Digital Wallets – Tabletop 1

Background
If PayPal’s wallet balances were measured as deposits, PayPal will rank the 21st largest in U.S. deposit share. Funds payable to PayPal’s customers now stand at $32,530,000,000 (as of Q3 2020).\(^1\)

Coffee giant Starbucks holds another $1.6B in balances while newcomer Cash App by Square has obtained $676M in balances in just 5 years.

Discussion Questions
1. **What type of threat do these companies pose to your business?**
   - Cash App/ PayPal—Cash App does direct deposit, offers debit cards, allows for stock purchases—it is now a much more comprehensive threat to banks. What are the short and long-term implications for financial services and the economy if this trend continues?
2. **What are you doing to retain market share or relevance in a changing payments landscape?**
3. **Do consumers really understand their rights? Do you think these fintechs clearly disclose their data sharing and data usage policies?**
4. **Do consumers understand that these balances are not FDIC-insured? What would the impact be of a PayPal failure/insolvency?**
   - Do consumers understand the risks of sending funds from a digital wallet? How do you think the industry and/or regulators should educate and/or protect consumers from bad actors?
5. **What type of regulation is appropriate for these types of fintechs? Should they be regulated the same as banks?**

Secondary Questions (additional queries to guide discussion)
1. PayPal recently announced it will offer cryptocurrencies as a payment method. What do you think this decision will mean for retail payments? Do you think more consumers will expect cryptocurrency options for their digital wallets?
2. The Federal Reserve, along with central banks around the world, is evaluating the possible issuance of a digital currency. What would be the effect if consumers could store CBDC in a digital wallet and conduct digital payments without needing to use their debit card or bank account information?
3. Financial inclusion is a top policymaker concern. What impact(s) do digital wallets have on financial inclusion?

Reading Material
Basic overview of digital wallets
- Digital Wallets: An Overview
- Cash App products overview

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Deeper dive

- Starbucks, monetary superpower
- Melding Digital With Physical Rescues In-Store Retailing
- PayPal to Bring Buy Now, Pay Later to Venmo
- Podcast A Fed digital currency looks inevitable. So do the problems.

Pandemic impact on digital wallets

- More Consumers Prefer Contactless Payments for Pandemic Purchases
- Mobile wallets becoming the way to pay amid the pandemic
- New research: mobile wallets in the wake of COVID-19
- How the Pandemic has Changed How We Shop
- How the COVID-19 Pandemic May Reshape the Digital Payments Landscape