

MEMBER ACCESS PROCESSING

# Payments Report

ISSUE 52  
Winter 2022

## Inside this issue . . .

- P.2** — Happiness Report (continued)  
— The state of mobile apps

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- P.3** — Save the Date: MAP's Annual Conference  
— Industry News

---

- P.4** — World Payments Report

---

- P.5** — Digital Identity  
— Visa News

---

- P.6** — Security Report

---

- P.7** — Fed Launches new website

---

- P.8** — FIs crippled by rapid digital transformation

---

- P.9** — Overdraft crackdown

---

- P.10** — Visa Warns of Misused 'Cashless ATMs'

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- P.11** — Letter from the CEO



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## 2021 Report: Pandemic has taken a toll on Credit Union Happiness



In 2021, the pandemic had a powerful impact on the payments industry as consumers rapidly adopted digital payment methods and dramatically shifted to ecommerce for their consumption of all types of goods, from groceries to appliances. Due to these intense behavioral and economic changes, consumers have adopted digital payments and shifted their purchasing behaviors. Credit unions have had to adapt more quickly to pandemic-driven transformations, resulting in member-service and operational impacts.

In progressing through the recent disruptions, credit unions have relied on their

payment processors to help them best adapt to members requirements with the most appropriate and reliable products and services. As with past years, the Annual Happiness Payment Report provides an annual survey of credit union leaders' satisfaction with their card processing solutions. We believe that happy credit unions make for happy members.

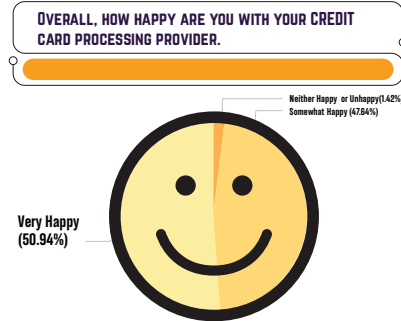
The results of this year's survey reflected the weariness many credit unions face after two years of confronting the fallout from the pandemic. In a reversal from past surveys, respondents are less happy with their card

See "Happiness Report" on page 2

## Happiness Report

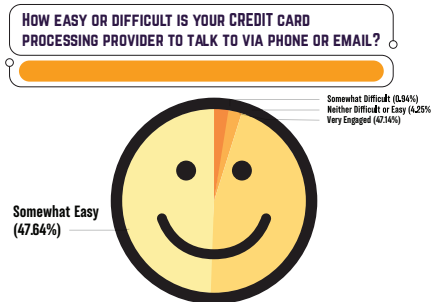
Continued from page 1

processors. While a majority of respondents stated they were “Very Happy” with their debit (50.94%) and credit (50.94%) programs, this marks a drop of 10 points for debit and nearly a 12-point drop for credit from 2020.



The reasons for the drop in “Happiness” with card processing providers is observable in a drop in engagement and the ease with which a credit union can talk to a provider via phone or email. In 2021, more than half of the respondents stated that their processing provider was “Very Engaged” towards the success of their programs, debit (54.25%) and credit (51.42%), signifying a 10-point drop for debit and a seven-point drop for credit from the prior year.

The challenge for credit unions to gain access to their providers was also substantially lower in 2021. For the first time, the majority of respondents found it only “Somewhat easy” to talk to their provider via phone or email for debit (47.64%) and for credit (48.11%). This represented a nine-point drop from “Very easy” to “Somewhat easy” for debit and a 12-point drop from “Very easy” to “Somewhat easy” or credit.



“The ability to adjust and respond to credit unions is vitally important to helping credit unions meet the needs of their members,” said Cyndie Martini, President and CEO of Member Access Processing (MAP). “The true value of a solid card processing relationship reveals itself during a crisis. MAP’s enduring relationship with our clients comes from our commitment to serving the credit union staff as they would serve their members.” This year’s Annual Happiness Payment Report is testimony to how lasting relationships can help a credit union overcome unprecedented challenges.

The dogged reach of the pandemic and its lasting influence on credit unions is yet to be fully studied or understood. Yet, its dramatic influence over consumer payment and purchasing behaviors as an early indicator will have lasting effects for financial institutions. Card processing providers provide a central role in supporting credit unions as they transition through these disruptive periods. The Annual Happiness Payment Report affords credit unions useful insights into the how processors are supporting their client financial institutions and their members.

