MEMBER ACCESS PROCESSING
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The Growth & Risk Stack Function

The best course to serving members and beating fraud requires increased cooperation and agility.

Preventing payment fraud is a 24/7 pursuit for most credit unions – criminals are operating around the clock and innovating constantly to exploit the smallest gaps in an institution's defenses. Just staying one step ahead of the fraudsters requires credit unions to continually evolve their approach to fraud prevention.

It doesn't necessitate working harder. It does mean greater agility and better use of the credit union's systems to ensure the institution is ready to take on new threats.

The criminals are no longer amateurs acting alone. Rather, today's fraudsters have grown into professional entities, working together to extract as much as they can, as quickly as they can, from every possible transaction. To combat the onslaught, credit unions need to give themselves the freedom to innovate and cooperate fully.

The traditional mindset towards managing risk has focused almost exclusively on preventing loss. With a single focus on minimizing risk, credit union card managers can lose sight of the many, many more who are legitimate, plac-

See "The Stack" on page 2

The Stack

Continued from page 1

ing less emphasis on maintaining a great member experience, increasing user engagement, or enabling revenue growth.

Legacy fraud prevention tools, such as rules-based systems and manual review teams, have their shortcomings in isolation. Not only are they reactive, this approach silos the fraud function and separates it from credit union's primary focus on member experience and engagement. MAP on the other hand, is proffering an alternative strategy that recommends a progressive Growth and Risk Stack function. With the objective of using smart data analysis to break down silos across the organization, the Growth and Risk Stack provides clear insights that are both targeted and predictive.

Today, core functions within the payments operation are often siloed at credit unions into different departments: The growth function is in marketing and product development; the risk mitigation function is in the fraud department with day-to-day management in operations. When these disparate functions can come together, a deep understanding of cardholder behavior and purchasing trends is realized.

This year, MAP is expanding its portfolio analysis function to provide a progressive Growth and Risk Stack function to clients with full-service support and enhanced fraud functionality. The Growth and Risk Stack includes behavior and trend analysis through existing solutions and products in development:

- Campaign Solutions: Targeted multi-channel credit and debit card campaigns.
- Portfolio Analytics: Dedicated, expert portfolio analysis and ad hoc reporting.
- Fraud Analysis: Real-time analysis of compromised card details.
- Risk Services Manager: Highly targeted rules testing and deployment.
- Managed Real-Time Defenses: Fully managed, high-impact tiered fraud defenses.
- Falcon Fraud Manager: Full-service, rules-based fraud defenses.

Member demand for intelligent services has put pressure on credit unions to deliver fraud and marketing solutions that are both easy and safe. The expectation for seamless payment experience requires using data and the insights it provides across multiple functions at credit unions. With all this in mind, it is vital that we find the best solutions to enable quicker fraud decisions and improve response times for active payments processing. No single department manager can do this alone. It will require a collaboration across multiple operational functions to create the winning formula.

Save the Date: MAP Annual Conference is August 22-23

uConference 19

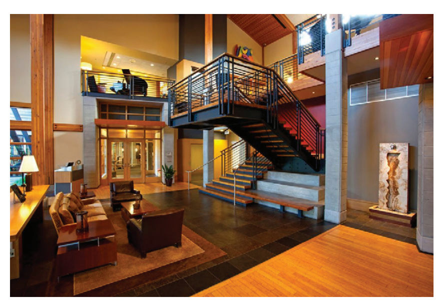
MAP's Annual Conference

The amount of data we produce every day is truly mind-boggling. There are 2.5 quintillion bytes of data created everyday. And the pace of growth is only accelerating. Over the last two years alone, 90 percent of all the data in the world was generated. For a credit union trying to keep pace with member expectations, it means delving into those heaps of data and discovering their needs and wants. This year's annual conference looks at the different way to examine and confront the barrage of data and insights being revealed.

Member Access Pacific is pleased to welcome client and guest credit unions to our 19th Annual Payments and User's Conference, a two-day event for credit union professionals to learn about the rapidly evolving payments and financial services industry. This year's conference will kickoff on August 22 with a workshop on enhancing profitable, positive relationships. Participants will be tapping ancient wisdom to solve practical problems in a skill-building workshop focused on problem-solving, better relationship tools to unleash your best possible self as a leader and individual. On Friday, August 25, the second day of the conference will feature industry experts, including Visa business leaders, an economist, and payments experts.

MAP's 2019 Annual Conference will be held August 22 and 23 at Cedarbrook Lodge in Seattle. Cedarbrook's 169-room distinctive lodging facility, original works of art, and seasoned service is quintessential Northwest. Guests are afforded a quiet, secluded environment ideal for a wide variety of business and leisure travel needs as well as professional and social gatherings. Eighteen lush acres of natural restored wetlands, comfortable accommodations, unexpected ameni-

CEDARBROOK LODGE



Long joins MAP in new position

Member Access Processing (MAP) is pleased to welcome Robert "Bob" Long as Chief Revenue Officer (CRO). As CRO, Long will be responsible for new business development, sales, relationship management, channel and consulting partnerships.

