, and to develop the financial services sectors in their respective countries.

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