## The state of mobile apps



Mobile continues to dominate as consumers spent a record 3.8 trillion hours on mobile in 2021, according to the State of Mobile 2022 report by App Annie. 2021 was record breaking as consumers continue to embrace a mobile lifestyle. In the top 10 mobile markets, a staggering 4.8 hours a day were spent on mobile. Consumers spent \$170 billion on apps, which is up 19% from last year. Downloads continue growing at 5% year over year to reach 230 billion.

The US has seen phenomenal growth in consumer spend, adding an additional \$43 billion in 2021, \$10.4 billion more than 2020, equating to 30% growth YoY as mobile gaming and in-app subscriptions went mainstream. Consumers are more willing to try alternatives to retail banks, such as neo-banks, which tend to be more accessible to those without excellent credit and offer custom features better suited for specific needs.

Although retail banks are widely used by Gen X and Baby Boomers, Gen Z are most likely to use trading apps and neobanks across regions. In addition, they also prefer to use money transfer apps such as Venmo, Cash App, and Splitwise as they are increasingly comfortable using their mobile phones as a form of payment instead of cash. Finance app publishers who wish to reach the next generation of mobile-savvy users should keep in mind what they now come to expect: fast and simple money movement and financial flexibility that tailors to their needs.

Time in shopping apps reached over 100 billion hours globally. Time spent in Shopping apps rose 18% year-over-year, with strong movement in fast fashion, social shopping, and mobile-savvy big-box players.

These digital, stored value wallets can be funded directly from a bank account, or by other methods, including cash, bulk disbursements or P2P payments. Stored value mobile wallets rely on a multitude of cash in/cash out methods that enable consumers to digitize, transmit, and convert digital cash back into bank notes, when needed.

# SAVE THE DATE

## MAP's Annual Conference: August 18 - September 15

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 payments and financial services industry. In keeping with current social distancing practices, MAP will hold its 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 a keynote presentation from Mark Sievwright. Mark 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. Subsequent sessions of the conference to be scheduled on consecutive Thursdays, beginning on August 25, will include:

- "Economic Insights" with Dr. Elliot Eisenberg,
- "The Future of Blockchains" with Emma Todd,
- "Insights and Trends Empowering the Digital Consumer" with Sam Maule,
- and "Product Insights and Roadmap" with the MAP Team.

For more information, check out [uConference22.com](https://uConference22.com) for updates and registration.



Mark Sievwright

## Industry News

**PayPal identifies 4.5 million illegitimate accounts.** PayPal has identified 4.5 million accounts that are believed to be illegitimately created. Over the past two years PayPal added 120 million new customers (it now has 426 million total accounts). In 2021, the company leaned into incentivized customer acquisition tactics to a much greater extent than before, according to Forbes. For example, PayPal ran marketing campaigns that offered to deposit \$5 or \$10 in a new customer's account if he or she signed up for PayPal or Venmo. The company is changing its customer acquisition strategy to move away from incentive programs and focus on sustainable growth and driving engagement or getting current customers to use PayPal's apps more often.



### **73 percent of businesses to switch to electronic payments.**

The Association for Financial Professionals (AFP) has conducted a survey on US-based professionals reveals that 92% of organizations still use paper checks. According to the survey findings, automated clearing house (ACH) transactions have doubled in the last six years but, despite the costs of issuing checks being up to \$2 per check, most organizations still prefer this form of billing as opposed to modern electronic payment methods. As for outgoing payments, the survey showed that 78% of the companies use ACH for both credit and debit, while 74% prefer Fedwire or CHIPS.

### **FBI issues warning on QR code payments.**

The US Federal Bureau of Investigations (FBI) has issued a warning on how cybercriminals use QR codes to hijack payments and steal personal data. According to the FBI, fraudulent QR codes are easy for scammers to make. The FBI stated a "tampered code directs victims to a malicious site, which prompts them to enter login and financial information." The fake QR codes can also contain malware which will allow "a criminal to gain access to the victim's mobile device and steal the victim's location, personal and financial information." While QR codes are not malicious in nature, it is important to practice caution when entering financial information as well as providing payment through a site navigated to through a QR code. Law enforcement cannot guarantee the recovery of lost funds after transfer.



