

MEMBER ACCESS PROCESSING

Payments Report

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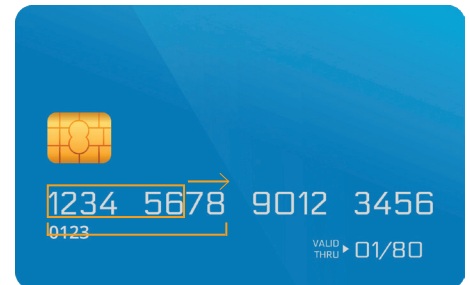
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Migrating to 8-Digit BINs & getting ready for the April 2022 deadline

A fundamental change to the way financial institutions, processors and host vendors manage their card portfolios is coming very soon. Due to significant shifts in the payments environment, all card issuers must begin the process of migrating away from the familiar 6-digit BIN format to a new 8-digit BIN format. This requirement impacts all card brands, to include Visa, MasterCard, American Express, and Discover. This change has been brought about due to a decision by the International Standards Organization (ISO), which is the global body that developed the BIN model, and assigned BINs to card brands throughout the world. In seeking to address an increasing shortage in the number of available 6-digit BINs, the ISO settled on the 8-digit BIN format as the new international BIN standard.

Several decades ago, Visa was assigned all BINs beginning with 4, with a possible 100,000 BIN combinations. However, over time, this BIN pool has begun to dry up. A steadily increasing number of Visa-branded issuers combined with generally inefficient BIN management practices have resulted in a large number of issued BINs. Additional pressure on the BIN pool was added by the



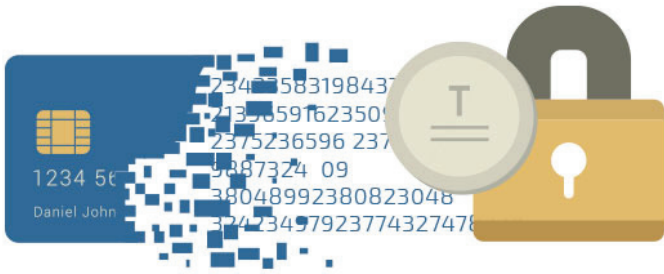
development of new payment technologies, such as tokenization and has further depleted the number of available BINs. In mid-2016, Visa U.S.A. announced that all Visa-branded issuers will be required to convert to an 8-digit BIN by April, 2022. Since that time, MAP has been working closely with our clients to consolidate their cards into 8-digit ranges and helping new clients be fully migrated to 8-digit BINs at conversion.

For credit unions, there are many tasks to complete ahead of the coming deadline. A good first step in order to prepare for the 8-digit BIN migration is to determine exactly what, or who, will be impacted in your organization. This may include reporting, billing, user interfaces, application interfaces, enrollment forms or anything else that currently uses the

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8-Digit BIN

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6-digit ISO BIN.

Additionally, credit unions and other issuers should return any unused 8-digit BINs to their provider's available BIN pool. They should also work diligently to determine which 8-digit BINs will carry on, locking down card issuance outside the surviving 8-digit BINs, and reissuing any cards onto the remaining BINs. In short, due to the potential for needing to reissue, time is of the essence.

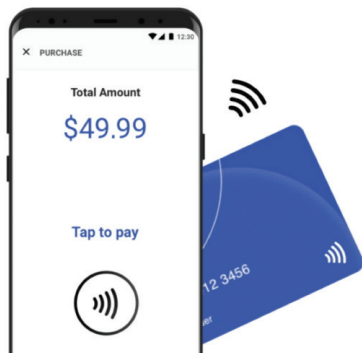
Processors, acquirers and merchants who fail to act in time for the shift will see increases of misrouted or misprocessed transactions, many of which cannot be charged back to users via fees. Institutions will want robust reserves in place to cover unexpected costs.

The change over will come with a modification in licensing cost if unused 8-digit BINs are not returned to the payment network's available pool. It is important to remember that each BIN licensed to an issuer will become 100 BINs. Since annual BIN licensing costs will apply to every 8-digit BIN, the two extra BIN numbers will translate into an increase in costs to license.

On the plus side, issuers worried about running out of primary account numbers need not fear, as an 8-digit BIN can support the issuance of up to 10 million PANs.

The 8-BIN migration will be here sooner than many financial institutions believe. Fortunately, even for those institutions that haven't started planning for the migration, there is enough time to limit confusion, lost revenue and customer churn.

Making the necessary steps now will guarantee a more seamless future, and will ultimately ensure the payments ecosystem continues to thrive.



