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## The switch to Visa at Costco



Costco is making a dramatic change in its credit card offering - Visa will become the only major credit card network accepted at all its warehouse stores in the US - a meaningful and differentiated benefit for Visa cardholders.

For 16 years, Costco only accepted American Express credit cards in its stores. This summer, Costco shifts to Visa. The warehouse store is also changing the reward offering for its own Costco Visa card, promising consumers up to 4% cash back on gas and 3% on travel. Exclusive Visa acceptance at Costco began June 20, 2016.

With the switch to Visa, Costco is expected to be a top five Visa merchant in the US with an estimated \$84 billion in US sales. This can mean opportunities for Visa issuers to build payment share with credit preferring, affluent cardholders.

Costco is not the only warehouse store to begin offering Visa. Sam's Club began accepting Visa in February 2016. For Visa issuers that can mean higher than average ticket sizes and penetration across all warehouse brands that support account acquisition, spend and revolve efforts.

The switch is an opportunity for Visa issuing credit unions to

- Increase revolving income with your current Visa cardholders
- Shift spend from AMEX to Visa credit
- Shift spend from debit to issuer credit

Research shows that Costco shoppers prefer Visa, opening the door for your credit union to grow share both at and outside of Costco through acquisition and migration of your Visa card portfolio with your members who shop

See "The switch" on page 2

# The switch

Continued from page 1

at Visa. To learn how you can target your members who frequent Costco, contact your MAP relationship manager about MAP analytics and reporting tools available for segmenting your portfolio. Here's some of Visa's research that supports increased acquisition and migration:

- 61% of cardholders said Visa will become their primary credit card once Costco acceptance starts
- 48% of cardholders will spend more money on Visa credit cards inside and outside of Costco
- 1 in 6 cardholders will carry more of a balance on Visa credit cards
- 41% anticipated increase in monthly spend on Visa credit cards
- 86% of current Costco shoppers are more likely to acquire a Visa branded credit card accepted at Costco

Moreover, Costco's customers are heavy credit users that skew affluent and spend more across all merchants than the average consumer.

## Average Household Income



## Monthly Spend Behavior



Next steps for credit unions interested in taking advantage of this opportunity, include:

- Evaluate your members base and product set to define opportunities and challenges of Costco acceptance (contact MAP to learn more about tools available for segmenting your portfolio)
- Identify prospect and existing customer segments to target with acceptance messaging or incentive to switch from Citi Visa to your credit union's Visa.
- Utilize Visa Marketing Resources to build your campaign messaging and creative assets (these materials are available at Visa Online or contact MAP about how we can customize these resources for you)
- Develop metrics and track results to continuously optimize warehouse customer engagement strategies



Easy-to-customize market-ready materials are available at Visa Online. Contact MAP for assistance to adapt these materials or with assistance to customize your own.

Your credit union may begin Costco branded marketing starting July 5. Jointly developed Visa and Costco marketing materials will provide your institution with approved communication guidelines and turnkey assets to enable cardholders to engage with prospects and current customers as soon as acceptance begins.

## Understanding the competition

Citigroup acquired the Costco credit card portfolio from American Express. Branded Costco Anywhere, the new cards are to be mailed to cardholders in May and go live on June 20, when all pre-existing Amex Costco cards will be rendered invalid. Also, Citigroup won't be checking credit, but rather will automatically reissue all cards. The card also won't carry an annual fee or cost aside from the pre-existing Costco membership fee.

Customers will earn higher rewards compared to Costco's Amex card. The new Citigroup card offers 4% cash back on up to \$7,000 worth of gas per year, compared to 3% on up to \$4,000 on the old card. It also offers 3% cash back at restaurants, a percentage point higher than the Amex card, 2% back at Costco, and 1% on everything else.

Down but not out, Amex is embarking on an aggressive campaign to win back Costco customers with offers promoting its "Blue Cash Everyday Card." It's likely the firm hopes that no annual fee, 0% APR for 15 months, and a variety of benefits and rewards will incentivize consumers to adopt the new Amex card. But if that's not enough, the firm is also offering consumers that spend \$1,000 in the first three months a \$250 statement credit as a welcome offer.