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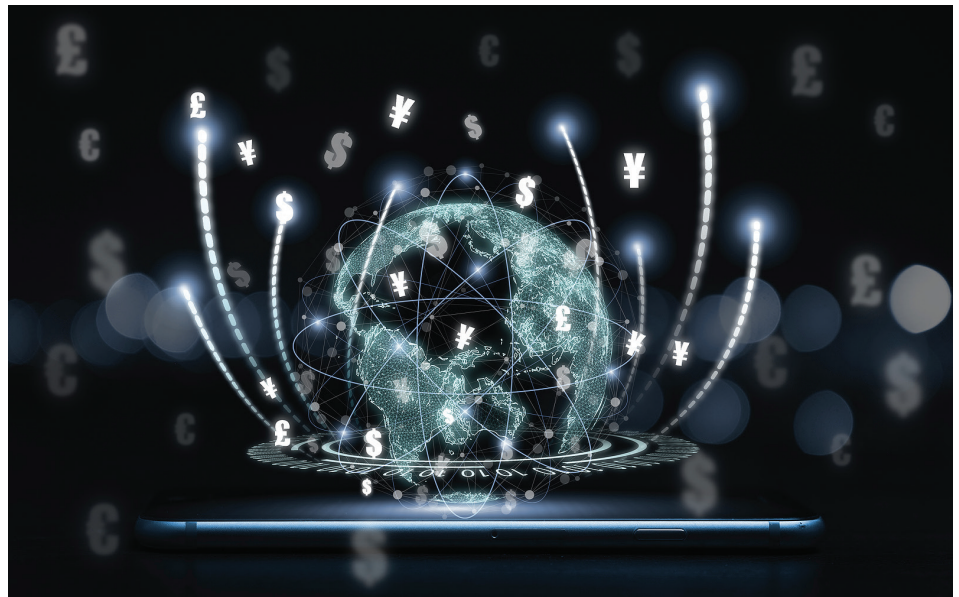
## World Payments Report: Instant payments and E-money payments to account for 25% of transactions by 2025

Payments are entering a new experience-driven era, ushered in by an accelerated transformation timeline due to COVID-19 and the growing digital appetite of customers, according to the World Payments Report 2021 published today by Capgemini Research Institute. The demand for digital payment options is greater than ever before, along with the expectations for fast transaction settlements, instant payments, e-money, failsafe security, and wow-factor customer experience.

The report found that nearly 45% of consumers frequently use mobile wallets to make payments up from 23% in the 2020 poll. Furthering this trend, global B2B non-cash transactions will increase to reach nearly 200 billion transactions by 2025, from 121.5 billion in 2020, according to Capgemini.

The report found that with spending expected to rebound in 2021, non-cash transactions will rise, with instant payments, e-money, and next-gen payment methods – Buy Now Pay Later (BNPL), invisible, biometric, and cryptocurrency – driving the non-cash transaction growth. After eight years of double-digit growth, overall global non-cash transaction growth decelerated to 7.8% in 2020 down from 16.5% in 2019, fueled by hesitation around uncertain market conditions due to the pandemic. However, global non-cash transactions are poised to grow at 18.6%, driven by next-gen payments, and are projected to reach 1.8 trillion in volume by the end of the forecast period.

With customer expectations increasing, legacy payments infrastructure is being stretched. As digital adoption continues to accelerate, increased volumes and instant processing requirements are stretching legacy payments infrastructure. About 55% of the surveyed executives said their technology investment priorities were payments infrastructure modernization. Providers need to prioritize digital capabilities to remain competitive. COVID-19 drove both retail and B2B payments to digitalization.



**As use of alternative payments is skyrocketing, financial institutions must urgently embrace the next generation of payments to stay in the race.**

### Capgemini's World Payments Report 2021

between customer expectations and payment executive priorities.

With spend predicted to increase and non-traditional payment methods poised for growth, most respondents opted for operating model measures such as investing in third parties to develop innovative propositions (52%), orchestrating an API-based ecosystem, and moving into a platform-based business model (45%). The most successful payment firms will collaborate with PayTech and ecosystem partners to craft solutions based on customer experience rather than products.

