MEMBER ACCESS PROCESSING

Payments Report

ISSUE 53
Spring 2022

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MAP's 22nd Annual Conference to be hosted online: Aug. 18 - Sept. 15

In the digital era consumers are completing nearly all of their banking via mobile or online means, and rarely set foot in a physical branch. In 2020, as many as 1.9 billion individuals worldwide actively used online banking services, with this number set to reach 2.5 billion by 2024. Today's financial institutions, which for decades relied on the in-person experience with customers, are now left fighting for relevance. The need to provide customer convenience online implies that it's also a simple process to open a new account, meaning that face-to-face processes need to be sped up to remain competitive in comparison. To stay relevant, financial institutions are accelerating their digital transformation strategies. The Covid-19 pandemic has only served to accelerate this trend, as branches typically had to operate at a reduced capacity due to social distancing requirements and consumers embraced online banking to avoid both the virus and potentially long lines in the branch.

Member Access Processing is pleased to welcome client and guest credit unions to attend our 22nd Annual Payments and User's Conference, a multi-day, online event for credit union professionals to learn about the rapidly evolving

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uConference 22

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payments and financial services industry. In keeping with current social distancing practices, MAP will hold it's annual conference online. This year's conference will kickoff on Thursday, August 18, 2022. We have scheduled sessions on consecutive Thursdays, beginning August 18 and continuing through September 15 to best accommodate attendees' schedules.

Our first session is scheduled for Thursday, August 18 and will include our traditional welcome kickoff followed by an Economic Insights keynote presentation from Dr. Elliot Eisenberg. Dr. Eisenberg (aka, "The Bowtie Economist") promises to entertain and educate as he discusses the short-term and longer-term health of the US economy. Dr. Eisenberg will discuss the most recent statistics on the health of the US economy. Elliot Eisenberg, Ph.D. is an internationally acclaimed economist and public speaker specializing in making economics fun, relevant and educational. Dr. Eisenberg earned a B.A. in economics with first-class honors from McGill University in Montreal, as well as a Master's and Ph.D. in public administration from Syracuse University.

Dr. Elliot Eisenberg

On August 25, Keynote speaker Sam Maule will present "Insights and Trends Empowering the Digital Consumer." Sam has more than 20 years of experience working in the payments, mobile and banking sectors across North America and Europe. As a speaker Sam Maule focuses on the human element of digital and banking innovation. Sam Maule is a mentor and thought leader within FinTech. He draws on his extensive business background in Financial Services, Project Management, Consulting and Training to provide the most enlightening keynotes on all aspects of the FinTech revolution. Speaker Sam Maule has led the Digital and FinTech Practice at NTT Data Consulting focusing on both the Financial Service and Insurance market. Currently, Sam is Managing Partner in North America for 11:FS, a FinTech consultancy. Furthermore, Sam is co-host of FinTechInsider, host of FinTechInsider's State of the Union podcast and Connection Interrupted podcast.

Sam Maule

On September 1, Mark Sievewright, Founder of Sievewright & Associates will present "The Future of Payments," where he examines the major changes underway in the financial services industry with a particular focus on industry structure, consumer behaviors and demographics, channels and payments, and competitive trends. With more than 35 years of financial services experience, Mark Sievewright has worked directly with numerous credit unions in the successful formulation and execution of their strategic plans and is the recipient of a number of industry awards. For example, in 2010, he was merited the Ambassador Award by the World Council of Credit Unions (WOCCU), and - in 2015 - finished runner-up in Credit Union Times' 25th Anniversary competition to find the industry's most influential leader since 1990. Mark has held senior leadership positions at HSBC, MasterCard International (where he led the firm's marketing and commercial services division in the EMEA region), Payment Systems Inc. (where he served as CEO), TowerGroup (where he served as CEO) and Fiserv (where he served as vice chairman and president of the company's Credit Union Solutions division).

Mark Sieverwright

On September 8, MAP welcomes speaker Emma Todd with her session on "The Future of Blockchains." Emma is CEO of MMH Technology Group, which encompasses Data Systems, Blockchain Consulting, Communication and Events for emerging technology organizations. Emma is Chair of the Canadian Blockchain Consortium's Mining Committee, a board member of the Canadian Blockchain Consortium and Chair for Girls In Tech. As a seasoned speaker, Emma has spoken on a panel at Parliament in Ottawa, Canada, the United Nations Headquarters, the United Nations General Assembly, and shared the stage with various heads of state, U.N. Ambassadors, Al Gore, Edward Snowden, members of the U.S. Congress, and Senate, and more. Emma was also awarded one of the Top 100 Black Women to watch in Canada, she has been nominated for the Trailblazer Diversity in Tech Awards, and has been named one of 2019's Top 100 Influencers for Sustainable Development Goals, among others.