"We are very excited to have Bob join our team at MAP," states Cyndie Martini, MAP's President/CEO. "While MAP has a long history of success for our clients, we have only just begun to realize our full potential and purpose as one of the nation's leading Credit Union Service Organizations. Bob will have a substantial role as MAP looks to grow business revenue and core processing sales to credit unions across the country."

Prior to joining MAP, Long had spent more than 20 years working in Financial Services and the Payments Industry. Most recently he directed business development as part of the senior leadership team with Daon, a software firm specializing in biometric authentication for the global financial services markets. As a payments leader, Long has held several management roles, including Senior Vice President of Financial Services at Vantiv and senior leadership roles at First Data Corporation and Rocky Mountain BankCard. He received his Bachelor's Degree from University of The Pacific in Stockton, CA.

Save the Date

Continued from page 2

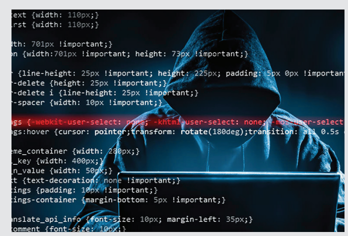
ties. The result is an optimal location with the ambiance of a discreet hideaway.

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. Registration will be available online at www.uConference19.com in April. For more information, please contact your Client Services Manager or Karl Kaluza at 866-598-0698 x1618 or karl.kaluza@maprocessing.com.

Industry News

New ATM sales will plunge. Now that even China has joined the list of mature ATM markets, look for worldwide ATM hardware sales to slump. With the global use of cash flat to slightly down and an ATM seemingly on every corner, the ATM hardware business has become largely replacement only. The lone exception will be tailwinds from the replacement of FI ATMs for Windows 10 in the next 12 to 24 months. Given a shrinking pool of ATM buyers, downward pricing pressure on all types of ATMs could easily accelerate. Compounding OEM profitability challenges, tariffs on Chinese-made ATMs will negatively impact a number of suppliers should they remain in place. ATM casualties in 2019 could be manufacturers overly dependent on the sale of new ATMs in a saturated global market.

Fraud becomes more complicated as 14.4 million victims are scammed in 2018. A new report suggests fraudsters have turned their attention to opening and taking over accounts according to Javelin Strategy & Research's 2019 Identity Fraud Study. Despite extensive anti-fraud measures adoption by organizations, criminals have turned to complex and sophisticated fraud types at elevated levels. The report noted the recent shift to embedded chip cards is helping to stifle existing card fraud, which showed the steepest decline of any fraud type in 2018. While existing card fraud losses dropped from $8.1 billion in 2017 to $6.4 billion and the incidence fell from 5.47% to 4.40%, high-impact fraud types like account takeover and new-account fraud remain alarmingly common, demonstrating that fraudsters continue to find and compromise new targets.



Chatbots to save financial institutions $7.3 billion by 2023. Juniper Research has released a study showing that banks will save $7.3 billion in costs globally by 2023 through the increased use of chatbots, up from $209 million in 2019. The research indicated that chatbot integration in mobile banking apps will account for 79 percent of successful integrations by 2023. Chatbot integration will be one of the drivers for greater adoption of mobile banking apps, according to Juniper. The report also showed that AI chatbots will have a major impact on the management of auto, health, life and property insurance globally, saving insurers approximately $1.3 billion by 2023, compared with approximately $300 million in 2019.

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An inflection point for the data-driven organization

A new Harvard Business Review Analytic Services (HBR-AS) Pulse Survey of more than 700 business leaders, shows that the majority of organizations aren't prepared for a data-driven future. They're still living in the past, with one-third currently operating on static and backward-looking reporting. The three top organizational barriers holding them back include:

- Organizational silos
- Legacy processes
- A lack of data analytics skills

The HBR-AS study, "An Inflection Point for the Data-Driven Enterprise," clearly reveals a digital divide between what organizations know is important for future survival and where they are now.

While 86% of organizations responding say the ability to extract new value and insights from existing data/analytics applications is very important, only 30% are very effective at doing so.

While 75% say it's very important to deliver actionable intelligence to employees across the enterprise, less than a quarter of organizations (24%) are able to achieve this.

To survive in today's hyper-competitive environment, businesses need actionable customer insights, faster product innovation, and disruptive business models. The key for those racing ahead revolves around three As: data that is accessible, analyzable, and actionable.

Only one in ten organizations currently say they have embedded data and analytics into all processes and decision making, and even fewer have advanced to predictive analytics or automated decision making.

