



The future of payment networks: Top 5 priorities for 2025-2027

Payment expert Matt Barr reveals the top 5 priorities for domestic payment networks.

PAYMENT

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In a recent interview, Mehdi Elhaoussine, SVP Digital Payment at IDEMIA Secure Transactions, spoke with Matt Barr, a leading expert in payment trends and technologies, about the strategic priorities for domestic payment networks and how to navigate the rapidly evolving trends shaping their technology roadmap.

Here's a glimpse of some of the key takeaways from this interview:

- ➡ **Disrupt to lead:** payment networks can change the game by embracing new payment rails, such as blockchain technologies and CBDCs, reshaping both domestic and cross-border transactions.
- ➡ **Embrace the digital wallet shift:** as consumers are shifting towards contactless NFC payments and expecting real-time transactions, digital wallets are becoming central, driving higher adoption and competition.
- ➡ **Participate in all flows:** by adapting network systems to support emerging solutions, domestic networks have an opportunity to dominate critical payment flows, especially online and mobile.
- ➡ **Sovereignty as a strategic advantage:** by aligning with regulators, domestic networks boost resilience, foster innovation and position themselves to address emerging challenges and ensure fair competition.

What are the most significant developments in the payment industry today?

Matt Barr: We are seeing a relentless **shift from cash to electronic payments**, including physical cards and mobile wallets, often driven by governments tackling corruption, fraud, and black markets. For consumers, this will mean enhanced **convenience and control**. There will still be a role for payment cards, albeit growth will likely lag behind. By some estimates, cash still accounts for about 75 percent of worldwide retail spending. Increasing penetration of formal finance to the global population will bring about growth in traditional and digital products alongside new and tailored solutions.

At the same time, the landscape of electronic payments is evolving, moving beyond basic transactions towards **richer, mobile- and digital wallet-centric experiences**. This shift has spurred higher digital wallet usage and intensified competition, particularly from tech players entering the payment ecosystem. Digital wallets are uniquely positioned to capture a growing share of electronic payments, leveraging their seamless integration and user-centric features.

Are there any technological evolutions that require the attention of domestic networks?

Matt Barr: The **emergence of multiple payment rails**, such as blockchain technologies, and cryptocurrencies, including Central Bank Digital Currencies (CBDCs)—both domestically and cross-border, introduces a new dynamic often referred to as the “battle of the rails.” However, despite their potential, these new rails are unlikely to quickly or materially displace incumbent networks. Traditional cards or real-time account to account transfers will prevail unless these new rails address a distinct pain point for merchants and consumers while matching the functionality and reliability of existing systems.

Amid this transformation, **digital innovations in data, open banking, artificial intelligence (AI), and machine learning** are reshaping opportunities, creating new possibilities, and redefining the nature of competition in the payments space. Another big trend will be **enhanced security and authentication**. No doubt, digital transformation will inevitably alter the nature of fraud risks and drive increased regulatory interest to protect consumers. Widespread adoption of **biometric authentication** solutions will be clearly critical in the solution set. Likewise, **tokenization** will be mission critical to re-risk payment data at rest.

What will be the most transformative shift in the end-user payment experience?

Matt Barr: More and more, consumers will **demand convenience and speed**, with a preference for contactless payments like near-field communication (NFC) and QR codes or card-on-file (CoF) for recurring payments. Real-time payments are becoming an expectation although it is notable that real-time access to funds does not necessarily equate to real-time settlement. The **growth in embedded finance** will improve user journeys, changing the nature of competition. What is key here is that user experience (UX) and more importantly, who controls customer experience, will likely be the winners over the long term. Again, digital wallets are well-placed to capture increasing share of value unless regulators step in.

Do you foresee other broader market dynamics impacting domestic payment schemes?

Matt Barr: **Financial inclusion** efforts are driving the expansion of formal financial services to a larger share of the global population. This growth fuels demand for both traditional and digital products, as well as new, customized solutions tailored to diverse needs in these developing markets.

Sustainability and environmental, social, and governance (ESG) topics are likely to be front of mind and drive consumer preference more than ever. Today, they are emerging drivers in developed markets, but increasing global wealth will bring forth broader adoption.

Finally, the growing importance of sovereignty for governments and businesses raises **critical questions about resilience, efficiency, and competition**, especially as data privacy concerns linked to foreign digital players amplify sovereignty risks.