Emma Todd

The final presentation is scheduled for September 15. Join the MAP Team leaders Bob Long and Scott Smith as we provide update of MAP/Visa and Third-Party product developments impacting clients during the next 12 to 24 months. For more information, check out **uConference22.com** for updates and registration.

Register today at uConference22.com

uConference22

Welcoming new Team Members

Over the past two years, Member Access Processing (MAP) has experienced strong and consistent growth. As part of that growth we have added some key new Team Members to assist our clients.

Abby Hicks, Director of Relationship Management, comes to MAP from FIS with more than 14 years of experience in the payments industry. She started her career as a Conversion Manager and eventually moved into a management role in that group. She spent the last 6 years of her career at FIS in Relationship Management helping financial institutions remain competitive and profitable in the industry. Abby resides with her two young daughters in Florence Kentucky where she was born and raised. She is a graduate of Wilmington College, OH where she played basketball. Outside of work, she enjoys coaching/volunteering, playing volleyball, outdoor activities, travel, and spending time with her family and friends.

Kacey Vaughn, Portfolio and Risk Analyst, has over 5 years of experience in the financial services industry, primarily in card services and fraud. Prior to joining MAP, he worked as the leading EFT Data Analyst for a financial institution servicing the state of Arkansas. During his previous role, he worked alongside many interdepartmental teams, developed strategies to efficiently utilize financial and account data, and headed multiple projects involving upper-level management. In his current role as a Portfolio and Risk Analyst with MAP, Kacey works with the Credit, Debit, Fraud, ATM, and Network analytics of MAP clients and serves as the subject matter expert to their assigned account executives and cross-functional team members. He provides insight on trends and growth strategies, to best recommend, develop and implement new and creative approaches and strategic recommendations to help drive profitable growth for both MAP and our clients.

Kacey Vaughn

Lacy Cooper, Training Coordinator, comes to MAP with eight years of experience in the financial services industry, which includes a background in loan origination and insurance services. In 2018 Lacy transitioned to banking, and has held roles as a Dispute Analyst, Card Services Supervisor and most recently as Card Services Manager at a local credit union. Her specialties include Debit/Credit/ACH/Zelle dispute processing, Regulation E and Z compliance, fraud investigation, ATM fleet management, team training and onboarding, and is familiar with both Fiserv and VISA DPS processing platforms. She looks forward to her new role as Training Coordinator and will be assisting with product training and training resources for MAP clients.

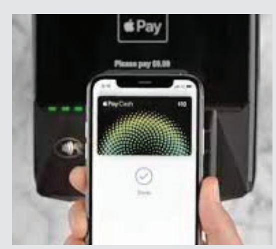
Lacey Cooper

Industry News

Payment fraud increased 70% in 2021. A new report from Sift, Digital Trust & Safety Index, reveals that the payment fraud attack rate (the rate of fraudulent transactions blocked by Sift out of total transactions) across fintech ballooned 70% in 2021—making it the highest increase across any vertical in Sift's network. The increase in payment fraud also correlated with massive 121% growth in fintech transaction volumes on Sift's network year-over-year, making this sector an attractive target for cybercriminals. According to Sift's analysis, these rising attacks, blocked by Sift, were aimed primarily at alternative payments like digital wallets, which saw a 200% uptick in payment fraud,

Banking as a Service (BaaS), expected to grow 25% per year for the next 3-5 years. Almost 85% of senior executives surveyed are already implementing Banking as a Service (BaaS), or are planning to in the next 12-18 months, according to financial software company Finastra. Finastra's 'Banking as a Service: Outlook 2022' report canvassed the opinions of 1,600 senior industry executives and highlights the potential of BaaS to provide retail or wholesale banking products and services to customers in context - via secure infrastructure with API-driven platforms. BaaS represents a $7 trillion opportunity - distributors and other consumer brands, are migrating towards BaaS solutions and expect overall growth to exceed 70% per year over the next three years. Small and medium-sized enterprise lending, corporate lending and corporate treasury or foreign exchange services are poised to gain the highest traction.