Just 28% of organizations are focused on new business model creation using data, which is the key to digital transformation. Analysts and influencers interviewed for the report, including Constellation Research Founder and Principal Analyst Ray Wang and analytics and digital transformation influencer Ronald van Loon, say companies that want to stay on the right side of digital disruption need to move fast and get serious now about their data and analytics efforts.

Constellation shows that digital business models are creating a winner-take-all market with digital leaders taking approximately 70% of overall market share and more than 77% of profits. "This is a top-down strategic business model decision that boards have to address," notes founder Ray Wang. "Boards aren't doing their jobs because they don't understand the problem: they're in a data war, and data is the weapon."

The Disrupting Digital Business author warns that, "every board member and CEO needs to understand that data assets have to be managed the same way they manage any other asset. If they don't, they will be disrupted."

This charge for organizations to get their data house in order also includes a roadmap for technological and organizational evolution, and very importantly, an end to siloed approaches, according to influencer Ronald van Loon.

"Companies often start with front-end applications, and they are able to make some first steps," says van Loon. "But it's not the right route to get long-term results." Companies may implement new data and analytics systems in certain customer-facing departments, but such siloed solutions won't yield enterprise change.

"If you want to manage real transformation, you need to have a proper end-to-end data management, data security, data processing platform company-wide," van Loon says.

The study also notes that organizations may have to take a step back to reassess and realign their data and analytics efforts to move ahead and truly become an Intelligent Enterprise. "This is not a revolution, although it looks like one because the pressure is so high," says van Loon. "It's a step-by-step approach, and it needs to be long-term and consistent. Companies must focus on the customer, create organizations that are flexible enough to adapt to these changes, put in place a platform to manage data, and have a clear view on strategy."

Banks and credit unions even in customer satisfaction

Customer satisfaction with the finance and insurance sector is the highest it's been in 24 years. This sector—which includes banks, credit unions, health insurance, property and casualty insurance, life insurance, internet investment services, and financial advisors—experiences a 1.4 percent bump in customer satisfaction to an American Customer Satisfaction Index (ACSI®) score of 78.3 (on a 0 to 100 scale), according to the ACSI's Finance and Insurance Report 2018. This score also marks another milestone: Banks are now even with credit unions in customer satisfaction for the first time in a decade.

"The 2008 financial crisis was a boon for credit union membership," says David VanAmburg, Managing Director at the ACSI. "Many customers, fed up with big banks, took their business to credit unions where they received better, more individually tailored service. But with the economy much improved, there's less incentive to join credit unions – particularly if they no longer provide higher levels of satisfaction than banks do."

Credit unions and banks both have an ACSI score of 81, yet the former is trending in the wrong direction. Credit unions see a dip in customer satisfaction of 1.2 percent year over year. Banks, on the other hand, remain unchanged. While banks stand steady overall, national banks drop 1.3 percent to remain at the bottom of banking sector with an ACSI score of 77. Chase, however, emerges as the highest-rated national bank after a 1 percent bump to a score of 80. Chase receives high ratings from its customers for its mobile banking app and its easy-to-access brick-and-mortar locations and ATMs.

Credit unions can't hold off banks anymore. Credit unions offer better in-person customer service than banks, but not by much—credit unions score an 89 while banks score 88. Credit unions also lead banks in speed of service at branches (88 to 85) and call center satisfaction (84 to 81). However, banking mobile apps are superior in quality (86 to 85) and more reliable (85 to 83).

"Digital is everything right now, and it's helped banks close the gap," says VanAmburg. "With the boom in mobile banking apps, customers don't even have to go into branches. Depositing checks or applying for a loan through an app is more appealing than the charm of the old-school, small-town customer service offered by credit unions."

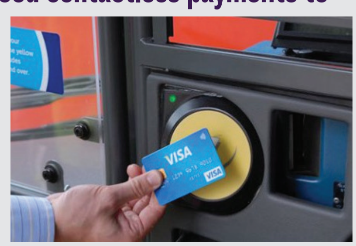
Credit unions can improve customer satisfaction by providing more financial services, making it easier to open and change accounts, and offering more competitive interest rates.

Visa News

Visa renews partnership with NFL. Visa – which has partnered with the National Football League (NFL) since 1995 – announced it will renew its partnership with the NFL, continuing its position as the league's Official Payment Services Technology Provider through 2025. The renewed partnership will provide benefits for Visa cardholders at NFL events and includes plans to create the first cashless Super Bowl in the future. This new deal was completed ahead of Super Bowl LIII, where Visa offered over 30 cashless concession stands throughout the stadium.

Visa releases global study on the future of transportation. Building on Visa's experience working with transit operators, automotive companies and technology start-ups, Visa commissioned a global study, "The Future of Transportation: Mobility in the Age of the Megacity" to better understand the challenges commuters face today and in the future. The key findings were that complexity in payment is often at the root of many common complaints. The study found that if it was easier to pay for public transport, average use would increase by 27 percent. According to those surveyed, these frustrations like ticketing and cash only payments make them less likely to use public transport and more likely to drive their own cars. 35% would like an app that recognizes the location where they are trying to refuel and pays through the app.