The wide gap in terms of customer satisfaction along with growing digital appetite of retail and B2B customers continues to evolve and redefine customer engagement in the payments industry. The report found that attractive loyalty and rewards, frictionless transaction experience, alternate payment options, and sustainable payment products are the key areas in which gaps exist



## Digital Identity: Realizing Critical Opportunities



A new study from Juniper Research has found that revenue for digital identity vendors will exceed \$53 billion globally in 2026; doubling from \$26 billion in 2021. The research also identified verified digital identity, where identities are confirmed as genuine using verifiable credentials, as being vital for improving fraud mitigation.

This represents the next evolutionary step for digital identity; moving from establishing infrastructure to utilizing and verifying identity in practical applications. To facilitate this, the report predicts increasing data partnerships between vendors to provide comprehensive, data diverse identity systems.

The concept of digital identity and how it can be applied has been discussed for many years. Digital identity is about much more than creating an online account. Data drives transactions and, more and more, we are seeing a requirement to add weight to justify the use of identifying data. Beyond registration for an identity account, verified data sees a place in post-registration or even non-registered (third-party) verifiable, assured, transactions. As we carry on into an unknown future, disrupted by the pandemic, this interwoven nature of identity-security-privacy will play a vital part in making sure our internet, workplace, government services, and banking are safe havens.

Today, these trends are being overtaken by the use of identity wallet. An ID in a user's pocket is a compelling idea. The use of smartphones to carry out day-to-day life activities has proven highly successful. We use our smartphones for music, contacts, notes, emails, banking, messages, so why not identity? The market for mobile ID/identity wallets has evolved over recent years to bring a number of solutions to the market. The digitalisation of ID documents is growing at fast pace, especially with the introduction of new ID wallets which can be point solutions, such as a mobile driver licences, or which can aggregate various documents (digital identity, driver licence, health care credentials, etc) in a single app. It's no wonder then that, while digital identity cards are still growing, apps are much easier to scale and better support increased involvement in digital commerce, which will be critical to digital identity's future use.

## Visa News

### Visa And Daimler bring Payment Authentication to Mercedes dashboards.

Visa and automaker Daimler are planning to launch native in-car payments starting this spring. The new capability will replace authentication based on third-party devices, such as a mobile phone, and will supplant passwords with biometric identification of an authorized user, the companies said. The technology will be available first for Mercedes-Benz automobiles. The spring launch will involve authentication through a fingerprint sensor, allowing users to make purchases directly on the car's dashboard head unit.



### "Visa Eco Benefits" empower issuers to meet climate-conscious consumer demand.

Visa has announced the launch of Visa Eco Benefits, a new package of sustainability-focused benefits for account issuers designed to enable and encourage their cardholders to engage in sustainable consumption behaviors. Available features at launch or over time are expected to include carbon footprint calculator, carbon offsets, sustainable card materials, donations to environmental organizations and expanded rewards for cardholders for sustainable behaviors. "As an engine of global commerce, we have the opportunity to work with clients and partners around the world to help embed sustainability into the payments ecosystem and support cardholder and business choices through the transition," said Charlotte Hogg, executive vice president and chief executive officer, Europe Visa.

### Visa Calls for Payment Standards in EV Charging Stations.

Visa is calling for a standardized payment system for electric vehicle (EV) charging stations that will allow drivers to pay with their chosen method. Visa's report notes that there's no widespread industry standard for payment acceptance at charging stations, which has created a system where consumers have no choice of payment method, or where they can't charge their vehicle because they aren't signed up for the right subscription service. Visa says it will begin consulting with EV charging station manufacturers and other leaders in the industry to determine the barriers to a widespread acceptance of interoperable, contactless and digital payments for EV charging.



*Continued on page 9*



# Security Report: Online Fraud has increased 85 percent

New data on the latest online fraud trends from Arkose Labs reveals record increases in attacks across multiple sectors. The company's "2022 State of Fraud and Account Security" report uncovers the top six fraud-fighting trends from 2021 and provides data that emphasizes no digital business is immune from attack. Malicious bots, human attacks and the rise of "Master Fraudsters" have created a disruptive and vulnerable environment, making online fraud deterrence even more critical for businesses.



**Account security became paramount in 2021** - Attackers jumped at the opportunity to

monetize their efforts by targeting login and registration points at scale. Login and fake account attacks increased 85% year-over-year and every fifth login attempt was an account takeover (ATO). Additionally, one in four new account registrations was fake, with fake accounts more than doubling (2.5x) in 2021 compared to the year prior. Credential stuffing also saw a dramatic increase in 2021, accounting for 4% of traffic and 80% of login attacks.