Half the world's population to use digital wallets by 2024



A report by Juniper Research predicts that by 2024 the number of people using digital wallets will reach four billion – a number that, by then, will equate to half of the world's projected population.

The use of digital wallets is already gaining traction, with a record 143 million customers registering to use mobile money in 2018. That same year, mobile money transactions hit \$1.3 billion per day, and by 2024 Juniper predicts digital wallet transactions will rise by more than 80% to over \$9 trillion per year.

Growing use of digital wallets will be driven by an increase in transactions conducted via stored credentials – more people will save card details in their digital wallets and more transactions per wallet will be made. In the US alone, it is predicted that annual spending per digital wallet will increase from approximately \$3,350 this year to \$6,400 by 2024, a growth of just over 90%.

Increased security is another driver behind the predicted growth. The introduction of Secure Remote Commerce (SRC) standards (a set of specifications developed by EMVCo that enable a single digital and secure terminal for consumer payments) means transactions are protected via tokens and dynamic cryptograms.

While the report says that consumers are more familiar with digital wallets that utilize near-field communication (NFC) technology, such as Apple Pay and Samsung Pay, the emergence of wallets based on QR codes is on the up swing, and growth is predicted to continue with EMVCo standards.

QR code opportunities in this area are likely to occur in developing Asia, according to Juniper, where limited POS infrastructure means smartphones can instead be used to fulfil QR code-based transactions.

What does UK's branch closings portend for the U.S.?



The United Kingdom has long been out front when it came to payments technology and user adoption. Long before the U.S. introduced EMV, the chip cards were nearly ubiquitous in the UK. In recent years, the UK consumer has been way ahead in adopting contactless and mobile payments resulting in the nation's banking behaviors. In fact, nearly one-third of UK's bank branches closed in the last five years - a staggering 3,303 bank branch closures in the UK between January 2015 and August 2019 - equivalent to 34% of the overall branch network in country, according to data from The Independent. And of the branches that remain open, 298 are now operating on a limited schedule and are open four days a week or less.

The shrinking branch network amid declining access to ATMs is making it difficult for UK consumers to get banking services. Approximately 3,000 cash machines disappeared in the UK in the last six months of 2018, while an additional 1,250 free ATMs switched to charging a fee in March 2019. When combined with the drastic contraction in bank branches, the result is that UK consumers have less access to even the most basic of banking services, like cash withdrawals.

Reduced access to traditional banking services is likely to create an opportunity for neobanks to fill in gaps. If banks close branches and ATMs are less present, then the digital-focused offerings presented by challenger banks - which offer full suites of services, available from anywhere via on-line channels - could become more tempting. UK digital banks are already on the rise: They're expected to almost triple their total customers from 13 million to 35 million in the coming year. And they're seeing their customer bases increasingly grow outside of London, possibly spurred on by the fact that rural areas are getting hit particularly hard by the branch closures.

Industry News

Not So Fast for Faster Payments. Proponents of faster-payment services, which enable real-time or nearly real-time transfers, may need to be patient in their wait for larger-scale adoption of the technology. Fifty-six percent of attendees at the 2019 Nacha Payments conference in May said it will take at least a year, and possibly more, for their companies to implement real-time payments. The survey canvassed 498 payments professionals. Only 22% said they will participate in real-time payments within the next year. Among the options are same-day ACH credit and debit transactions via the Nacha network, real-time payments from The Clearing House Payments and a variety of other services from the private sector. Looming, perhaps as soon as 2023, is FedNow, a real-time payments service from the Federal Reserve.



Over a third of Small Businesses have suffered a Data Breach in 2019.

According to new research from Kaspersky, roughly 36% of small businesses have been victims of data breaches so far in 2019. While data breaches remain an area of concern for businesses of all sizes, the survey revealed that small businesses in particular are not taking the proper precautions to prevent such threats from happening. While cybersecurity incidents in companies with under 50 employees are rarely publicized, data breaches for small organizations are growing faster than in any other sector and have experienced a year over year increase of 6% since 2018 as opposed to SMBs (2%) and enterprises (3%).



Breach Costs to Surge Almost 70% in the next Five Years.

Data breach costs will increase from \$3 trillion each year to over \$5 trillion in 2024, an average annual growth of 11%, according to a new Juniper Research report. In its study, "The Future of Cybercrime & Security: Threat Analysis, Impact Assessment & Mitigation Strategies 2019-2024," Juniper Research found the costs are primarily driven by growing penalties for data breaches as more regulations take effect, as well as a greater percentage of business lost as enterprises become more dependent on the digital environment.