Visa forms partnership to speed contactless payments to transit operators. Visa and Planeta Informatica announced the launch of new technology that enables public transit operators worldwide to implement contactless payments. The Visa Secure Access Module (SAM) makes it easy for transit organizations and operators to begin offering riders the ability to tap to pay with a contactless card, phone or wearable device, without the expense and technical requirements of replacing current turnstiles or terminal hardware.



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Study shows half of companies put profit before security

According to the Verizon Mobile Security Index 2019 (MSI), mobile risks are rising, and a majority of organizations believe mobile threats are creating risk to their enterprises. The Verizon's Mobile Security Index 2019, found almost half of organizations are sacrificing mobile security to improve speed to market and profitability (up from nearly a third in 2018).

The report also found 42% of those in the financial services sector reported suffering a compromise linked to a mobile device, more than any other industry measured, but noted it's possible that financial services companies are better at identifying when a mobile device was involved. The finserv industry is also more likely to have some defenses in place, like data loss prevention (46% versus an average of 36%).

"Companies are increasingly reliant on mobility as the backbone of their business operations so there needs to be a priority on securing those devices," TJ Fox, SVP & president business markets with Verizon, said. "The applications on these devices now manage things like supply chain systems, point of sale systems, or customer facing apps. The lack of robust security measures could potentially expose corporate assets, and possibly customer data, to malicious actors."

Other survey snapshots:

- Eight-three percent of respondents said their organization was at risk of mobile threats, 29% said that it was a significant risk.
- Two thirds of organizations said they are less confident about the security of their mobile assets than other devices.
- Almost half (48%) said they had sacrificed security to "get the job done," up from 32% last year.
- Eighty-five percent said organizations need to take mobile security more seriously.
- More than 80% admitted using public Wi-Fi, even when prohibited by company policy.
- Forty-three percent said remediating the effects of a mobile-related compromise was "difficult and expensive."

Fox in the report's foreword wrote, "It's been another headline-grabbing 12 months for cybersecurity. There were many large and damaging compromises affecting retailers, airlines and credit rating companies, to name just a few. Thousands of organizations weren't prepared and had sensitive data stolen, suffered downtime of key systems or were affected in some other way. Something missing from the headlines was a compromise directly attributed to the vulnerability of a mobile device." Yet Verizon found that the number of companies admitting they'd suffered a compromise in which a mobile device played a role went up from 27% in the 2018 report to 33% this time around. So, asked Fox, "where's the disconnect?"

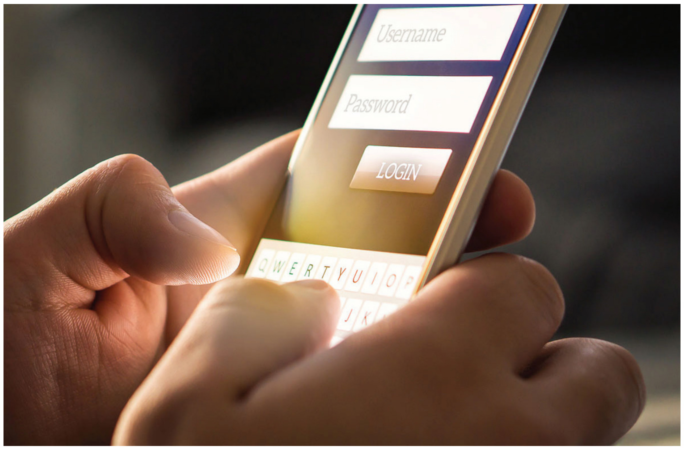
The answer he explained lies in how little is normally made public about major incidents. "Often, attacks will start with phishing, getting an unsuspecting user to click on a malicious link. But that part of the story rarely makes it into print, never mind whether it was actually a tap on a mobile screen rather than the click of a mouse. You could say that none of the biggest breaches have been publicly attributed to mobile vulnerabilities; but a mobile element hasn't been ruled out either."

That may change soon. Governments are beginning to intervene to ensure organizations take cybersecurity across all endpoints more seriously. Since the publication of Verizon's Mobile Security Index 2018, the European Union's General Data Protection Regulation took effect and the California legislature passed minimum standards for connected device security. More legislation is expected to follow.

"Mobile devices now have access to much of the same valuable corporate data — customer lists, bank details, employee personal data, billing information and much more — as those using fixed connections," Fox maintained.

Additional index findings specific to financial services companies included: finservs were most likely to say they'd experienced a mobile-related compromise, more than education, healthcare and public sector; 90% said they made changes to their security policies in light of new regulations; the industry topped the list of sectors agreeing with the statement "organizations need to take mobile device security more seriously."