**Attackers followed consumer engagement across industries** - As industries continued to embrace a new digital norm, attackers capitalized on areas of high consumer engagement. Five out of the six industries Arkose Labs analyzed experienced increased attack probability in 2021, with travel and entertainment sites seeing the biggest impacts. Attackers specifically preyed on the resurgence in travel with scraping attacks, compromising a massive 45% of traffic on travel sites.

**Attacks are more volatile than ever** - A single attack can consume nearly 80% of traffic, and in 2021, credential stuffing spikes hit up to 76 million per week. Attack rates doubled during peak season in November, making it the most dangerous month in 2021. Bots were used almost exclusively during this time period, which is increasingly known as "Black November," due to its unparalleled volume of cyberattacks.

**The intelligent bot revolution is in full play** - Bots mimic human behavior with a high degree of accuracy, accounting for 86% of all attacks.

**"Today, 21 percent of all online traffic is a cyber attack."**

Automated attack and evasion orchestration includes combinations of sophisticated measures including stolen and synthetic credentials, CAPTCHA solving, human fraud farms, device spoofing, IP spoofing and hijacking and attack scripts. Today's bot signatures are three times more complex than signatures of previous years, challenging fraud and security teams with triple the values to analyze in an average bot signature.

**Metaverse companies are more likely to be targeted by "Master Fraudsters"** - The rise of virtual worlds creates new attack opportunities for bad actors. Insights from the Arkose Labs Global Network show scams, microtransaction abuse, and unfair play are top threats in a metaverse world. These companies experienced 80% more bot attacks and 40% more human attacks than other businesses.

**Asia leads the world in perpetrating attacks** - In prior years, Russia consistently topped the list of attacking countries. While attacks out of Russia are still prevalent, attackers from Asia took the top spot in 2021, with 40% of all attacks coming from this region. More specifically, one of every two Asian attacks originated in China. Leveraging an ecosystem of tools and low-cost resources, two-thirds of Chinese attacks targeted registration, primarily driven by abusing free trials for crypto mining.

The report highlights the need for companies to have increased awareness and diligence when it comes to thwarting cybercrime. It's imperative that companies protect their online platforms and their consumers from malicious activities.

## The Fed launches New Tools to Support Instant Payments readiness



The Federal Reserve today launched new resources for the U.S. payments industry to facilitate education, preparation and ecosystem innovation in support of instant payments, a type of faster payment that provides payees with immediate access to funds, enabled by real-time final settlement between financial institutions.

The FedNow Explorer website, an experiential platform designed to educate and engage financial institutions and service providers with curated content and business tools to support their instant payments journey. The website will offer different learning path options for guided or self-guided exploration. Content includes instant payment basics; how the FedNow Service works; information about FedNow features, functionality and use cases; and how to plan and prepare for the FedNow Service.

The Ecosystem Accelerator Group, a new user group within the FedNow Community that will provide payment processors, core banking system providers, mobile and online banking platform providers, payment hubs and gateways, bill pay/presentation service providers and others the opportunity to:

- Influence FedNow Service design and release priorities.
- Participate in programs designed for the needs and interests of solution developers and providers.
- Ask technical questions and obtain answers relevant to this ecosystem group.
- Network with the broader FedNow Community and potential partners among financial institutions, other service providers and business clients.

A new Service Provider Showcase to support end-to-end development of the instant payments ecosystem and FedNow Service implementation. mService providers who are members of the Ecosystem Accelerator Group will be able to submit their information and solutions for the showcase starting later this year.

## Industry News

*Continued from page 3*

### NordVPN finds over 4 million payment cards on the dark web.

Security service provider NordVPN has analyzed 4 million credit cards for sale on the dark web, belonging to citizens of 140 countries; the United States was the most effected country with more than 1.5 million cards.

NordVPN included a state-by-state breakdown of card leaks, with California (88,000), Texas (74,000), and Florida (62,000) being the states with the most leaks, and Alabama, Wyoming, and Washington having the most leaks per capita. In 2020, US citizens lost \$10.24 billion to payment card fraud, compared to \$9.62 billion in 2019, company officials revealed. The surge in losses was caused by COVID-19 as well as by the lack of responsibilities banks and card issuers take for the security of their customers.