Amex's massive investment in conversions reflects the potential magnitude of the Costco loss. The Amex co-brand partnership with Costco represented 8% of Amex's global billed business and comprised 17% of the firm's US cardholders in 2015.



# MAP'S ANNUAL CONFERENCE

August 18-19, 2016 | Willows Lodge | Woodinville, WA

Join Us  
in Wine  
Country



**D**igital disruptors are attacking the payments industry, redefining customer expectations and reshaping industry boundaries. The vast majority of these competitors are not banks, but they are looking seriously at banking as the next industry to be disrupted. Unless credit unions respond quickly, they could face the same fate as newspapers, taxi cabs, the post office and others that are struggling to survive obsolescence.

This year's conference examines our predicament seriously. Of special note is keynote speaker, Dr. Dan Diamond, who understands how to deal with a crisis like few others, will offer us insights into how we can respond with grit and zeal. As founder and director of the nation's first state-affiliated medical disaster response team, Dr. Diamond brings "first-in team" expertise and reality tested strategies that make a significant and lasting impact on businesses in transition. For those forward-looking professionals wanting to respond "head on" and create new options for growth for their credit unions, we welcome you to join us at MAP's 16th Annual Users Conference on August 18 and 19.



*Dr. Dan Diamond*

Joining Dr. Diamond on Friday morning is Brewster Knowlton, Principal at the Knowlton Group. Having spent every waking moment of his professional life dedicated to business intelligence, he has amassed a wealth of knowledge and experience that typically takes decades to attain. Through his many experiences in technical development, Brewster and The Knowlton Group have developed a deep understanding of the required aspects of developing a successful business intelligence program.



*Brewster Knowlton*

MAP is pleased to welcome back Michael Marx, Visa's Vice President of Research



*Michael Marx*

Services. As intelligence consultant and liaison with card issuers, Michael shares market research, competitive intelligence and consumer trends data with financial institutions issuing Visa-branded cards focusing on consumer and payments trends for both macro-based and key market segments.

Also joining us on Friday is Tom Wright, Editor and Publisher of Credit Union

Tech Talk, a leading source of technology information for credit unions of all sizes. An unbiased source of news about online banking, bill payment/presentation, debit/credit and smart cards, security, ATMs/kiosks, biometrics, and much more.



*Tom Wright*

Thursday's program will feature payment industry experts with a focus on Marketing and Card Program Management. Speakers will overview the immediate and long-term growth opportunities from member debit, credit, ATM and mobile product portfolios. Also on Thursday is Tim Gaiser, Master Sommelier, who will help us navigate the world of wines and wine tasting before we head out on our own to explore the region's leading wineries.



*Tim Gaiser*

MAP hosts this small conference each year for credit unions where we bring together industry experts to meet in a relaxed setting for learning and exploring what is happening in the payments industry and how it will impact our members. As an intimate event for select participants, space is limited.

MAP's 2016 Annual Conference will be held August 18 and 19 at Willows Lodge, located on five landscaped acres bordering the Sammamish River in the heart of Western Washington's wine country.

To register, go to [uconference16.com](http://uconference16.com). For more information, please contact your Client Services Manager or Karl Kaluza at 866-598-0698 x1618 or [karl.kaluza@mapacific.com](mailto:karl.kaluza@mapacific.com).

# Helping TwinStar CU make the switch to EMV

**T**winStar Credit Union has always worked hard for its members. It began with humble roots in 1937 as a teacher's credit union serving 15 members. Today, there are 22 branches throughout the state of Washington and in the Portland, Oregon, area. More than 114,000 members count on TwinStar CU to be there for them when they need a loan, a credit card or just to save some money.

Because TwinStar CU is dedicated to its members, providing them the very best products and technologies has been principal goal. So when Visa began to encourage financial institutions in the US to switch their cards to the EMV chip system, they took note.

Knowing that much of the world had already adopted EMV into their payments landscape, TwinStar CU knew that members sometimes ran into trouble when traveling in other countries. Because of this, TwinStar CU made the decision to begin issuing EMV chip cards well before the October 2015 mandate that had many financial institutions and merchants scrambling to comply.

"I don't know that we necessarily wanted to be a leader," said Shanna Palmer, operations department supervisor at TwinStar CU. "We just wanted to give our members the support to use cards where and when they wanted to ... We wanted to get it out there and make sure it worked for our members."