Consumers prefer single mobile banking apps



Mobile banking apps have become one of the most popular self-service channels in banking, according to a recent survey that revealed approximately three out of five mobile device owners (59 percent) report using their banking app at least twice a week. The survey, conducted online by The Harris Poll on behalf of mobile-first, fintech solutions provider Entersekt (Atlanta, Ga.) canvassed more than 1,900 U.S. adults who own mobile devices.

Apps for mobile payments are less widely used than banking apps, the results showed, with only a third of mobile device owners (33 percent) using them on a weekly basis. It seems that most Americans are familiarly with payment apps, but they have yet to become a feature of daily life to the extent that banking apps have. While nearly three-quarters of mobile device owners (71 percent) have used mobile payment apps, only 7 percent use payment apps daily compared to 20 percent who use banking apps daily.

Over two-thirds of mobile device owners (68 percent) say they have more than one app for banking and payments, with 37 percent having three or more. Juggling so many apps, a majority of regular banking apps users (those using banking apps once a month or more) reasonably found the idea of an all-in-one banking and payment app attractive.

Over two-thirds (68 percent) of regular banking app users would "like to do all banking and payments via one single mobile app." A similar majority (67 percent) claim they would be less likely to use cash or physical credit cards if they had such an app. The lure of an all-in-one combination app is stronger among younger adults (18 to 44 years) who regularly used banking apps: just over three-quarters (76 percent) want one, compared to only 50 percent of those aged 55 and over.

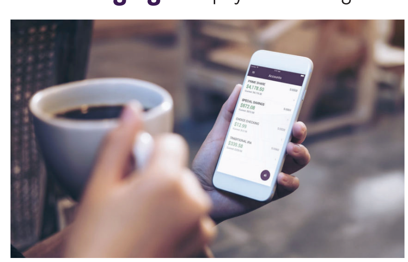
Industry News

Continued from page 3

Cybercrime to cost companies $5.2 trillion by 2024. Companies globally could incur $5.2 trillion in additional costs and lost revenue over the next five years due to cyberattacks, as dependency on complex internet-enabled business models outpaces the ability to introduce adequate safeguards that protect critical assets, according to a new report from Accenture. Based on a survey of more than 1,700 chief executive officers and other C-suite executives worldwide, the report titled "Securing the Digital Economy: Reinventing the Internet for Trust" explores the complexities of the internet-related challenges facing business and outlines imperative. The report notes that cybercrime poses significant challenges that can threaten business operations, innovation and growth, as well as the expansion into new products and services, ultimately costing companies trillions of dollars. The high-tech industry faces the highest risk, with more than $753 billion hanging in the balance, followed by the life sciences and automotive industries, with $642 billion and $505 billion at risk, respectively.

More Americans are making no weekly purchases with cash. Americans are becoming less reliant on physical currency. Roughly three-in-ten U.S. adults (29%) say they make no purchases using cash during a typical week, up slightly from 24% in 2015. And the share who say that all or almost all of their weekly purchases are made using cash has modestly decreased, from 24% in 2015 to 18% today, according to a new Pew Research Center survey that comes as some businesses experiment with becoming cashless establishments.

Most P2P Mobile App Features Surging: 2P2 payments are growing at a brisk 250% clip, according to the annual App Store Research from Malauzai Software. Out of a total of 7,346 financial institutions researched, 6,351 have a mobile



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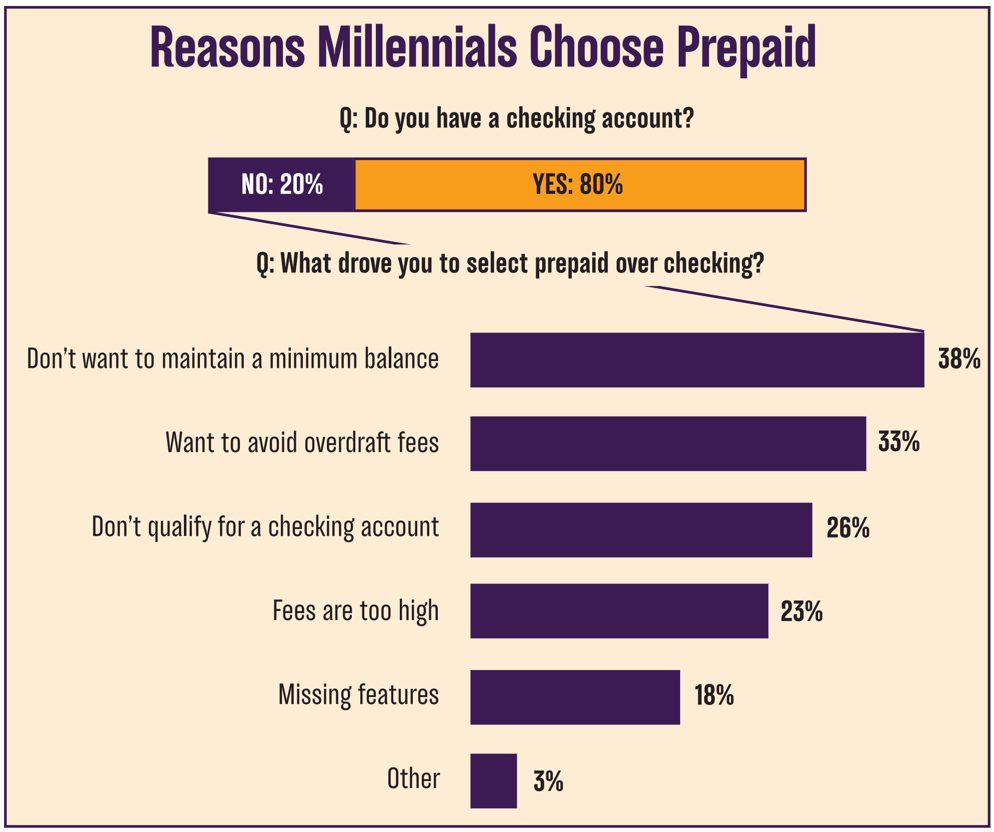
Millennials turn to prepaid cards over traditional accounts