Apple Pay most popular payments app with US teens. Apple Pay is the most popular payments app among American teens although the vast majority still regularly use cash, according to a survey. Of 7100 teens quizzed on payments apps by Piper Sandler, Apple Pay had the most monthly users, at a 23% penetration rate, ahead of Venmo, the Cash App, and PayPal. Apple Pay's dominance is in part explained by the fact that 87% of teens have an iPhone. However, apps still lag far behind cash: 89% of teens say they used paper money in the past month, up from 83% the previous year. With buy now, pay later usage soaring, PayPal's 'Pay in 4' feature is the most popular BNPL option for teens, ahead of Afterpay, which was recently acquired by Block, and Klarna.



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How new payment methods are changing the customer journey

In the past few years, payments have undergone a revolution. Today, new payment methods such as contactless, digital wallets and Buy Now Pay Later (BNPL) options are redefining the shopping journey. At the same time, the physical payment card, introduced 70 years ago, is no closer to disappearing and remains an important part of our multiple payment methods.

It is only in the last few years that we have witnessed a real payment revolution: an ever-increasing amount of new payment methods – and new channels – to pay and get paid. Think about shopping and simply walking out from an Amazon Go store without any payment interaction or visiting your favorite coffee shop where your pre-ordered (and prepaid) latte macchiato sits on the counter waiting for you. As many as a quarter of Starbucks transactions were mobile orders in 2020.

Given the pace and innovation of change in payments, it's no wonder that 70% of Millennials believe the way they pay for things will be totally different in five years. Below are some of these new payment methods in greater detail.

If you walked into a random store anywhere in the world a few years ago, you probably would have seen close to 100% of the customers paying with cash or by swiping or dipping a contact-only payment card into a POS terminal. Today when you walk into that same store today and there is a fair chance that many customers now pay by tapping their contactless card or their smartphone (or by scanning a QR-code, depending on where you are). Some might even tap a wearable such as a wristband or a key-fob.

Today, you can pay back a friend with a peer-2-peer app, whenever and wherever it suits you—your friend receives the money from your bank account instantly. Instead of writing a check, you might also pay your plumber by tapping your card on his smartphone. Depending on your car, you may be able to pay for gas from your car's infotainment system rather than using the pump's POS terminal.

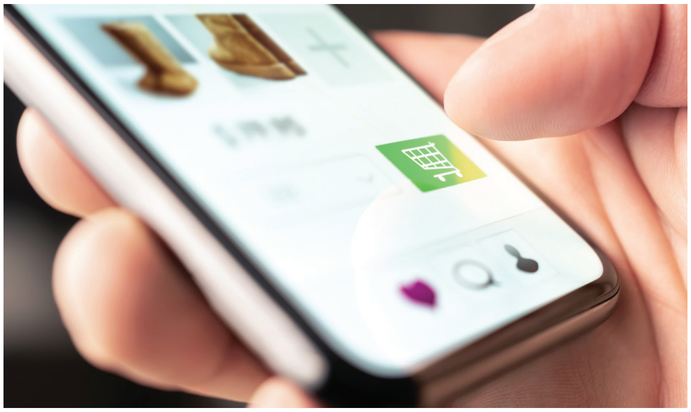
In many emerging customer journeys, the act of paying is no longer an isolated event, a separate workflow, a discrete experience, or an afterthought—the payment experience has become part of purchasing customer journey. For example, the process of taking an Uber does not include interacting with the driver. At the end of the ride, payment is automatically deducted from the card or other account and the riders simply step out of the car, hardly noticing the payment exchange. New payment methods require less action from the consumer while enabling a more integrated, seamless, and frictionless commerce experience. Payment-adjacent financial services, for example credits, are being weaved into the 'customer fronting brand' experience via Banking-as-a-Service (BaaS).

Payment solutions are being offered at the exact point in time and at the exact place when the consumer needs it. Think about shopping online and being offered a line of credit on an ecommerce site as you check out—in the form of a BNPL option, for example. This is the exact place you need it; at the exact moment you need it. Now compare this to the more traditional journey of applying for a line of credit long before you actually need it—in other words, not the moment when you need the credit—by going to a credit union branch (not the place where you will actually need to use the credit).

Amid this payment revolution, where does the physical payment card stand? Well, the fact is, the physical payment card has never been more widely used than today. RBR forecasts the global card purchase volume to almost double between 2021 and 2026, from $41 to $75 trillion.

In the not too distant future, new payment methods will flourish along with card payments. For example, Sweden (arguably one of the world's most advanced payment countries) can serve as an illustration of this phenomena: a whopping 73% of the Swedish population over the age of 16 use the e-wallet app Swish on a weekly basis. Yet, the average Swede still pays with their physical payment card about 30 time per month, suggesting cards and new payment methods will evolve together as part of the consumers' new payment journey.