### New iOS update to allow iPhones to accept credit cards using NFC.

Apple has been studying whether to allow small businesses to accept payments directly on their iPhones without requiring additional hardware with the next release of its iOS system.

The US-based tech giant has been reportedly working on the new feature since 2020 and the new system will use iPhone's near field communications (NFC) chip that is currently used for Apple Pay. The company worked alongside Canadian fintech Mobeewave to develop the necessary technology, the same startup that was previously backed by Samsung and implemented credit card acceptance with a tap on its smart devices in 2019.



### Samsung to introduce new biometric payment cards.

Samsung has introduced its new fingerprint security IC (integrated circuit) with improved security features. The new security solution combines secure element, secure processor, and a fingerprint sensor

in one chip, providing improved security features enable by the company's in-house fingerprint authentication algorithm. The upcoming feature is mainly designed for payment cards but can be used for other types of cards that require highly secured authentication, including employee and student identity cards or building access cards.



*Continued on page 10*



# Financial services crippled by rapid digital transformation

Latest findings suggest an urgent need for investment in strong operational resilience in post-pandemic landscape, according to a new global survey from leading software provider ITRS Group. The survey found financial services firms are struggling to keep up with an unprecedented rate of digital transformation in the wake of the COVID-19 pandemic.

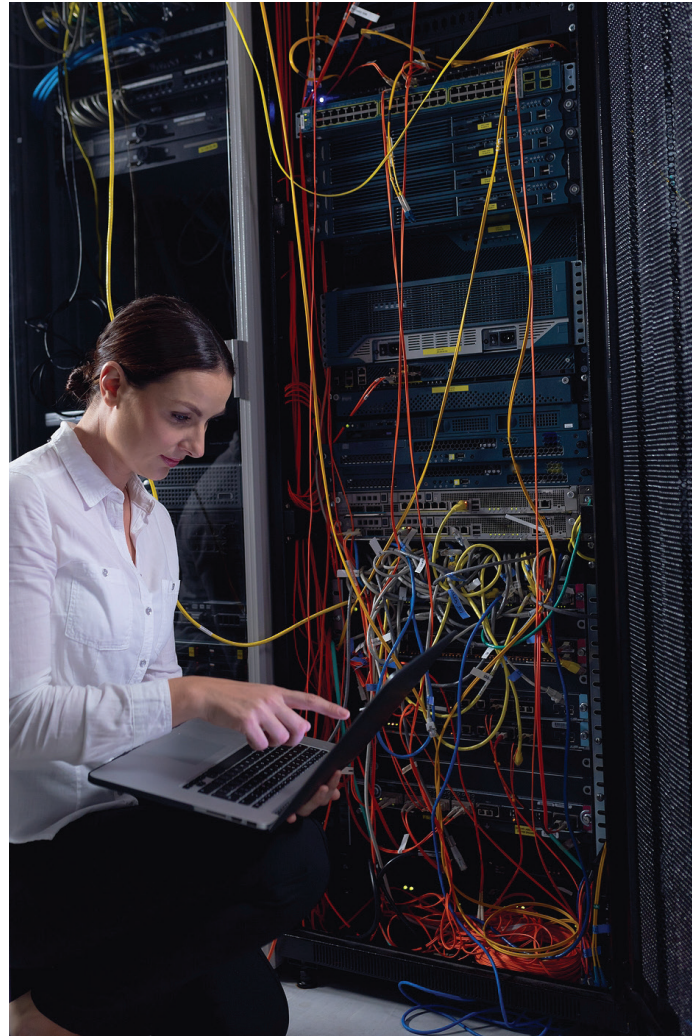
The survey reveals that the IT environment of 84% of financial institutions has changed more in the last 12 months than in the company's lifespan. Digital transformation was reported to be the main driver of this trend, with 70% of respondents citing this factor. In fact, 94% of firms agreed that digital transformation is putting stress on their IT systems, compromising real-time data analysis, and creating storage and security issues.

**84% of financial institutions' IT departments have changed more in the last 12 months than in most company's lifespan.**

With 53% of firms already experiencing at least one full day of downtime every year, a figure which is on the rise, the development and onboarding of IT monitoring solutions is critical to ensure firms' systems can cope with the rapid rate of digital transformation. Yet, amidst tightening budgets, operational resilience is dropping down the list of priorities. With almost eight in 10 firms selecting lower quality IT solutions as a direct result, IT resilience has been further compromised – at a time when it is more important than ever.