The 25% of US customers who are unbanked or underbanked — including customers who either can't afford or physically access traditional financial services, or choose to opt out of those services in favor of alternative financial products — has historically been the primary customer segment for prepaid cards. But a growing number of US millennials are turning to prepaid cards in lieu of traditional financial products, like checking accounts or debit cards, according to a B&C Media study. This generation represents a large customer acquisition and volume opportunity for prepaid providers that can effectively expand and update their offerings. It's worth noting that B&C Media's sample size is on the smaller size, but the results are consistent with comparable surveys and provide insight into what prepaid providers should focus on when trying to grow their bases.

The expanding list of use cases for prepaid cards is attractive to millennials, who might be less interested or trusting in traditional financial services than other generations. Some millennials who like prepaid cards are averse to checking accounts. B&C Media found that 20% of millennials who use prepaid cards did not have a checking account, largely due to pain points associated with traditional banking services: Of this group, 38% turned to prepaid cards because of worries about maintaining a minimum balance, while one-third were trying to avoid overdraft fees from banks, which have been on the rise.

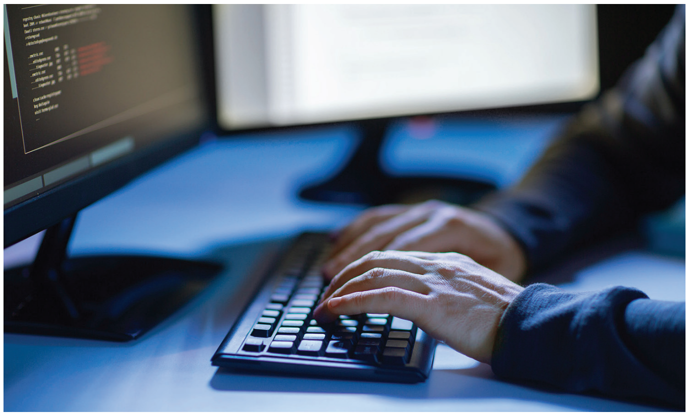


Reasons Millennials Choose Prepaid

Prepaid cards are starting to replace services that checking accounts used to provide, which could help explain their popularity. In an increasingly cashless environment, access to a card is necessary for many younger customers. Prepaid cards can enable consumers to get the benefits a card can provide, like shopping online, without the pain points associated with checking accounts or the risks associated with credit cards, like overspending, debt, or maintaining a good credit score.

The prepaid space is growing: Business Insider Intelligence expects volume to reach $396 billion by 2022, up from $290 billion in 2016. As it grows, digital-first players like Venmo and Square Cash are moving in. To attract younger users in this competitive and fast-growing environment, legacy players need to evolve their approach. Adding in-demand features like P2P transfers or digital money management tools that further mimic mobile banking offerings could accommodate the changing use cases that consumers are turning to prepaid cards for, and in turn drive millennials to a product.

Card fraud on the rise in 2018, despite EMV adoption



According to an analytic report from Gemini Advisory, at least 60 million US credit/debit cards were compromised last year based on the proprietary Gemini Advisory telemetry data collected from various dark-web sources over several years.

Of those, 75% or 45.8 million were Card Present (SP) transactions, likely compromised through card-sniffing and point-of-sale (POS) breaches of businesses such as Saks, Lord & Taylor, Jason's Deli, Cheddar's Scratch Kitchen, Forever 21, and Whole Foods. To break it down even further, 90% or 41.6 million of those records were EMV chip-enabled.