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When Connected Car Payment Arrives, Prepare For Growth

In the US, nearly 135 million daily commuters spend more than \$210 billion a year on gas, food, coffee and grocery pickup according to the Digital Drive Report by PYMTS. Car manufacturers, technology providers, payments facilitators and merchants are developing innovative connected car payment experiences to make these purchases as convenient as possible and drive growth.

Honda, for example, recently unveiled its Dream Drive innovation, which offers a host of voice- and touch-enabled features, including in-car payments powered by Visa, and announced new partnerships with Mastercard and PayPal. Dream Drive enables users to purchase fuel, movie tickets and parking, make reservations, order food and access an assortment of entertainment options. Audi and Disney have taken a different approach and developed a virtual reality connected car gaming system. It is currently not monetized but could be used to drive in-game sales. Geolocation makes this a system that can insert relevant product placement into the experience and recommend nearby restaurants, stores and entertainment most likely to spark the user's interest. Connected cars also extend to commercial fleet drivers with such services as WEX's DriverDash, an in-vehicle payment platform that uses thumbprint and facial recognition to authenticate transactions, and an integrated fuel and maintenance data solution from Mastercard and US Bank that eliminates fleet drivers from having to manually input driver ID and odometer data at the pump.

Payment networks are leading several efforts to support connected cars. Visa is building technology to instantaneously authenticate users against a stored in-vehicle driver profile, using thumbprint, facial or iris recognition upon entry into a vehicle, in addition to using geolocation and 4G cellular connectivity to verify a driver's identity. As for payment processing, Visa's Token Services facilitates secure purchases, Visa Direct supports person-to-person payments and Visa Commerce Network manages loyalty and rewards. Mastercard has also made several strategic partnerships with Honda, GM, IBM and US Bank to build in-car payments experiences.

In-car payments will lead to growth in the payments industry. A TSYS study found that 75 percent of all commuters would shop more if the ability to shop and pay were integrated into their cars. Take the gas station business case, for example. A connected pump could trigger the in-car app, prompting a consumer to select a fixed-dollar amount worth of fuel or to fill the tank (exact cost quoted prior to purchase). After making the purchase, the gas station operator could use contextual marketing to send a personalized



in-store promotion to increase the total sale's ticket. Other use cases include pre-ordering quick-service food and store pickup, easy parking, P2P via push payments to/from nearby devices and integrated updates and servicing.

Before connected car payments become mainstream, there are some hurdles to overcome—first and foremost, enabling access. It will take some time for cars with payment capabilities to roll out to a mass market. With a limited initial potential user base, car manufacturers will need to address how to convince merchants to enable in-car payments. Another challenge facing connected car payments is safety.

Connected car payments are just around the corner, but widespread adoption will take time. The ramp-up will be reliant on advancements in complimentary technology. Car manufacturers can use the technology as a differentiator and increase lifetime sales by prompting upgrades and maintenance. Merchants and payment providers could see rising payment volume as consumers have a new way to shop and access additional customer data. And most importantly, customers would benefit from increased convenience and speed. All in all, connected car payments should be a winning proposition for all the stakeholders involved.



Are Contactless Cards the promised Gateway to Mobile?



The conditions for the widespread adoption of contactless payments using chip cards are in place, asserts a report from the Federal Reserve Bank of Boston. But when that will happen and what will trigger it are unknown in the Fed report, "Tap to Pay: Will Contactless Cards Pave the Way for NFC Mobile Payments in the U.S.?"

"The rest of the developed world is contactless," says Marianne Crowe, vice president of payment strategies at the Boston Fed. "It's becoming a need for us to become current with the rest of the world as well."

The U.S. payment card industry finally took a big step in that direction in 2015 when financial institutions began issuing EMV chip cards in earnest. Now, the industry is promoting contactless EMV payments as the next step. The effort is aided by a number of large issuers, such as Chase, Wells Fargo and BofA, committing to issue chip cards with contact and contactless interfaces. Most EMV point-of-sale terminals placed at merchant locations in the last several years are contactless-capable, though not all merchants have activated the function.

Another favorable condition is the marketing of smart phone-based mobile wallets, like Apple Pay, Google Pay, and Samsung Pay, that exposed millions of consumers to tap-and-go payments.

As for mobile payments, uncertainty about additional user growth abounds. Earlier this year, only 14% of U.S. smart-phone users made a mobile payment with one of the "Pays," the collective term for the three tech-based mobile-payments services.

The promise of contactless cards may spur mobile-payments growth. While Apple Pay and other NFC wallets have been around for a while, the familiarity with the option of using the card by tapping might incentivize more merchants to activate the contactless function on their POS terminal.