## Platinum pain points

TwinStar CU began the EMV transition process in November 2013. The credit union decided to take its seven different BINS one at a time, beginning with platinum credit cards. TwinStar CU was also working on bringing Instant Issue cards into its branches, so it decided to try to take care of both projects simultaneously. However, this proved to be more complicated than they originally planned.

At first, the Instant Issue printers weren't capable of including more than three databases on the server. With TwinStar CU's 22 branches, this was not acceptable. So, the printers had to be exchanged for ones that could handle the credit union's wide member base.

In 2013, only one chip was available to put on the cards: the native chip. When the java chip became available, TwinStar CU decided to continue with its other credit card BINS using the java chip, then went back to replace the chips in the platinum cards.



At a time when much of the US had not yet heard of EMV or understood what a change to the payments world like this would look like, TwinStar CU was determined to move forward and bring its members more security. However, the credit union needed to work with many different people to make this happen, both internally and with external vendors, including:

- A core vendor
- The Instant Issue vendor
- The processor
- The plastics vendor
- People from within the credit union

Throughout the sometimes confusing process of switching to EMV, TwinStar CU relied on one company to help make things clear: Member Access Pacific (MAP). MAP took the lead implementing EMV for all of TwinStar CU's cards and bringing together the many people involved in the credit union's effort to make the change.

"MAP was very helpful," Palmer said. "Mike Murphy, Senior Vice President of implementations, is always really organized and a great project lead. He got all the vendors on the phone and made sure we were on task. ... MAP helped facilitate that and made it a really smooth process for us."

## Working with MAP

Palmer explained that MAP helped out in a wide variety of capacities. It's true that Murphy was a great project lead that helped bring everyone together and make sure all vendors and parties were on the same page. But MAP's effort didn't stop there.

"They are readily available," Palmer said. "We can contact them with questions and if they don't know the answer, they'll find out the answer."

She also noted that MAP plays a pivotal role in the credit union's relationship with its plastics vendor, Oberthur. MAP is a reseller of Oberthur's products, so TwinStar CU never has to reach out to the vendor itself.

"The benefit of going through MAP is they are our voice and they take care of issues with the vendor so we don't have to deal with the them individually," Palmer explained.

She noted that the person she contacts at MAP to ask about plastics orders can always tell her when the cards will be coming in and knows TwinStar CU's ordering schedule. Palmer knows she can always call MAP to find out information about upcoming orders.

## Moving forward

After much of the pain points were discovered when working with the platinum cards, TwinStar CU found that switching the last two BINS - their debit cards - over to EMV has been pretty easy. Palmer said that, in retrospect, it was a good idea to tackle one bin at a time, instead of trying to work out problems with all seven BINS at once.

The new platinum cards were reissued as the cards expired, and Palmer said the credit union plans to do the same with remaining credit and debit cards. This will allow the expiration dates to be spaced out over a long period so the credit union doesn't have to rush to print masses of new cards at one time.

TwinStar CU expects to begin reissuing their debit cards this month. After that, their switch to EMV will be complete. They won't have to rush to comply with the new requirements because they got an early start and were able to work out the many complications they ran into early on.

Palmer has noticed that getting an early start has benefited them in more ways than just being ahead of the curve. For example, members are becoming more aware of the EMV switch and have been happy to receive their new cards.

Also, the liability switch has given them an advantage. Now, when a member experiences point-of-sale fraud at a terminal that wasn't equipped for EMV capabilities, TwinStar CU no longer takes the loss.

The payments industry has undergone many changes in the past few years. While EMV is an important change to prevent fraud and allow people to travel easier with their cards, there are more shifts on the horizon. Palmer explained she believes the industry will begin moving toward mobile payments in the upcoming years.

"The technology is constantly changing and we anticipate it could be something completely different in the next 5-10 years," she said. One thing that won't change, though, is MAP's drive to help credit unions like TwinStar CU to improve and grow for their members.

## Visa News

**Visa Unveils NFC Ring For Olympics.** Visa has introduced an NFC-enabled wearable payments ring that it plans to prototype with Team Visa athletes at the Olympic games in Rio de Janeiro this summer. The ring, which includes a micro-chip and NFC-enabled antenna, can be tapped to NFC-enabled terminals to make payments. The ring will be linked to a prepaid Visa card that athletes will be able to reload via an online portal. According to research firm Tractica, wearable payment transactions could grow to \$501 billion by 2020.