Furthermore, the shift in Card-Not-Present (CNP) fraud is becoming more evident with a 14% increase in payment cards compromised through e-commerce breaches in 2018. Payment card data that that was stolen from Orbitz, Ticketmaster, City of Goodyear, and British Airways represented only a small part of the 14.2 million CNP records posted for sale in the past 12 months.

The United States is the most targeted country when it comes to credit card fraud, but it is also evident that EMV implementation has successfully made its impact in most countries outside of the US. Currently, refueling stations are the only merchant that is not liable for the EMV shift until October 2020, meaning that they have the choice to continue to provide a swipe only option for the next two years without taking any liability or fault for any fraud that might occur at their locations, which could have been prevented via EMV.

With most large US merchants fully transitioned to EMV, the attention turns to gas pump terminals and small/medium size businesses who are only now beginning to understand the importance of information security, training of personnel and infrastructure defence.

Visa News

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VISA partners with Ingo Money for push-to-card payments.

US-based instant money firm Ingo Money launched Ingo Money QuickConnect, enabling companies to issue disbursements to customers through Visa Direct, Visa's push payment service that enables near-instant domestic and cross-border payments. The partnership offers push-to-card payments, in which companies use card networks to get money to customers — in the case of small business loans or insurance payouts, for example — which is meant to replace outdated ACH payments to consumers' checking accounts. Ingo believes this method could replace as much as $33 trillion in paper checks and ACH payments annually. Consumers want instant payments, and 80% prefer direct-to-card payments, according to Aite Group, which could allow Ingo Money and Visa to become early movers in this space to see significant volume.

Visa partners with SiriusXM to allow vehicle-based mobile payments. The service would be available in future SiriuxXM-enabled vehicles manufactured by car companies that opt to participate in program. The companies said the connected payment service will allow drivers to pay for everything from coffee to highway and bridge tolls, as well as to locate and pay for parking. The service will use biometric authentication of Visa account holders through voice and touchscreen commands in order to avoid distractions that could endanger drivers or others. Visa plans to establish virtual payment relationships with secure authentication throughout its retail network as part of the plan.

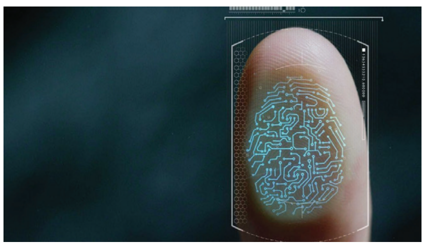
Visa and Stripe partner to streamline marketplace payments. Visa and payments technology provider Stripe are partnering to integrate Visa Direct, Visa's real-time push payments platform, into Stripe Connect, Stripe's marketplace solution, according to Finextra. The partnership enables sellers that use Stripe's Instant Payout feature, which allows marketplace clients to more easily pay employees, to instantly receive funds to their Visa debit cards. Prior to this partnership, Stripe sellers were paid directly to bank accounts, which typically takes several days to process. Marketplaces accounted for more than 50% of global online retail sales in 2017.

Industry News

Continued from page 7

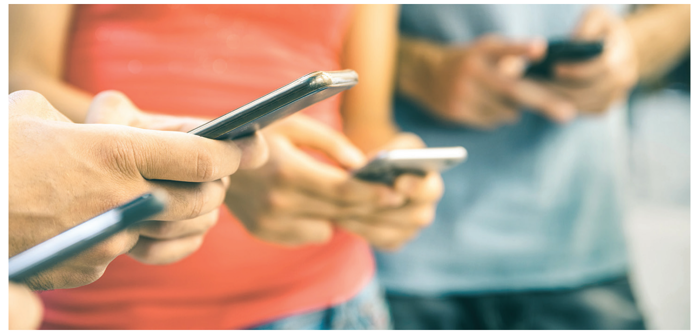
banking app representing 86% of financial institutions. That is up 9% from last year, the biggest year-over-year gain in the past three years. The report finds much of the growth is due to consolidation, and financial institutions under $100 million in assets are catching up in launching an app. While 67 vendors are helping banks and credit unions publish an app, only five vendors control 85% of the apps marketplace. Fiserv dominates with 50% more apps than the closest competitor. More than 1000 financial institutions offer P2P within their banking app with only 20 or so offering Zelle at this time.

Mobile biometric payments will hit $1.67 trillion by 2023. Goode Intelligence estimates that over $1.67 trillion of mobile biometric payments will be made annually by 2023. The report finds 68% of mobile biometric payment users are remote versus 32% local (physical – in-store) in 2018 and that by 2023, the percentage of local mobile biometric payment users will increase to 46% with remote payments accounting for 54% of total mobile biometric payment users. Slower rates of adoption are expected for local mobile biometric payments in North America, Europe, Africa, ME, and LATAM with the highest rates of adoption expected in China, India, and the rest of APAC.