Commenting on the findings of the report, Guy Warren, CEO of ITRS Group, said: "Moving forward, operational resilience is something that firms simply cannot afford to compromise on. The pandemic has forced digital transformation to move at warp speed in order to allow businesses to keep up with rapidly changing norms and expectations. While there's no doubt this shift has brought with it significant benefits, it is only now as we bunker down for a 'COVID normal' future that we are beginning to see the cracks. We are now hyper-dependent on complex digital systems that very few people on this planet could explain the mechanics of, let alone monitor manually.

Every company knows how to pilot new digital initiatives in "normal" times, but very few do so at the scale and speed suddenly required by the COVID-19 crisis. That's because in normal times, the customer and market penalties for widespread "test and learn" can seem too high, and the organizational obstacles too steep. Shareholders of public companies demand immedi-



ate returns. Finance departments keep tight hold of the funds needed to move new initiatives forward quickly. Customers are often slow to adjust to new ways of doing things, with traditional adoption curves reflecting this inherent inertia. And organizational culture, with its deeply grooved silos, hinders agility and collaboration. As a result, companies often experiment at a pace that fails to match the rate of change around them, slowing their ability to learn fast enough to keep up. Additionally, they rarely embrace the bold action needed to move quickly from piloting initiatives to scaling the successful ones.

As the COVID-19 crisis forces your customers, employees, and supply chains into digital channels and new ways of working, now is the time to ask yourself: What are the bold digital actions we've hesitated to pursue in the past, even as we've known they would eventually be required? Strange as it may seem, right now, in a moment of crisis, is precisely the time to boldly advance your digital agenda.

The survey drew insights from over 300 technology and IT executives across North America, Europe and APAC.



# Overdraft crackdown signal to coming pro-consumer efforts

The Consumer Finance Protection Bureau (CFPB) is cracking down on banks that too often charge overdraft fees use as a source of revenue. CFPB Director Rohit Chopra said the overdraft charging is a “big money maker” for banks, which has continued during the pandemic. In 2019, banks earned over \$15 billion from those charges and the number has risen since then, Chopra said.

Three of the country's largest financial institutions (FIs)—Bank of America, JPMorgan Chase, and Wells Fargo—generated 44% of the total overdraft fees that year by banks with assets greater than \$1 billion, according to the Consumer Financial Protection Bureau (CFPB). The CFPB also pointed to previous research that showed just 9% of consumer accounts shouldered almost 80% of total overdraft revenue for banks. While overdraft charges have remained a key profit driver for FIs across the US, banks are moving away from or abandoning the controversial practice:

- Capital One recently announced it was no longer charging consumers overdraft or NSF fees on their accounts—foregoing \$150 million in annual revenue.
- Ally revealed in June that it was ditching overdraft charges after suspending them due to the pandemic.
- Regions Bank said in October that it was rolling out a checking account without overdraft fees in exchange for consumers paying \$5 per month.
- TD Bank announced in June that it would offer a checking account without the fees in exchange for paying \$4.95 per month.
- Bank of America said in September that it would reduce consumers' exposure to the fees by offering them a tool to set up a prioritized list of outside accounts from which they could draw funds.
- PNC launched its Low Cash Mode offering in April, letting customers control the processing timing of certain debit transactions.
- Looking ahead: The CFPB's warning of a crackdown on overdrafts is a step toward returning control and choice to consumers—and that could mean focusing on more than just overdrafts.

In addition to calling out banks for getting “hooked on overdraft fees to feed their profit model,” CNBC reported that Chopra voiced support for the bureau using technology to make it easier for customers to switch banks. Currently, customers in the US who want to move to a new financial institution must follow a lengthy series of steps they likely don't have the time or patience for.

## Visa News

*Continued from page 5*

**Visa posts massive revenue growth.** Visa topped \$7 billion in quarterly revenue for the first time, buoyed by a quicker-than-expected resumption in travel spending and sustained growth in categories like e-commerce that had been strong throughout the pandemic. The company generated fiscal Q1 net income of \$4.0 billion, or \$1.83 a share, up from \$3.1 billion, or \$1.42 a share, a year earlier. Visa's net revenue rose to \$7.06 billion from \$5.69 billion. The company's revenue upside was driven by lower-than-expected incentives and higher international performance. Payments volume rose 20%, while processed transactions increased 21%. The company saw a 51% increase in cross-border volume when excluding intra-Europe transactions and a 40% bump in overall cross-border volume.