Visa News

Visa Completes Acquisition of Verifi. Visa has completed the

acquisition of Verifi, a leader in technology solutions that reduce chargebacks. The acquisition of Verifi strengthens Visa's role of facilitating trust and transparency across the buying experience by extending its dispute resolution capabilities to support a broad range of payments brands and partners across the ecosystem. The combination of Verifi's best-in-class dispute resolution tools with Visa's suite of risk and fraud management services will save valuable time and resources by connecting all parties in the dispute management process in near real-time to resolve disputes before they become chargebacks.



Visa, First Data, and Samsung Team for Hardware-Free mPOS. The three parties are collaborating on a

mobile point-of-sale (mPOS) system, dubbed SoftPOS, that eliminates the need for hardware like a dongle or Bluetooth attachment. Instead, the system uses NFC



technology already built in to smartphones and tablets to accept payments from contactless cards and NFC-enabled wearables and handsets. Visa is enabling the contactless payments, First Data (now a unit of Fiserv) will handle the settlement of transactions through a mobile app, and Samsung is responsible for both SoftPOS' security measures and for providing the devices. SoftPOS will be piloted in Poland later this year before rolling out to the Europe, Middle East and Africa (EMEA), and Asia-Pacific (APAC) markets.

Visa and Intuit give businesses Fast Access to Funds. The

new feature, dubbed Instant Deposit, is available to merchants using Intuit's QuickBooks Payments. QuickBooks Payments enables businesses to accept payments, make bank transfers, and receive next day deposits, but Instant Deposit, which uses Visa's push payments platform Visa Direct, can make deposits available within 30 minutes of a transaction being approved.



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Visa to Test Advanced AI to Prevent Fraud

A cloud-based platform set to roll out this year will test deep-learning algorithms to better detect unauthorized transactions, according to the Wall Street Journal.

Visa is rolling out a platform to help its engineers quickly test advanced artificial-intelligence algorithms aimed at detecting and preventing credit-card fraud.

The platform, built in house and slated to be launched in 2019, is an example of the broader financial-services industry trend of using AI to detect patterns in transactions that could signal criminal behavior. The platform is cloud-based, meaning that Visa's researchers and engineers can access it online from anywhere.

"One of the transformative technologies of this era is going to be AI," said Rajat Taneja, executive vice president of technology and operations for Visa, the largest U.S. card network by cards in circulation and transactions. "There is a perfect combination right now of computing resources, algorithms, data and people that's allowing this incredible innovation," he added.

The banking industry is expected to be the second biggest spender on AI systems this year, behind retail, according to market-research firm International Data Corp. Banks are on track to spend \$5.3 billion on AI in 2019, growing to \$12.4 billion in 2023, on such initiatives as fraud analysis, according to IDC.

Visa said it has spent about \$500 million over the past five years on AI and data-infrastructure projects.

The new platform is expected to test algorithms that use an advanced form of AI called deep learning, a technique that has the potential to identify more complex patterns than traditional machine-learning algorithms.

"It's a massive breakthrough for us," Mr. Taneja said.

Visa currently uses machine-learning algorithms to sift through data to identify anomalies, an effort that prevents billions of dollars in fraudulent transactions annually, Mr. Taneja said. One such Visa fraud-detection sys-



tem, Advanced Authorization, prevented about \$25 billion in fraud in the year ended April 30, according to the company.

But the current models have limitations. Researchers must know the signals that might indicate fraud—such as a purchase taking place at an unusual time of day—and write the rules to tell the model what to do when it identifies suspicious activity. Criminal activity sometimes slips by unnoticed because hackers are getting more sophisticated at evading the warning signs that current machine-learning models are trying to detect.

Deep-learning models can automatically identify more complex patterns by themselves. For example, if a customer uses his or her card in another country for the first time, deep-learning algorithms will be able to tell, with more accuracy and fewer false positives than traditional machine learning, whether it's a legitimate transaction. The algorithms will be able to take into account previous transactions at airlines and hotels, as long as they are made with Visa cards.

The development of the AI platform comes as more consumer credit card information is leaked in high-profile breaches. Americans reported losing \$1.48 billion to fraud including identity theft in 2018, up 38% from 2017, according to the Federal Trade Commission's analysis of more than 1.4 million fraud reports.

Scientists at Visa's 56-person research team built the algorithm-testing system, which is akin to an internal cloud that runs on the company's own data centers instead of using public-cloud services such as those from Amazon.com Inc., said Hao Yang, vice president of Visa Research.

Visa Prevents \$25 Billion in Fraud Losses using AI

Since pioneering AI in payments, Visa Advanced Authorization (VAA) is continuously evolving the technology to ensure consumer confidence in their payments. According to new analysis, Visa Advanced Authorization (VAA) using artificial intelligence (AI) has helped financial institutions prevent an estimated \$25 billion in annual fraud making the global payment ecosystem safer for retailers and consumers.