**Visa ATM Locator Enhanced.** To help cardholders more accurately identify locations of Visa / Plus accepting ATMs, Visa has improved the geocoding and mapping capabilities of the Global ATM Locator Update System. Beginning in July, the locator will include Google Maps.

**Visa Checkout Expands.** One of the fastest-growing consumer products in the company's history, Visa Checkout now has more than 12 million consumer accounts. Hundreds of thousands of merchants and more than 675 financial institution partners now offer Visa Checkout in 16 countries around the world; expansion into five additional European countries and India will take place by the end of 2016. A recent comScore study found that Visa Checkout has a 51 percent higher conversion rate among enrolled Visa Checkout cardholders when compared to customers using a merchant's traditional online checkout.



**Progress on upgrading to chip cards.** As of March 2016, 47% of the Visa credit cards and 30% of its debit cards are now chip cards, an increase from 43% and 21%, respectively. Visa expects 50% of US merchants to accept chip cards by the end of 2016. And Visa is also taking strides to improve the customer experience with chip cards — the firm recently launched Quick Chip, a software update for point-of-sale (POS) terminal vendors that can significantly shorten the time it takes to conduct a chip card transaction.

**Visa sees 7% growth in Q2 2016.** For fiscal Q2 2016, Visa's adjusted net profits were USD 1.7 billion, a rise of 7% over 2015. Earnings results are backed by 11% growth in US payment volumes

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# Building mobile commerce with a payment app

## *Tool seen as accelerating digital payments*

The Visa digital commerce tool enables credit unions to build their own branded mobile commerce applications. It is the evolution of Visa's mobile alerts solution that MAP introduced with its credit union clients and as a feature of MAP's General Purpose Reloadable (GPR) Prepaid card.

The Visa Digital Commerce App, released June 7, is being hailed as enabling the next step in linking digital payments with individual issuers—namely, credit unions that otherwise would have to build such systems from the ground up.

"The launch of the Visa Digital Commerce App is a major step forward for the digitization of commerce," says Jaime Noyola, MAP's VP of Product Services. "By providing a framework to issuers that unites customer needs and the latest innovation in terms of payment and banking, Visa is pushing the adoption of digital commerce, be it online commerce, mobile wallets, or social payments."

### Like an "app in a box"

The Visa Digital Commerce App brings together a comprehensive set of services to empower credit union clients of all sizes to quickly offer their own digital payment experience to members, while keeping their brand and relationship with the cardholder front and center.

With the app, credit unions can quickly provide a mobile payments function with their own brand. The solution enables issuers to offer services such as real-time account balance information, card controls, alerts that inform account holders about recent transactions or fraud concerns, and token services that bring security to contactless payments. The app simplifies the delivery of card management features and provides a roadmap for issuers to deploy new features and enhancements.

### Institutions already using app

So far, Visa claims that more than 40 financial institutions have used the app to create their own digital payment functions.

MAP, for example, introduced the app as part of its reloadable prepaid card. More than 80 credit unions offer MAP Prepaid across the US.



"When we considered an app for our prepaid reloadable product, we faced a 'build-or-buy' decision," states Noyola. "Partnering with Visa allowed us to rapidly deploy a very compelling stand-alone solution for our prepaid clients. The new app from Visa will allow us to continue to meet the needs of our customers in this continually shifting environment."

Another example is Our Community Credit Union, based in Shelton, Wash. which also deployed the mobile solution. "It is simply the latest example of our shared commitment to provide OCCU members with the technology that allows them to manage and use their payment cards whenever and wherever they prefer," according to a spokesman. "This new solution reduces friction during a transaction without sacrificing security—something our members want and need."

### How app fits into trends

"As consumer awareness of mobile wallets has grown, financial institutions are increasingly looking to stake a claim in this market and capture the preferred 'top-of-wallet' position with their customers," says Daniel Van Dyke, analyst with Javelin Strategy and Research.

