

Technology, Payments, & Cybersecurity

2023 Session

Home Study Problem

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IDENTIFY, DEFINE, EVALUATE, ANALYZE, & SELECT (IDEAS)

Please read these instructions very carefully. Students will be graded on how well they follow instructions; spelling and grammar; investment analysis accuracy; recommendation rationale; neatness of work; document formatting; and overall presentation. Consider this the type of work that would be presented to your bank's Board of Directors. Quality work will help make your case and persuade the directorate to approve your recommendations.

Do not hesitate to contact me if you have any questions or need further guidance. Email is the best way to contact me and is my preferred method (jsawyers@sawyersjacobs.com). Also, feel free to call or text me at 901.487.2575. You may also contact our Vice President – Client Services, Mrs. Dana Wilkes, at dwilkes@sawyersjacobs.com. Do not send me messages via LinkedIn regarding this assignment as there might be a delay in my response.

P2P SOLUTION SELECTION

You have been chosen as a member of the bank's Peer-to-Peer (P2P) payment solution selection committee. Reviewing three proposals from selected vendors, analyze which vendor will be the best fit for your bank in terms of technical compatibility, cost, and long-term viability.

Using Excel, prepare an investment analysis based on the three vendors' proposals. Project the costs over five years using the information below. Note initial costs and annual costs in the analysis, and **summarize with a bottom-line, five-year cost for each provider:**

Bank Statistics/Investment Analysis Criteria

Asset size: \$600 million (as of 12/31/23; projected to grow 7.50% annually)

Number of employees: 200

Number of DDA Accounts: 25,000

Number of Mobile Banking users: 15,000

Number of projected P2P Payment users by year:

- Start with four percent of the bank's mobile banking users for Month #1 (January 2024) and increase as noted below:
- Year 1 – 15% growth **each month** (base number of users established in Jan 2024; growth applied first in Feb 2024 calculation and thereafter for each month in the term)
- Year 2 – 10% growth each month
- Year 3 – 8% growth each month
- Year 4 – 6% growth each month
- Year 5 – 4% growth each month

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Summary of Vendor Proposals

	Holla Dolla	PayMeNow	Antelope
Licensing (one-time cost)	\$195.00 per million in total assets	\$175,000	\$1.65 per number of DDA accounts
Installation (one-time cost)	\$175,000	\$95,000	\$60,000
Recurring Fees	Annual maintenance is 18% of initial licensing cost and is charged at the beginning of each of the five years in the contract (e.g., Jan 2024 would be the first charge).	Annual maintenance is \$17.00 per million in total assets (fee applied each year based on the Bank’s 12/31 numbers (e.g., first charge is Year One which is 2024).	\$0.45 x the number of P2P payment users at each month end (fee applied at each month-end beginning January 31, 2024) plus \$0.23 per transaction (project six transactions per user per month).
Google Play App Ratings	4.4	3.6	2.1
Apple App Store Ratings	4.8	3.9	2.7
Headquarters	Chicago, Illinois (USA)	Minsk, Belarus	London, England
News/Word-on-the-street items	<ul style="list-style-type: none"> Just announced strategic alliance with our core processor and our ATM/debit card processor. Allows ACH or debit card channels. Will be part of FedNowSM Service with Federal Reserve Bank. 	<ul style="list-style-type: none"> Recently acquired by Chinese bank, headquartered in Beijing. U.S.-China trade policies could impact pricing. Russian invasion of Ukraine could be an issue as Belarus is an economic and political partner of Russia. 	<ul style="list-style-type: none"> Founder just left company for “personal reasons.” Fraud incidents trending in the major news outlets, local and national. User reviews trending negative. Funded by our large bank competitors.
Website Review Notes	<ul style="list-style-type: none"> Ownership and management bios present on website. Funded through a combination of SBA loans and owners’ personal investments. 24/7 customer service via phone, text, email, or chat. 	<ul style="list-style-type: none"> Could not determine management, ownership, board of directors, or source of funding. Corporate headquarters street address not available. Copyright year on website is 2012. 	<ul style="list-style-type: none"> Corporate structure is a Limited Liability Company (LLC). P.O. Box listed for address; no street address. Website is silent to ownership and management. Customer service is via online chat only. No calls.

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Notes:

- (1) Antelope is owned by your bank's large-bank competition.
- (2) All three providers support the major smartphone platforms including Apple iPhone and Google Android platforms.
- (3) Antelope's user agreement allows data mining of your customers' transactions and could result in direct solicitations to your customer base.
- (4) PayMeNow only sells P2P payment solutions and is not yet profitable as a company.
- (5) Antelope is a private network controlled by eight of the largest banks in the nation.
- (6) PayMeNow is funded by a Chinese bank and is headquartered in Belarus.
- (7) HollaDolla is an ancillary system of your current core banking provider and will integrate with your current mobile banking app.
- (8) Holla Dolla uses the bank's ACH network or debit card rails to accomplish the transaction.
- (9) Tip: Licensing and installation are one-time costs for all three providers.
- (10) Begin the analysis in January 2024.
- (11) The number of P2P payment users, transactions, and the related monthly costs must be projected for each of the 60 month-ends.
- (12) Assume six transactions per user per month for the transaction volume projections.

Recommend a Provider

In addition to your investment analysis, on no more than two pages, based on the information above, write an Executive Summary outlining the criteria for your P2P payment solution provider recommendation. Use Microsoft Word to create the Executive Summary. Be creative but practical. Use items discussed in class for goals if you wish or come up with some of your own. Do not present any information that might disclose confidential, non-public information about your bank or its intellectual property. (Maximum two pages, 12-point Arial font, single space)

Good luck!