VAA is a comprehensive risk management tool that monitors and evaluates transaction authorizations on the Visa global payment network, VisaNet, in real time to help financial institutions promptly identify and respond to emerging fraud patterns and trends. Visa processed more than 127 billion transactions between merchants and financial institutions on VisaNet last year, and employed AI to analyze 100 percent of the transactions - each in about one millisecond - so financial institutions can approve legitimate purchases while quickly identifying and preventing fraudulent transactions.

"One of the toughest challenges in payments is separating good transactions made by account holders from bad ones attempted by fraudsters without adding friction to the process," said Melissa McSherry, senior vice president and global head of Data, Risk and Identity Products and Solutions, Visa. "Visa was the first payment network to apply neural network-based AI in 1993 to analyze the riskiness of transactions in real time, and the impact on fraud was immediate. By striking the right balance between human expertise and technology innovation, we continue to evolve our capabilities as new AI breakthroughs expand the realm of what's possible."

For financial institutions, friction in the payment process can lead to the abandonment of a payment card. A study by Javelin Strategy & Research revealed more than half of cardholders affected by false declines (51 percent) used a secondary payment card to complete the purchase at the same merchant, which can push a competitor's card to the top of wallet. However, removing friction cannot come at the expense of identifying and preventing fraud. As a survey by the National Retail Federation and Forrester discovered, the top payment-related challenge faced by retailers is fraud, cited by 55 percent of those surveyed.

A key differentiator for Member Access Processing is that all transactions, even those running on Debit Networks other than Visa's, are safeguarded by Visa Advanced Authorization's layer of fraud prevention, helping drive down risk and fraud for all our client credit unions. Thanks to tools like VAA, Visa has kept global fraud rates at historic lows - less than 0.1 percent - through a multi-layered approach of investing in human intelligence and technology like AI.

Industry News

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Chip Cards Make Gains, but the U.S. still lags most of the World in EMV adoption.

EMV chip card payments made substantial gains in the U.S. last year, but the nation still lags most other regions in EMV penetration, according to new figures from payment card standards body EMVCo.

Some 53.5% of general-purpose U.S. card-present transactions in 2018 were so-called chip-on-chip, meaning both the point-of-sale terminal and the card were EMV-enabled, up from 41.2% in 2017, EMVCo data show. EMV penetration is highest in EMVCo's Europe Zone 1 consisting primarily of Western and Northern Europe, with 97.3% of 2018's POS transactions EMV-enabled—down slightly from 98.6% in 2017.



Just 9% of U.S. consumers used Apple Pay last year. This is far

behind the five most-popular US payment methods, which were credit cards (80%), cash (79%), bank or debit cards (59%), checks (53%), and PayPal (44%), according to a survey from Bain. The wallet's US adoption is also trailing compared with other countries: 17% of consumers in China used Apple Pay in 2018, for example. This gap is due, at least in part, to mobile payments services' lack of popularity in the US, as over 80% of consumers in China used mobile payments in 2018 while the top US major payment apps were used by less than 10%. Apple Pay's position in the US may be improving, however, as CEO Tim Cook recently stated that it's adding more new users than PayPal and its monthly transaction volume is rising four times as fast. For context, PayPal reported that it added 9 million accounts in Q2 2019 and that its number of payment transactions rose 28% year-over-year (YoY) for the quarter.



Mobile Contactless Payments will account for less than 2% of US Retail Sales this year.

The push for mobile contactless payment adoption in the US has been a decade-long journey entailing a multibillion-dollar investment in wallet development, POS hardware and consumer marketing. To date, the results have been underwhelming, with payment methods like Apple Pay and Google Pay forecasted to account for just 1.6% (\$78.6bn) of US brick-and-mortar retail sales this year, according to 451 Research's Global Unified Commerce Forecast. Consumer payment

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How Safecrackers Can Unlock an ATM In Minutes —Without Leaving A Trace