Philadelphia Bans Cashless Stores. Lawmakers in Philadelphia have passed a ban on cashless stores, making it the first major city in the U.S. to do so, according to a report by The Wall Street Journal. The new law will take effect in July and would require most retail outlets to accept physical currency. New Jersey recently passed a similar law and New York City is on the path to doing so as well. Massachusetts already requires businesses to accept cash.

Mobile payments to be a quarter of total card usage



Mercator Advisors recently reported that mobile payment volumes are expected to hit 25 percent of total card throughput and 20 percent of total retail sales, or $900 billion, by 2020. That includes card on file transactions, such as those made within an Amazon account or to pay a utility bill; mobile checkouts, in which trusted networks are involved; contactless payments such as bar codes, QR codes, and NFC; and digital wallets.

Consumers have more options than ever, according to Brian Riley, Director of Credit at Mercator. For many financial institutions (FIs), credit cards have become part of a broader strategy to digitize payments, as well as an acquisition vehicle for new, digitally-savvy customers. Chase, for example, books three-quarters of its new accounts through digital channels, then uses those channels to communicate with customers. This helps form the muscle memory for users to turn to their mobile device first whenever they need to manage their money or resolve an issue.

Riley says risk is a major concern with card-not-present (CNP) transactions, and that is felt by issuers, retailers, and consumers alike. CNP fraud is a $6.5 billion problem in the US. Tokenization will prove the most important counter-measure when it comes to moving the needle on mobile credit card payments.

US consumers have not favored debit cards in digital environments, perceiving them to be more vulnerable. They would rather lose the issuer's money than their own funds out of a debit account, and they are not interested in the onerous process of resolving unauthorized transactions on a checking account – not when the more straightforward options of credit and prepaid cards are available.

However, according to Sarah Grotta, Director of Debit and Alternative Products, the message of safety in these transaction types is finally starting to resonate with consumers. A recent Mercator survey showed that consumers who prefer debit jumped from 38 percent in 2016 to 43 percent in 2017.

Letter from the CEO

I think most of us agree to the premise that innovation and progress is a "march" – an advance moving forward, rarely slowing – one that never stops to turn around or go wrong direction. Yet, according to the second annual PYMNTS/i2c Innovation Readiness Index. "running in reverse is exactly the direction that a large number of financial institutions find themselves taking right now."

According to the report, financial institutions are less well positioned to innovate than they were at this time last year. The Index Score across all of the institutions in the study — nearly 300 of them — declined by 7 percent, while that of the Top Performers dropped by 16 percent.

This is a disturbing trend, and it is certainly not the direction that anyone expected to see. According to the authors, all financial institutions are broadly combating intense consumer expectations and unrelenting competition from multiple sectors. The pace of change is moving faster, it seems, than they are ready to support.

Cyndie Martini
President/CEO

The report observed three separate but connected factors constraining innovation readiness. The first is the rapid and unprecedented emergence of the mobile-centric, omnichannel consumer who now expects that their experiences in physical channels and digital channels will be functionally identical, and that they will be able to switch easily between them at will. The second factor is technology — a move from technology that often limits options to one that can quickly deploy solutions that meet more "mission critical" consumer needs. And finally, current infrastructure is indolent to innovation readiness.

Infrastructure for many is what's slowing innovation. Nearly 40 percent of all financial institutions surveyed for this report say that infrastructure is holding their innovation ambitions back. Even worse, it's having an impact on how quickly their innovations can get to market. In 2017, 87 percent of financial institutions reported that they got to market with their innovations on time. This figure has precipitously dropped to just 27 percent in 2018.

Innovation Readiness Index points to an inflection point for financial institutions. Specifically, the degree to which community financial institutions like credit unions are dependent on legacy systems and how our evolving infrastructure will be a determining factor of their success over the long term. Institutions need to begin embracing Open Banking solutions now as they are onboarding new products and services. The adoption of open banking systems allows third-party developers to build applications and services that plug into the technology backbone of a traditional financial institution. To develop an effective payment processing ecosystem and management process, financial institutions must develop and employ strategic plans and budgets that provide for the enablement of APIs. Products such as mobile solutions, card controls, and the right customer touch points are critical in providing consumer value and top-of-wallet member engagement.

At MAP, we recognize that we are in the early days of credit unions' move away from banking as a vertically integrated business to the model used by Amazon and Google, which employs a series of horizontal layers that connect with each other and exchange data easily. MAP is collaborating with clients to assess open banking capabilities, helping them assess any gaps related to staffing and strategies necessary to implement program processor APIs, and developing solutions to address immediate needs and long-term requirements related to API strategies, data processing, and vendor programming.

As always, MAP will be here to work for the continued success of our clients by providing cost-effective, best-in-class solutions. We support our credit unions by making smart investments in today's technology with an eye keenly focused on the future of payments. 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.

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