Buy Now, Pay Later (BNPL) has consumers confused



According to a new report from Zilch, a Buy Now, Pay Later (BNPL) provider based in the UK, customers still have misconceptions of how the service works. The data demonstrates a lack of understanding around how BNPL companies make money. Nearly half (43%) of consumers believe these companies make money on the interest they collect from them. More than one in four (26%) of consumers believe products sold through BNPL are marked up with BNPL providers collecting the difference in cost, and another 21% said BNPL firms earn money through unadvertised fees that are paid by the consumer.

While credit cards are still the primary tool consumers use to finance purchases, 50% of consumers surveyed said they believe consumers need options beyond credit cards for making purchases and paying for them in instalments and 54% of consumers think credit card companies have too much impact on credit scores. 40% of respondents confirmed that their credit card charges an interest rate over 12.99% and another 26% did not know the interest rate they were being charged.

In addition to confusion around interest rates, additional survey findings reveal widespread confusion across how BNPL companies compare to credit companies. When respondents were asked if they would use a credit card over BNPL, 48% said no because they like earning points and/or cashback rewards from credit cards. 25% said they did not trust or understand BNPL, and 20% said their credit card interest rate is lower than using BNPL.

When asked about hesitations around using BNPL, 25% said that BNPL companies do not offer rewards points or cash back like credit cards. 16% said BNPL is not regulated and 12.7% said they simply do not understand how BNPL works. Consumers also expressed a lack of loyalty towards BNPL providers. Only 13.3% indicated that they have a specific provider they always use.

Visa News

Visa Installments to collaborate with Air Canada. Visa has announced its intention to collaborate with Air Canada to facilitate the offering of Visa Installment Solution to eligible credit cardholders. The adoption and momentum of BNPL services is expanding, especially for large ticket purchases like travel. According to Visa's recent Buy Now Pay Later Global Pulse Survey, one third of Canadians interested in using instalments plans would do so for travel and entertainment. Visa Instalments Solution is offered by participating financial institutions to eligible cardholders to convert qualifying purchases at participating merchants into smaller, equal payments made over a defined period.

Visa Completes Acquisition of Tink. Visa completed its acquisition of Tink, an open banking platform that enables financial institutions, fintechs and merchants to build financial products and services and move money. Through a single API, Tink enables its customers to move money, access aggregated financial data, and use smart financial services such as risk insights and account verification. Tink is integrated with more than 3,400 banks and financial institutions, reaching millions of bank customers across Europe.

Visa Suspends All Russia Operations. Effective March 5, 2022, Visa ceased all Visa transactions within Russia. All transactions initiated with Visa cards issued in Russia will no longer work outside the country and any Visa cards issued by financial institutions outside of Russia will no longer work within the Russian Federation.

Visa Launches Program to Help Minority Depository. Visa has launched the Visa Minority Depository Institutions Accelerate, a new program to help reduce economic disparities and expand access and opportunity in communities of color across the United States. Through this multi-year program, Visa will invest up to $100 million via deposits with MDIs to help them catalyze lending. Visa will also provide tailored insights and digital solutions to these banks to help them meet the needs of their clientele and the communities they serve.

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Payments digitalization is changing consumer expectations

More than ever, today's shoppers want to be able to move freely between channels at any point in the buying cycle. They want to be remembered and recognized with personal offerings; to be able to browse, evaluate, and source products on their phone while in-store. And they want to be able to choose where, when, and how they pay, collect their goods, or have them delivered.

Omnichannel empowerment is now central to delivering choice, convenience, and creating hyper-relevant and targeted customer experiences. To do this, payment solutions must be able to effectively track customers on their journeys and to respond to their preferences too. That means removing barriers, unifying data, and being able to truly integrate multi-channel services. Failure to do this may not only adversely affect payment choice but also loyalty, revenue, and ultimately market share and competitiveness.

Contactless, alternative payments, ewallets and Buy Now, Pay Later (BNPL) will increasingly be used to empower customers at the checkout. Modernizing the POS to accept new types of payment – from crypto and contactless to ewallets and apps – will become a #1 priority for providers.

The technology that enabled ecommerce to fill the gap when stores were closed will play a vital role in bricks-and-mortar recovery. Shoppers will want digital experiences in-store using artificial or virtual reality using labels, QR codes, or shelf stickers to immerse themselves in 'connected shopping' experiences. We'll see more buying and selling of products directly on social platforms like Facebook or Instagram. And more emphasis on product discovery and off-the-page buying methods. To service increasingly fragmented channels, retailers will look to intelligent commerce to map customer journeys, predict demand, and manage stock as well as to support just-in-time supply and same-day fulfilment.