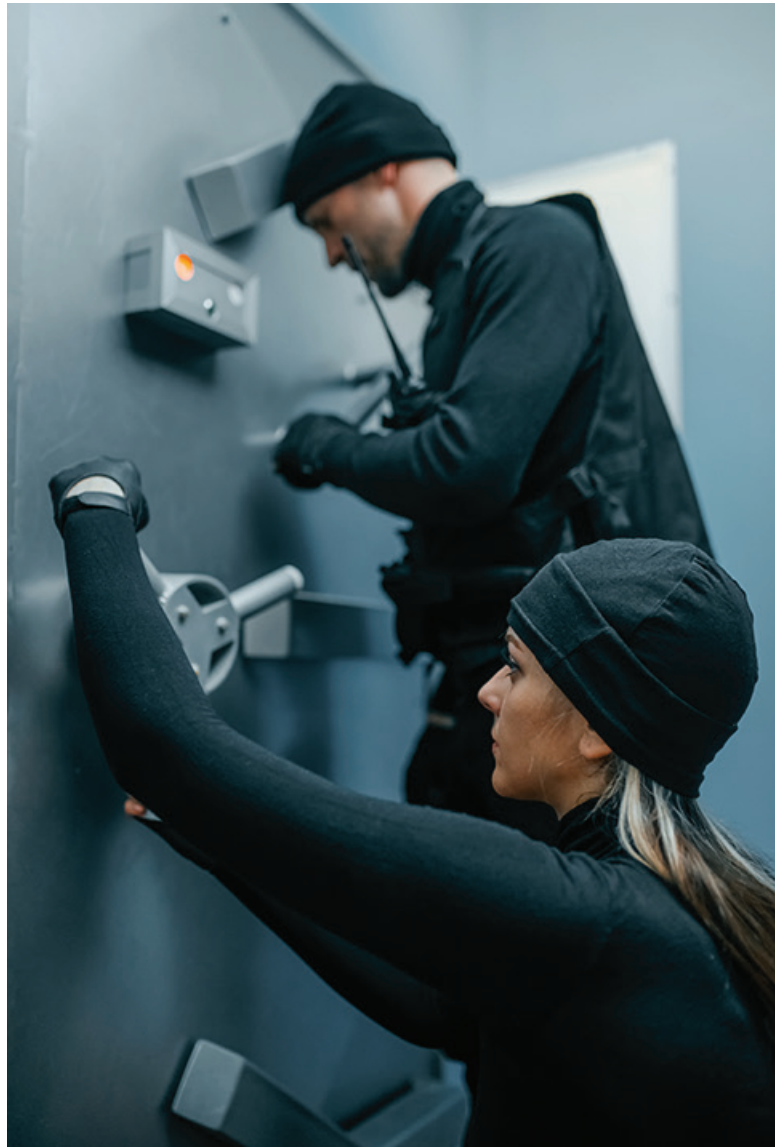
In a recent article from Wired Magazine, Andy Greenberg reported that “Safecrackers of the past put a stethoscope to a safe’s panel while turning its dial, listening for the telltale murmurs of the interlocking components inside. It turns out that modern safecracking, despite all its electronic upgrades, isn’t so different. But now those involuntary murmurs are electric, and the combination they betray takes the form of ones and zeros in transit between a lock’s silicon chips.”

At the recent Defcon hacker conference security researchers revealed techniques to crack three different types of the Kaba Mas high-security electronic combination locks manufactured by Dormakaba. The company sells locks for securing ATM safes, pharmacy drug cabinets, and even Department of Defense facilities, representing millions of locks around the world. The researchers found that they could open many of the ATM and pharmacy locks in as little as five minutes with nothing more than an oscilloscope and a laptop. The technique also leaves no physical trace—other than the safe’s contents disappearing.

They found that by using a couple of oscilloscope probes—simple metal pins that allow a common electrical engineering tool to measure voltages of the components they touch—inserted into a port on the lock’s side and some clever power analysis, they could unlock the safes. The vulnerability occurs when the locks turn on, they transfer their unique combination from the EEPROM memory chips they use for storage to their processor. The CPU can then compare any combination the user enters on its dial or touchpad to the correct one and, if that combination checks out, instantly open its bolt. Further, the researchers found that by inserting his oscilloscope probes into a lock’s electronic components, he could deduce those combinations by studying the lock’s internal voltage changes when it boots up. The voltages that “leak” when the CPU receives the patterns spell out the ones and zeros that represent the lock’s combination in binary form.

Encryption Cracking

Many financial institutions enable a setting on the Kaba Mas locks that requires anyone who wants to open an ATM safe to first insert a so-called iButton device into the port on the lock’s side, a kind of two-factor authentication token. However, the researchers demonstrated that they can read the code that the CPU uses to check that device just as easily as



the combination itself and obtain all the information needed to unlock the safe. While a second generation of the Kaba Mas locks, released in 2009, includes encryption, the researchers also found a shortcut that allows them to extract the lock’s data despite its encryption.

When the reporter reached out to Switzerland-based lock giant Dormakaba, the company responded in a statement that it’s been working with ATM manufacturers for seven months to address known issues, and found no evidence that cracking techniques had been used in any actual break-ins.