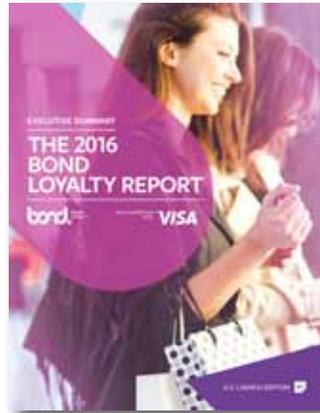
"Consumers stated they would be 51% more likely to use a wallet offered by their primary financial institution, he says, "making this an ideal time for banks and credit unions to introduce a branded digital app and capitalize on this preference."

## Returns on Loyalty Programs are higher than ever before

Enrollment levels in consumer loyalty programs have reached an all-time high as consumers continue to consider them valuable and credit them with influencing shopping behavior, according to a newly released survey conducted by Bond Brand Loyalty.

The survey of more than 10,000 consumers found that one-third of consumers agree they would not be loyal to the brand if it were not for a loyalty program, and 70 percent of consumers modify when and where they shop to maximize points, up 13 percent over the past two years.

In addition, loyalty programs were found to be a top contributor to brand loyalty, ranking higher than factors such as product and service availability, overall price and communications from the brand, the company said in announcing the survey results. (Available at [bondbrandloyalty.com/2016-loyalty-report](http://bondbrandloyalty.com/2016-loyalty-report))



Other key stats from the report:

- The Bond report shows an average of 13.4 memberships per person, with exactly half of those members (6.7) active.
- 57% of members would like to engage with loyalty programs via a mobile device, while 49% don't know if there is an app for their program.
- 44% of program members are very satisfied with their loyalty program experience, compared to 43% in 2015.
- Only 30% of members are satisfied with their program's web site.
- 73% of members are more likely to recommend brands with good loyalty programs.
- Only 23% of members are satisfied with the ways rewards can be earned.
- Only 22% feel very satisfied with the level of personalization they experience with a program.
- Only 34% strongly agree that programs are trustworthy.
- Only 24% strongly agree they love their loyalty program.

## Industry News

**Biometric technology goes mainstream in payments industry.** Mobey

Forum's Biometrics Workgroup conducted a survey looking into the financial services industry's views



on biometrics. The study had 235 subjects, 59% from financial services institutions and 32% from solution providers. The survey identified use cases considered most relevant to financial institutions. Two were shown to be particularly interesting, namely user authentication for login with 39%, and payment and transaction confirmation with 31%. The organization forecasts that over a billion users will access banking services via biometric authentication by the year 2017.

**Consumers blame retailers for security breaches.** A study conducted by Interactions Virtual Communications Company has revealed that 75% of shoppers think that keeping consumer information safe is the retailer's responsibility. Almost 50% of all respon-

dents believe that a retailer could avoid a security breach by investing in better technology. When asked about the



other ways to avoid security breaches, 43% of shoppers indicated the use of credit cards with chip technology, 32% said stricter laws enforced against hackers, and 14% said the use of mobile wallets. The study also found that 43% of shoppers do not trust companies to keep their personal information safe. When it comes to the risks taken, the study found that 64% of shoppers have accepted security breaches to be part of the shopping process. Another 53% say that security breaches are a risk they're willing to take in exchange for convenience. Also, 40% of shoppers avoid retailers that have been hit by security breaches.

**Nearly two thirds of US companies are target of payment fraud.** The threat of payments fraud is on the rise and while continued reliance on checks make businesses vulnerable to attack, business emails are getting increasingly popular for fraudsters according to a report from the Association for Finance Professionals (AFP). The report states 73% of US businesses were targeted by

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# Fintech is playing the long game

There has been a flurry of activity over the past several years. From startups to established technology ventures such as Alibaba and PayPal, companies are working to disrupt and capture market share from traditional financial institutions – which are truly giants compared with the upstarts of today.

"What I find most exciting about financial services is the size of the potential opportunity and how we are only in the very early stages of disruption," states Hiro Tamura, a venture capitalist at Atomico. "Within each segment of the market, whether it's marketplace lending, payments, wealth management, or currency transfer, there is room for multiple billion dollar companies."