As we emerge from COVID, there's a crucial window to rebuild businesses and regrow their customer base using digital enhanced sales journeys to drive better transaction lift, average order value, conversion, and acquisition.

Across demographics, markets, and sectors, payment choice, convenience, and innovation are now de facto. Today's journeys must be seamless, frictionless, and fast – tomorrow's must be invisible, intuitive, and immersive.

Ultimately, payment digitalization must empower merchants with flexibility, freedom, and joined-up omnichannel capabilities. This will enable them to adapt and tailor services and quickly launch innovative new customer journeys – instore, online, and phygital – wherever their customers prefer to shop and pay.

We are uncovering some of the payment digitalization trends and their impact on retailers' omnichannel strategies. The act of paying will become increasingly immersive – and invisible, Voice commerce and AI shopping, including auto-replenishment and VR will make headway in mainstream commerce. Customers will want to place orders through smart devices without requiring an e-wallet or payment card. Already in the US, drivers can use Alexa to pay for fuel at Exxon and Mobile or instruct Siri to pay at 7-Eleven fuel pumps with a Fuel Loyalty App.

With the pandemic leading to the shift toward contactless payments, now it is all about innovating further to augment consumer experience. This could take the form of newer ways to pay, like voice-assisted payments, biometric or facial recognition-based payments. As newer technology is introduced, even more modes of payment will become mainstream. For example, digitalization at the point-of-sale has already led to a number of alternative payments such as QR codes or pay-by-link. Buy now, pay later (BNPL) is another great example of a new payment method that has become mainstream while reducing friction for the consumer at the point-of-sale.

The new digital economy is being defined today. It includes structural changes impacting everything from ecommerce business models and payment processes to the ability of anyone, anywhere to participate in and benefit from the global digital economy. Our reset to this next chapter of digitalization in payments and commerce will prove key to our mutual success.

Shoppers who experienced BNPL fraud stop using it

According to the results of the Buy Now Pay Later (BNPL) survey by Callsign, which polled more than 2000 US adults on their experience with BNPL services, nearly a third (31%) of those who experienced fraud now worry about paying for things online, but more strikingly, 23% no longer use any BNPL services and 18% no longer use the corresponding retail website. Key findings include:

- 23% no longer use any BNPL services and 18% no longer use the retail website where they purchased the goods.
- 31% of those who experienced fraud now worry about paying for things online.
- 76% of those who use BNPL services believe their BNPL provider will protect their personal data
- However, of those who use BNPL, one in seven have experienced fraud
- 45% of those who use multiple BNPL services use the same email and password for all their accounts.
- 55% of those surveyed believe that BNPL providers should be most responsible for protecting their customers against fraud

Almost half (48%) of US-based adults surveyed use BNPL services to make purchases, increasing to 61% in the 18– 34-year-old population. These are significant numbers when you consider that 1 in 7 of these individuals has been a victim of fraud, extrapolating to a staggering 22 million American adults.

But despite the prevalence of fraud, more than three-quarters (76%) of consumers who use these services trust BNPL providers to protect their personal data and protect them from fraud (75%). On the other hand, of the general population that has not used BNPL, those figures drop to 53% and 51% respectively.

Industry News

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White House lays out ground rules for digital assets. The White House has issued a sweeping executive order on the oversight of cryptocurrencies and prompted the Federal Reserve to step up the pace on exploration of the case for a central bank digital currency (CBC). The Order lays out a national policy for digital assets across six key priorities: consumer and investor protection; financial stability; illicit finance; US leadership in the global financial system and economic competitiveness; financial inclusion; and responsible innovation. The Order also places "urgency" on research and development of a potential United States CBDC. It directs the Government to assess the technological infrastructure and capacity needs for a potential US CBDC and encourages the Federal Reserve to continue its research, development, and assessment efforts.

70% of complaints filed with the CFPB are about credit or reporting. The Consumer Financial Protection Bureau (CFPB) published its semi-annual report on April 6, detailing everything what the agency has done for most of the last year. The report contains some interesting data. For example, if we look at the complaint analysis, we find that the Bureau received approximately 872,400 complaints, a 33% increase from the previous reporting period. Interestingly, 70% of these complaints were about credit or consumer reporting issues, followed by debt collection with 13%. Complaints about credit cards, which seem to be a topic of great interest for the agency, barely represent 4% of total complaints.