To the relief of many, Security Research Davis says he isn’t giving anyone a playbook to replicate his attacks. He’s not publishing the code for his power analysis program, for instance, and he believes it would take significant, sophisticated work to recreate even the simpler techniques he pulled off. “I’m not looking to expose the locks that protect the nuclear codes,” he adds. “I don’t think I’m giving anyone a loaded gun.”

Digital Competition to cost FI's 15% of their revenue by 2025

As much as 15% of payments revenue, or \$280 billion, is likely to be displaced by the growth of digital payments competition from non-banks, as payments become more instant, invisible and free, according to the "Banking Pulse Survey: Two Ways To Win" report from Accenture. The report found that global payments revenue will likely grow at an annual rate of 5.5%, from \$1.5 trillion in 2019 to more than \$2 trillion by 2025. Only financial institutions that change their business models to adopt the latest technologies and focus on providing value-added services to customers will capture their share of revenue growth.

The 2019 report is based on a revenue-risk analysis model that Accenture developed to measure trends in how consumers pay and projected changes in merchant behavior, technology and regulation. The research is complemented by a survey of 240 payments executives at banks across 22 countries to determine how they plan to mitigate and capitalize on the disruption in payments to grow customer loyalty, revenues and profitability.

The report notes that over the next six years, banks will face further pressure on income from card transactions and fees, with free payments putting 8% of payments revenue at risk. In addition, competition from non-banks in invisible payments — where payments are completed in a 'virtual wallet' on a mobile app or device — will put 3.9% of financial institutions' revenues at risk. Card displacement by instant payments, where funds are settled and transferred in real-time and banks make little to no interest, is projected to put an additional 2.7% of payment revenues at risk.

This builds on current declines in income from card transactions and fees, with regulation triggering fee compression and technology displacing the role of banks in payments. Already between 2015 and 2018, revenue from business customer credit card transactions dropped 33%, revenue from consumer debit card transactions dropped nearly 15%, and revenue from credit cards dropped almost 12%.

The research found that the industry is aware of the challenges posed by new technologies in payments. More than two-thirds (71%) of the banking executives surveyed agree that payments are becoming free; nearly three-quarters (73%) believe that most payments are already invisible or will become so over the next 12 months; and even more (78%) said that payments are either already instant or will become instant over the next 12 months.

Visa News

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Japan 2020. With one year to go until the Olympic Games Tokyo 2020, Visa is preparing innovative payment experiences for athletes, visitors and citizens in support of the government's "Cashless Japan" imperative to double the total of payments made digitally to 40 percent by 2025. For Tokyo 2020, technologies including biometric payment authentication, wearables, and mobile applications including digitally-issued cards will be explored. Visa is working with merchants, particularly fast food restaurants, and convenience stores, to enable contactless point-of-sale payments and drive digital payment adoption ahead of the games. The announcement is part of the "Cashless Japan" initiative carried out by the Japanese government, which aims to double digital payments to 40% of all transactions in the country by 2025. Moreover, the Tokyo 2020 games are expected to feature biometric access control from NEC for athletes, staff, and media, and visitors to the country will be processed with biometric customs checks at airports across the country.



Revolut to use Visa In Expansion. The UK-based neobank is set to hire around 3500 staff as it expands into 24 new markets and will work with Visa to do so, with at least 75% of Revolut's cards set to be Visa-branded. The firms have been working together for four years and Revolut began issuing Visa cards in 2017. The partnership will see all of Revolut's services, which include peer-to-peer (P2P) payments, digital financial services, and currency exchanges, linked to a Visa card. Revolut is expanding from its current markets of Europe and Australia to open in the United States and Singapore by the end of this year, with Canada and Japan to follow. Revolut will then launch in other Latin American and Asian markets but does not have a fixed timeline.

MoneyGram and Visa Launch Debit Card Deposit Service.

The new Debit Card Deposit Service enables US consumers to send funds through MoneyGram's app and website to other consumers' debit cards. Pricing for the service, which uses Visa's push payments platform Visa Direct, starts at \$1.99. Recipients can transfer funds from their debit cards to a linked bank account at any time, and there are plans to bring the offering to markets beyond the US.



Industry News

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habits die hard, and without a measurably better value proposition, habitual behaviors like reaching for a card from a leather wallet will beat out mobile alternatives every time.

Voice shopping still isn't taking off.

Most US consumers aren't open to buying products of any type by voice, according to survey data from Sumo Heavy. Only 17% of US consumers surveyed have shopped or browsed for products by voice, and 55% say they wouldn't consider buying products of any type through a voice interface. These findings follow other surveys that show that purchasing items by voice is not gaining traction among consumers. Consumers are using voice assistants frequently — they're just not using them to buy things. Sixteen percent of respondents report they use a voice assistant daily, and another 13% say they use one weekly. iOS users are more likely to engage with a voice assistant more regularly than Android users.