The financial sector represents 7 percent of the US economy, and has grown over the past decade. But with the loss of trust since the last economic crisis, and rapid pace of innovation, nothing is too big to fail. Wells Fargo had more than \$86 billion in revenues in 2015 with a market cap of \$254 billion, but Nokia in 2000 had a market cap of \$300 billion with \$28 billion in revenues. Today, Nokia is down to a market cap of \$26 billion and a shell of its former self. In 2008, Nokia had 38 percent of the global mobile phone market; today it's down to a couple of percentage points of the global smartphone market.

## Attacking the Core

The finance sector in the US is being challenged on all fronts. The following categories illustrate how startups are trying to change the financial markets:

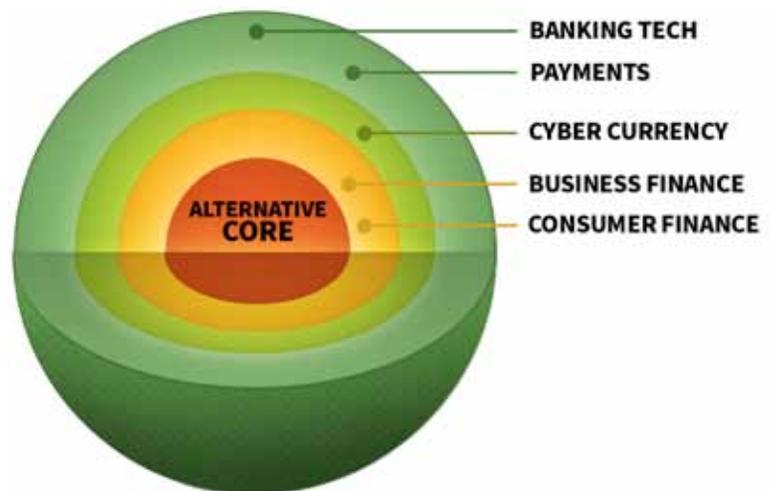
- Banking tech (analytics, data management, CRM, security)
- Payments (mobile wallet, POS, P2P money transfer)
- Cyber currency (blockchain, bitcoin, cryptocurrency exchange)
- Business finance (P2P business lending, credit lines, crowdfunding)
- Consumer finance (P2P lending, robo advisors, personal finance, credit assessment)
- Alternative cores (digital banks, health and property insurance)

Startups are betting on long-term opportunities by replacing the banks and insurance institutions. With new technologies, such as artificial intelligence and better data analytics, coupled with changing consumer mindsets, such as the growth of mobile smartphones and millennials hating traditional banks, startup and their venture funders see these industries are ripe for disruption.

"Creating this next generation credit system represents part of Fintech's major shift toward offering innovative solutions in the finance and banking sectors," says Kalpesh Kapadia, CEO of SelfScore, a

## Fintech Game Plan: Attacking the Core

Initial activity and transaction volume will be from the first layers of disruption in fintech (i.e. banking tech, payments), but long-term and more game-changing innovations will occur in the next layers. Ultimately, this will lead to new startups and technologies changing the core of the finance sector.



credit card marketed to international students studying in the US. "Banks are dinosaurs in this situation. They will eventually become more of a utility. If you look at the utilities like electricity or Internet, they have this money pipeline. They will provide the infrastructure, but the front end will be dominated by new companies."

## Change is coming, and it is inevitable.

As startups attack the revenue streams of banks, they will slowly erode the profitability of these traditional institutions. Already half of all commercial (retail) bank customers are unprofitable.

"A new wave of tech-savvy startups that can do things better, faster, and cheaper than the big banks will disrupt their traditional businesses like lending, payments, and wealth management," says Antony Jenkins, former CEO of Barclays.

Fintech is not an area where we will see the rapid changes and growth as occurred in mobile messaging or even the mobile phone industry with Apple's takeover of Nokia. Startups challenging the financial sector are playing the long game; there will be no overnight successes. We won't see comparable giants from these crops of startups until a decade out – but change is coming, and it is inevitable.

*This article is excerpted from 2016 FinTech Report by SparkLabs Global Ventures.*

## Visa News

*Continued from page 5*

and 14% growth in international payment volume. The company's market capitalization is about \$190 billion, with a price-to-earnings ratio of 29.8, fiscal first-quarter adjusted earnings per share of 69 cents and a small dividend yield of 0.72%. Institutions own 94% of Visa, making it one of the most trusted stocks in the market. Visa held a 47% market share by network purchase volume last year, compared with American Express at 25%, Discover Financial Services at 4% and Mastercard at 23%, according to credit card comparison Website Card Hub.