Apple looks to bring payment processing in-house. Apple is working to bring a host of financial services work, including payments processing, in-house to reduce its reliance on outside fintech partners, according to Bloomberg. The tech giant has embarked on a multi-year plan, called 'Breakout', that would see it do payments processing, loan risk assessments, fraud analysis, credit checks and customer service work on its own, says Bloomberg, citing sources.Last week it emerged that Apple has quietly acquired UK credit bureau Credit Kudos, which uses open banking technology to deliver finely-tuned credit scores. The Breakout

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The metaverse and what it means for payments

We are seeing some serious momentum building behind the metaverse. At first it played host to cultural and creative happenings, like the release of BTS' "Dynamite" music video on Fortnite, or the unveiling of Gucci's clothing collection on Zepeto, where users can dress their avatar in pieces from Gucci through in-app purchases. Through 2021, media coverage of virtual events, like graduation and wedding ceremonies gained momentum. Then, of course, came the Facebook rebrand, pushing the term "metaverse" into the mainstream.

Defining the metaverse

You could think of the metaverse as a 3D sequel to today's two-dimensional internet. The New York Times said: "Remember hearing about 'the internet'? Get ready for 'the metaverse.' It refers to a fully realized digital world that exists beyond the analog one in which we live." Right now, it's too early to say exactly how the metaverse will be manifested. The common denominator is immersive experiences, generally accessed via virtual reality headsets or augmented reality glasses, in which people work, play, buy, and sell. Several popular platforms already attract millions of users, including Roblox, Zepeto, Fortnite, and Sandbox. The most interesting characteristic of metaverse is that it has its own virtual economic system – a creator economy, which enables and incentivizes users to easily create, trade, and monetize digital content, using the built-in tools of the metaverse platform, as well as its own currency – cryptocurrencies in some platforms – that act as their method of payment. Users can earn and spend money by producing, distributing, and consuming, just as they would in the real world.

The typical metaverse user is young – for example, 80 percent of Zepeto users are teenagers, and 54 percent of Roblox users are less than 13 years old. So, the metaverse is primarily inhabited by Generation Z, and most of its remaining users are millennials, a digitally active group who spend a considerable amount of time online and are more likely to be cashless and attracted by digital currencies. Expansion of the metaverse will likely increase the significance of millennials and Gen Z consumers as an important customer base for financial institutions and accelerate the transition into financial services products designed specifically for a new generation.

How should financial institutions respond?

The emergence of the metaverse offers a strong rationale for financial institutions to invest in three areas: Product and Service Development, Next-generation Platforms. and Digital Wallets.

Product and service development. Providing new finance solutions for millennials and Gen Z present the most immediate opportunities. Products and services for millennials and Gen Z are critical in this new era. There are many successful cases to learn from, such as UK based Go Henry, a prepaid card/pocket money management service for teenagers, with more than 1.5 million account holders.

Next-generation platforms. Some financial institutions have already started to build branches in the metaverse platform. For example, in South Korea, KB Kookmin Bank built KB Financial Town in Gather Town which offers advisory services to customers, and expects the metaverse to enable new ways of communicating with and serving customers by combining online and offline services in one place. However, in addition to thinking of the metaverse as a new delivery channel, financial institutions should consider virtual universes as meaningful data sources. If customer spending moves from the current online platform to the metaverse, which existing financial institutions cannot yet access, financial institutions could lose their access to customer spending and activity data. Of course, in some metaverses like Roblox or Zepeto, you can buy the in-house currency – Robux for Roblox or Zem for Zepeto – with credit cards, making credit cards the source of commerce.

Digital wallets. The metaverse brings another way to facilitate the trading of digital assets such as NFTs and cryptocurrencies, the total market value of which already is more than $2 trillion dollars. With digital wallets becoming a focal point of digital asset trading and having the potential to become a form of digital identity, financial institutions should consider building a strong position in digital wallets and pursuing the associated opportunities.

The task of developing the metaverse is immense – but so it should be for a task of such importance. What we know for sure is that the transition is inevitable and has been in motion for the past 20 years. As we saw with the development of the internet, there will likely be a significant transfer of capital towards the sector, where the best and brightest will be rewarded richly.

Metaverse economy could hit $13 trillion by 2030

What counts as money to the next generation of the internet will look very different from today as the Metaverse economy could be worth up to $13 trillion by 2030 according to a new report from Citi. In the report, "Metaverse and Money, Decrypting the Future," Citi has dived into the subject, looking at everything from in-game tokens, to crypto, stablecoins, CBDCs and fiat currency.

A device-agnostic Metaverse that involves use cases such as commerce, art, media, advertising, healthcare and social collaboration could see a total addressable market of between $8 trillion and $13 trillion by 2030, estimates the report. This huge market will require a different way of looking at money, says Citi: "The definition of what counts as money in the Open Metaverse is also likely to be very different from what counts as money in the real world today.