Nearly a third of Retailers say Online Sales represent the greatest increase in Fraud at their companies.

"Nearly 50% of retail loss prevention professionals are getting bigger budgets to help quell fraud, according to a report released by the National Retail Federation (NRF). 44.5% of loss prevention professionals surveyed said their budgets for loss prevention efforts are increasing, and 68.2% say they'll allocate additional resources to stop fraud, most of that in technology. About one in three (28.6%) surveyed professionals say they will add staff resources—and are looking for professionals with analytical, cybersecurity and investigative skills, the NRF says."



FedNow Legislation could impact its 2024 Launch Date



The Federal Reserve is facing multiple potential pieces of legislation that could force it to adjust its plans to develop a 24/7 real-time payment (RTP) and settlement solution in the form of an RTP network called "FedNow." FedNow is set to compete with the RTP network of The Clearing House (TCH), which is owned by 25 banks. The Fed was targeting a launch date in 2023 or 2024. The two key pieces of potential legislation would push FedNow to launch sooner and require the Fed to reveal more of its plan before moving forward with the network.

The Payments Modernization Act of 2019, which is a discussion draft, could mandate that FedNow be active within three years. This proposal comes after a hearing held by the US House Committee Financial Services' Task Force on Financial Technology that focused on the future of RTP. The push to speed up FedNow's timeline may be driven by how fast-moving the payments industry can be and interest in a public RTP solution in the near future. But launching in three years rather than the four to five it originally had in mind could be difficult for the Fed considering it needs to build out its entire network still, though it does have existing relationships with financial institutions (FIs) from its other operations.

Separately, congress is introducing legislation that would require the Fed to disclose FedNow's costs and how it would cover them before moving forward with the network. This would mean that the Fed needs to determine its plans now before building its network and associated technology, which may not be its preference. Doing so could complicate the development of FedNow since the Fed may not have as much flexibility in terms of how the service is created and operates after launch.

The competitive landscape of the RTP industry in the US may be directly impacted by these requirements as they could make FedNow a threat sooner or reveal its pricing structure well in advance of its launch.

Letter from the CEO

Business confidence is a key economic indicator compiled by the multi-nation Organisation for Economic Cooperation and Development. It's based upon opinion surveys on developments in production, orders and stocks of finished goods in the industry sector. In September, the Business Confidence Index (BCI), decreased 1.1% from the same month last year. And according to the index, September's 99.35 reading is just below the 100-mark, indicating a pessimism towards future performance.

For those in the payments industry, confidence is increasingly in doubt as financial institutions and the partners that support them are faced with digital technologies that are destined to reshape the industry. Few payment leaders said they feel completely prepared to leverage digital technologies. When asked about their readiness to make use of technologies like open banking APIs, advanced analytics, or robotic process automation to deliver expected business outcomes, there was no technology for which the majority of these financial institution executives indicated "very high or high," per a report from The Financial Brand. In the best cases, 43% of executives indicated high readiness to implement mobility technologies, 35% did so for open banking APIs, and 32% reported high readiness to implement conversational banking. And on the low end, only 13%, 12%, and 11% indicated high readiness for the internet of things (IoT), blockchain, and wearable technologies.

It goes without question, that we need to adopt these technologies. Most believe that these technologies will have a serious impact on payments in the near term. For instance, around three-quarters of executives believe that mobility, advanced analytics, and open banking technologies will have high or very high impact in the next twelve months. Out of the nine technologies asked about, only three were not expected to have a high or very high impact on the industry by a majority of respondents.

Increased confidence will come from amplifying our technology talent. Obviously, hiring new employees with tech backgrounds can build up a digital team whose main function is to make sure that the payments function is taking advantage of cutting-edge technologies both on the client side and the back end. Second, and equally important, is an investment in training courses and resources to enable existing staff members to handle the management of new digital technologies. Finally, confidence can come from the prerequisite risk management solutions and services members have come to expect and that the disrupting FinTechs cannot match in the near term.

Confidence in our existing member engagement, where often the only driver to change is a bad experience, cannot turn to complacency. That's why MAP is making investments in its portfolio analysis function to provide a progressive growth and risk stack function to clients with full-service support and enhanced fraud functionality. Further, MAP has engaged ongoing strategic and architecture consulting services to support an API Management System in assisting clients digital technologies. 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@maprocessing.com.



Cyndie Martini
President/CEO

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

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