How do these sovereignty objectives translate for domestic payment networks?

Matt Barr: Domestic payment networks are increasingly central to national economies as the importance of electronic retail payments grows. In response to governments and businesses sovereignty demand, a growing nationalistic push is driving a rethink of domestic payment arrangements, supported by regulations such as onshore processing requirements aimed at enhancing control and security. **This regulatory momentum provides domestic networks with a unique opportunity** to strengthen their position, as they are naturally aligned with the goals of safeguarding payment system sovereignty and protecting sensitive consumer and national data. By leveraging their proximity to local markets and their ability to innovate within a secure framework, domestic networks are well-positioned to address emerging challenges while playing a pivotal role in **shaping resilient and efficient payment ecosystems**.

With all these trends in mind, what are the key priorities for payment networks?

Matt Barr: Looking ahead, I believe domestic payment networks should focus on five key strategic priorities over the next three years.

1. Defend your core

It is imperative for payment networks to continue prioritizing and nurturing operational excellence, or how they service customers and make money, today. This should remain a top priority, with a strong emphasis on seizing opportunities to **upgrade systems and enhance both speed and value**.

2. Participate in all flows

Payment networks must invest to compete in all critical payment flows **especially online and mobile** where the bulk of transaction growth will come. This may require some re-architecting of network solutions – such as tapping into account-to-account networks – and **deploying new network capabilities** to protect customers and end users, such as fraud monitoring and scoring, strong authentication and network tokenization.

3. Change the game

There are several ways payment networks can change the game. For example, by moving away from traditional card rails dominated by international players, they can improve acceptance and establish a defensive moat, solving a merchant/consumer need for a **richer shopping experience through super apps** as well as creating an opportunity to **foster interoperability** between domestic networks in other markets.

There are many parallels between managing a payment network and managing a Digital ID network, so payment networks should exploit the synergy by securing a critical role in their country's future digital fabric. Also, they need to be quick to **embrace the emerging super wallet trend** to really influence and drive their country's digital future. If they don't, someone else will do it first and win this space.

4. Exploit sovereignty advantage

Payment networks must work with regulators to ensure that regulatory settings drive efficiency, resilience, innovation and competition. These should not be controversial policy objectives, and they will be further enhanced if the domestic alternative to international networks is viable and vibrant.

It is important to note that **in many cases consumers do not really choose** their payment network (and do not want to choose)—they simply use what is provided to them by their bank. This means that issuers are effectively the ones choosing the preferred network.

Moreover, international payment networks usually tie up issuing deals through long-term rebate agreements that make it impossible for domestic players to compete who lack access to cross-border volumes, resulting in issuers demanding high interchange fees and maximum volumes to drive rebate incentives. This is a red flag for healthy domestic competition.

Given that merchants pay for transactions and that interchange fees are often regulated, whereas network fees are not (typically acquiring fees charged through to merchants are not rebated by international networks), **enabling merchants to choose** how they want to process transactions becomes an effective means to ensure competition and put a downward pressure on merchant service fees. In the absence of choice, merchants become price takers, which does little to advance domestic interests.

5. Achieve balanced governance

If domestic payment networks do not have governance that supports both consumer and merchant interests, they will likely have a massive challenge in driving a strategy that optimizes the domestic payment network for all key stakeholders.

IDEMIA Secure Transactions: Empowering domestic networks for a digital future

IDEMIA Secure Transactions plays a pivotal role in empowering domestic payment networks to stay competitive and embrace innovation. As the largest independent Token Service Provider (TSP) globally, we support networks with secure and scalable digital solutions, including tokenization, Click to Pay, and next-generation contactless capabilities. By fostering strategic partnerships, we enable domestic networks to drive digital transformation and reshape the future of payments both locally and globally.



Over an eight-year period with Mastercard, Matt BARR led market development, digital payments, and innovation roles across Australia and North America. In 2019, he joined eftpos (domestic network now part of Australian Payments Plus) as Chief Product Officer and then became Managing Director in 2022.



Mehdi Elhaoussine joined IDEMIA 14 years ago to develop the Americas regional digital operations, based in Washington DC, USA. Mehdi is currently leading the global digital payment activities at IDEMIA Secure Transactions, as the SVP Digital within the Payment Services business unit. He spent the first part of his international career with several high-profile payment software Fintechs and strategy consultancy firms in France and Singapore.