**Visa-PayPal Rivalry Heats Up:** With Visa heavily pushing Visa Checkout as its alternative to PayPal, the one-time cordial relationship is becoming more competitive. Visa CEO Charles Scharf said that Visa could either figure out a better way to work with PayPal or "go full stream and compete with them in ways that people have never seen before." Visa's qualm with PayPal is disintermediation. 50% of PayPal's volume is funded by payment cards, roughly half of which are Visa-branded. Yet, the other half of accounts are funded directly through users' bank accounts over ACH rails, a method that's more favorable to PayPal because it cuts out



Visa transaction fees and issuer interchange revenue. This is a direct expense to credit unions. At the JP Morgan Technology, Media, and Telecom conference the Spring, Scharf stated "I've been very, very clear on this one which is, if you are foe, you're not a friend . . . anyone that's trying to take your customers and disintermediate you – is not a friend and so that's the reality of the way we viewed PayPal historically."

**Walmart Sues Visa Over EMV Policy.** Walmart filed a lawsuit against Visa over the company policy about how consumers verify debit card purchases at the point-of-sale (POS). When a user pays with a chip debit card, they have two options to authenticate their purchase – entering a PIN number or entering a signature. Walmart wants to mandate PIN-based authentication, but Visa requires Walmart to offer debit card users both options at the POS, which led to the lawsuit.



## Fed issues report on mobile

Mobile banking is on the rise, with 43 percent of adults with mobile phones and bank accounts using their devices for banking as of November 2015, up from 39 percent the year before, according to a report from the US Federal Reserve Board.

The report, "Consumers and Mobile Financial Services 2016," is based on surveys of more than 2,500 consumers and covers Web-enabled smartphones and more basic devices. Checking account balances and recent transactions stand as the most common activities for those mobile banking consumers, followed by transferring money. The survey finds that more than half of mobile banking users receive text, e-mail or push alerts from their financial institutions.

For mobile banking users with smartphones, 54 percent consider mobile among the three most important ways they stay in touch with their banks. The other two are ATMs, 62 percent, and branches, 51 percent.

The study also finds that 28 percent of smartphone users, and 24 percent of all mobile phone users, made mobile payments within the 12 months prior to the survey. "For smartphone owners who reported making payments with their phones, the most common types of mobile payments were paying bills, purchasing a physical item or digital content remotely, and paying for something in a store," the report said.

It added that most mobile banking consumers with smartphones took anti-fraud actions on their devices. "The most common actions were installing updates, password-protecting the phone and customizing privacy settings," the report found.

## Industry News

Continued from page 3

fraudsters in 2015, up from 62% a year earlier. The results point to an increased awareness among treasury and finance professionals of the growing risk of payment fraud. According to the report, 64% of those polled say their organizations were exposed to business email compromise (BEC) scams. While the shift to EMV is expected to reduce some aspects of payments fraud, 90% believe criminals will simply move to new channels.



**Card Issuers lose \$10.9 billion to fraud.** US card issuers lose \$10.9 billion each year to card fraud, according to LexisNexis Risk Solutions. Credit cards account for \$7.6 billion (71%) of overall losses to card fraud; debit accounts, \$2.7 billion (25%) and prepaid cards, \$500 million. LexisNexis collaborated with Javelin Strategy and Research on the online survey of 100 risk and fraud decision-makers and influencers working at US card issuers. EMV chip technology is the strongest defense against fraud at the point of sale, but as the US payments industry continues to roll out EMV security, issuers are expecting an increase in certain types of fraud that EMV does not protect.

**US credit card debt reaches \$1 trillion.** United States credit card debt is closing in on \$1 trillion for the first time in nearly eight years. The Federal Reserve says outstanding credit card balances reached nearly \$952 billion in the first three months of this year. That's up six percent from the same time a year ago. It is close to the record \$1.02 trillion debt reached in July 2008, which happened just before the global financial crisis struck the US.