The report cites the example of Second Life, the virtual world that launched in 2003 and by 2021 had a GDP of $650 million with 345 million transactions of virtual goods, real estate, and services. Second Life developed an in-world currency, the Linden dollar, which was in part introduced to cut transaction costs. However, Second Life is a centralised platform and for the Metaverse to function as an alternate economy, it requires formats of money that are truly decentralised, trustless, and verifiable.

"Interoperability and seamless exchange between underlying blockchain technology are critical to ensure a frictionless user experience. Different forms of cryptocurrency are expected to dominate, but given the multi-chain trend in the crypto ecosystem, cryptocurrency will likely coexist with fiat currencies, central bank digital currencies (CBDCs), and stablecoins."

Citi's report argues that wallets like Apple Pay and Google Pay will likely expand the range of supported payment types to fully integrate options in the decentralised world in a way that "abstracts away Web3 complexities the average consumer likely does not want to contend with".

Visa News

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Visa cardholders gain discounts on Covid-19 testing. In partnership with Collinson, a travel experience and medical assistance provider, Visa cardholders can book a Covid-19 test (through the Collinson website), at their preferred 'in-city' clinic from a selection of testing facilities. Launched under the banner of allowing a 'seamless and secure Covid-19 testing process for Visa cardholders', following completion of their test, customers will receive a test certificate with their PCR test results within 36 hours. Results will be received within an hour for rapid antigen tests.

Visa to raise card fees. Visa has a planned increase interchange fees, due to take effect in April 2022, according to Wall Street Journal. The raised fees at will apply to online purchases, according to the Wall Street Journal. Also, transactions with cardholder information on file will no longer qualify for the keyed entry interchange program. These will qualify for other interchange rates, based on the eligible transaction criteria and a New Address Verification Service (AVS) Fee for card-not-present transactions. A Visa spokesperson said merchants can avoid these fees if they provide accurate transaction data and use token services that help keep their card numbers secure.

With Visa out, Russian banks may turn to UnionPay. The central bank of Russia has announced that now that the Visa and Mastercard payment systems no longer function in Russia, some local lenders would look to use China's UnionPay system instead. Its announcement came after the two US payments firms said they were suspending operations in Russia, joining the list of companies that are severing business links with Russia. The central bank added that many Russian banks plan to issue cards using UnionPay, a system enabled in 180 countries. While several banks already use UnionPay, others could include Sberbank and Tinkoff.

Pana partners Visa for progress in innovation. Pana, a Latino-focused neobank, has joined Visa's Fintech Fast Track program. The move should help Pana to more easily use the reach, capabilities, and security that VisaNet, the company's global payment network, offers. Through Fast Track, Pana is now able to address pain points millions of Hispanics in the USA have experienced when it comes to banking and money management.

Industry News

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project is focused on future products, suggesting that Apple is planning on diving deeper into the financial services sphere. The company already offers peer-to-peer payments, its Wallet app, a credit card and the ability for merchants to accept payments from an iPhone.

50,000 store closures expected in the U.S. over the next 5 years UBS, the Swiss-based multinational investment bank, is projecting between 40,000 to 50,000 retail stores in the United States closing over the next five years, down from the 80,000 closures it previously forecasted. A pandemic shakeup in 2020 led to a surge in store closures, coupled with dozens retailers filing for bankruptcy, which emptied out shopping malls and left vacancies scattered along the streets major markets including New York City. The aftermath, though, was a temporary relief from closures, as companies took the chance in 2020 to quickly slim down their store counts when consumers were holed up at home. In fact, in 2021, retailers reported net store openings, marking a sudden reversal from years of net declines.

Economists Increase Chances of Recession to 28%. Economists are forecasting that there is a 28% probability that the country could fall into a recession sometime during the next 12 months, up from 18% in January and 13% last April, The Wall Street Journal reported. The Journal surveyed 65 business, academic and financial forecasters from April 1-5. The Journal reports that the combination of supply issues across the economy and the Federal Reserve raising rates to combat inflation increases the risk of a recession. Economists also cut their forecast for growth this year and, on average, expect gross domestic product (GDP) adjusted for inflation to go up 2.6% in the fourth quarter of this year.

Bank Deposits see 80-Year decline. U.S. banks might see deposits decrease for the first time in several decades, The Wall Street Journal reports. The last two months have seen bank analysts cutting their expectations for deposit levels at big banks, with the 24 banks making up the KBW Nasdaq Bank Index, the benchmark, are likely to see a 6% decline in deposits this year. Those banks make up almost 60% of what was $19 trillion in deposits in December. A decline would mark the first time since at least World War II. Bank deposits have reportedly grown at "unprecedented" levels during the pandemic.

Amazon, Visa reach truce over fees

Amazon has reached an agreement with Visa to accept its credit cards across its network, according to Reuters. The agreement ends a standoff between the two that threatened to disrupt ecommerce payments and deal a blow to the US-based payments processor. Details of the deal were not disclosed but Visa and other payments cards have faced increased pressure about their fees as more shoppers have turned online during the pandemic. The spat had highlighted the growing clout of retailers in the fee battle.

Amazon had said in November 2021 that it was considering dropping Visa as a partner on its US co-branded credit card, after earlier confirming it would stop accepting Visa credit cards in the UK because of high transaction fees. The recently announced agreement announced means Amazon customers can continue using Visa credit cards in its stores, the ecommerce group said in a statement. Neither side said what fees would be levied in future - an issue which came to the fore particularly in Britain after an EU-enforced cap on card fees is no longer in place following Brexit.

The dispute between Amazon and Visa in the UK was seen as a bad sign for the card industry by some analysts, who argued it could presage a fight in the much bigger US market. British lawmakers said in January 2022 they planned to scrutinise increases in the fees Visa and Mastercard charge businesses after the country's payments regulator found no evidence to justify the rises. In October 2021, Visa began charging 1.5% of transaction value for credit card payments made online or over the phone between the UK and EU, and 1.15% for debit card transactions, up from 0.3% and 0.2%, respectively.

Credit cards accounted for a third of North American ecommerce spending in 2020, according to WorldPay Credit cards' share of North American ecommerce spending declined 7% in 2021, according to WorldPay, while BNPL's share increased 78%. Other big retailers have in the past settled fee disputes with Visa after announcing they were going to quit taking Visa credit cards in narrow segments of their businesses. Walmart unit in Canada, for example, said in 2016 it would stop accepting Visa credit cards after being unable to reach an agreement on fees. Seven months later the companies said they had settled the matter.

Letter from the CEO

Digital transformation is driving a rapid shift in digital commerce and has introduced new payment banking behaviors during the last 24 months. Without a doubt, we experienced a massive digital transformation during the pandemic that is reshaping nearly every facet of our lives – how we live, work and how we shop. And, while we've made great strides in developing safe guards for these innovations, fraudsters also continue to evolve their strategies.

The U.S. has seen a steady rise in CNP fraud losses, which represents the vast majority of card fraud and accounts for over half of all gross fraud losses. According to a recent report by the Aite-Novarica Group, U.S. CNP fraud losses will total a whopping $7.9 billion by the end of 2021, while the global impact of CNP fraud will be $15.3 billion.

Cyndie Martini
President/CEO

Aite-Novarica Group's research provides in-depth insights into issuer attitudes toward the usage of 3-D Secure as an effective technology for fighting CNP fraud. 3DS is a common communication protocol across the card networks, which have separately branded programs and rules structures—for example, Issuer Cardholder Authentication Service (ICAS) or Visa Secure, formerly known as Verified by Visa. A key benefit of today's 3DS, such as MAP's ICAS solution is the deployment of a Risk-Based Authentication (RBA) method that occurs in real-time without introducing friction into the cardholder's online shopping experience. ICAS can be implemented as a pass/fail, entirely frictionless experience or as a pass/fail/challenge option.

In the study, most issuers report that their 3-D Secure transaction volumes are increasing, primarily due to the growth in CNP payment volume and Strong Customer Authentication (SCA) mandates, as 3-D Secure can be used to meet PSD2 SCA regulation requirements. 3-D Secure is seen to be as effective or more effective when compared to other fraud detection solutions. According to the study, 82% of issuers and issuer processors interviewed said that 3-D Secure is 'as effective or more effective' for fraud detection as compared to other fraud solutions.

But 3-D Secure is not only an effective fraud detection solution. It also helps drive higher CNP authorization rates. Aite-Novarica found 85% or higher authorisation rates when transactions go through 3-D Secure versus those transactions that do not go through 3-D Secure.

At MAP, we see fighting payment fraud as a shared responsibility and recommend that the strongest results from using ICAS and other 3-D Secure methods through collaboration and broad participation across the ecosystem. When the full set of CNP transactions are sent through 3-D Secure, credit unions can benefit from higher authorisation rates, more seamless shopping experiences, increased revenue, and greater profit potential for all parties. 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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