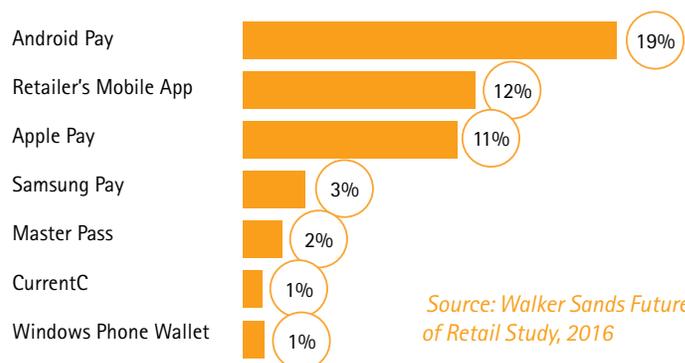
**Apple Pay on the web.** Apple announced that its Apple Pay mobile wallet will launch browser-based support, which opens a new channel for merchants and consumers to adopt the wallet and could therefore lead to a significant rise in usage. The firm's partner retailers will be able to offer a "Pay with Apple Pay" button on their website's checkout page, which will send a notification to a user's iPhone or Apple Watch. The customer will then use one of those devices to securely authenticate the purchase via a tap or fingerprint. Consumers will still have to load their cards and set up Apple Pay on their mobile phones.



## Android Pay tops list



Android Pay tops the list of the most popular mobile payment services used by US consumers with 19% saying they have made an in-store payment via the service, research from Walker Sands reveals. A retailer's own mobile app comes in second place with 12%, followed by Apple Pay (11%) and Samsung Pay in fourth, having been used by only 3% of consumers in the US. MasterPass has been used by 2% of the 1,433 respondents surveyed for the Future of Retail 2016 study, followed by CurrentC and Windows Phone Wallet with 1%. However, while the number of Android mobile payment users held steady from last year, the number of Apple Pay users almost tripled from 4%.



More than a third of those surveyed (36%) have used a mobile payment app to pay in-store in the past year and 33% have used a P2P mobile payment app. The majority of consumers cite security (61%) and privacy (58%) as the two primary factors that make them hesitant to use mobile payment services.

Some consumers blamed retailers for not being "prepared for the technology" or not accepting mobile payments in enough locations. When asked about which forms of payment they find most secure, cash topped the list at almost half (46%), followed by credit cards (27%) and debit cards (22%). Mobile payments ranked last at 1%. Only 14% of the respondents said they have no hesitation to use mobile payment services.

# Letter from the CEO

This year investment in financial technology (fintech) ventures in the first quarter of 2016 reached \$5.3 billion, a 67 percent increase according to Accenture. Fintech is being called the "Fourth Industrial Revolution," a global phenomenon that brings new innovation and digital companies that either compete or collaborate with traditional financial services. The competitive companies are those that directly challenge incumbent financial services institutions, while the collaborative companies offer solutions to enhance the position of existing market players.

Competitive fintech companies have enjoyed success by targeting new markets such as PayPal (online), Square (card services for small merchants) and Uber (frictionless auto transportation). Yet, we recognize the important role collaborative fintechs can play to help drive their own evolution. At MAP we are working with some of the leading collaborative fintechs to help our clients compete and better serve their members, namely, Arroweye Solutions and Ondot Systems.

Arroweye is a leading, single-source provider of innovative payment card manufacturing and production solutions. The company's digital on-demand technology creates a more efficient and cost-effective model for credit union, giving them a highly customizable solution to increase their card program's speed to market, adoption rates and profitability.

Ondot Systems is the creator of MAP's Card Control, a white-label solution that gives CU members control over payment cards, transforming how members interact with their credit unions via a smartphone application.

With these and other commitments to innovation for our clients, MAP is seeking meaningful ways for our client credit unions to compete in a time of unprecedented era of rapid change and disruption in the financial services industry. As a MAP client, you can count on us to be looking out for your best interest. Created for credit unions by credit unions, collaboration is foremost in our thinking when evaluating partners and delivering solutions to our clients.

At MAP, we strive to make our clients more competitive by providing payments solutions that best serve their members. Our success comes from providing cost effective, best-in-class solutions for our clients. For more information about how MAP can best serve you and your institution, feel free to call me, 1-866-598-0698, ext 1610 or email me at [cyndie.martini@mapacific.com](mailto:cyndie.martini@mapacific.com).



**Cyndie Martini**  
President/CEO

A handwritten signature in blue ink that reads "Cyndie Martini".

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