**Visa Introduces Crypto Advisory Services.** Visa has launched the Global Crypto Advisory Practice, an offering within Visa Consulting & Analytics (VCA), designed to help clients and partners advance their own crypto journey. This comes at a moment when digital currencies are taking greater hold in the popular consciousness according to research released from Visa.

**Visa partners with Pagaya.** Visa and international technology company Pagaya have announced a strategic collaboration. The partnership will enable Visa's merchants and issuing bank partners to expand access to credit. Pagaya develops technology-driven solutions through the use of Artificial Intelligence (AI) and Machine Learning (ML).



**Visa introduces cloud-based payment acceptance.** Visa has announced a new platform, Visa Acceptance Cloud (VAC), set to improve the way businesses accept payments from their customers. VAC will let acquirers, payment service providers, point of sale (POS) manufacturers, and Internet of Things (IoT) players move payment processing software from being embedded in each hardware device to being universally accessible in the cloud. VAC enables any POS or connected device to accept payments and to incorporate a range of added services, including Buy Now, Pay Later, fraud management, Rapid Seller Onboarding, and advanced data analytics.

## Industry News

Continued from page 7

**SoFi to become a national bank.** Office of the Comptroller of the Currency (OCC) and the Federal Reserve have approved SoFi's applications to become a Bank Holding Company through its proposed acquisition of Golden Pacific Bancorp (GPB). SoFi plans to contribute \$750 million in capital and pursue its national plan while maintaining GPB's community bank business and footprint, including GPB's current three physical branches. At the time of the announcement, SoFi submitted a revised business plan for GPB to the OCC and an application to become a bank holding company and for a change of control to the Federal Reserve for approval.



**Federal Trade Commission warns of new crypto scam.** The US Federal Trade Commission (FTC) has issued an alert about a new type of crypto scam involving fraudsters asking people to pay with cryptocurrency. The scam uses an impersonator, a QR code, and a trip to a store (directed by a scammer on the phone) to send your money to them through a cryptocurrency ATM. The scammer calls pretending to be from the government, law enforcement, or a local utility company, directing cardholders to withdraw money from your bank, investment, or retirement accounts and then deposit the funds into a cryptocurrency ATM. Then, the scammers text or email a QR code with their address embedded in it. Using the cryptocurrency purchased at the ATM, they have the cardholders scan the code so the money gets transferred to them.



### Prepaid card transactions to exceed \$4.1 trillion by 2026.

Prepaid card transactions are expected to exceed \$4.1 trillion globally in 2026, from \$2.3 trillion in 2021, according to a new study by Juniper Research. By 2026, prepaid card transaction value will be just over 50% higher than those forecast for contactless payment transactions, according to the research. The growth in prepaid cards will be driven by the ongoing replacement of cash, as economies move increasingly towards digital payments, says Juniper. The research identified prepaid cards as being critical to ensuring that the unbanked are included in the rush for digital payments. The study recommends that vendors focus on building robust distribution platforms that can cope with issuing cards at scale and at low cost, or they will lose out to better equipped vendors.



## Visa Warns of Misused 'Cashless ATMs' by Cannabis Retailers to skirt restrictions



Compliance

2 December 2021

### "Cashless ATM" and Misuse of ATM Transactions Prohibited

U.S. Acquirers, Issuers, Processors, Agents  
Visa, Plus Networks

Overview: Visa is reminding acquirers that miscoding POS purchase transactions as ATM cash disbursements and submitting POS purchase transactions into the Plus network is prohibited.

Visa is aware of a scheme where POS devices marketed as "Cashless ATMs" are being deployed at merchant outlets and are operating in violation of the Visa Core Rules and Visa Product and Service Rules and Plus Core Rules and Plus Product and Service Rules.

Visa recently issued a compliance memo to customers warning them that miscoding point-of-sale transactions through the use of so-called cashless ATMs — a practice used by some cannabis retailers as a workaround to accept credit or debit cards for purchases — could lead to penalties or other unspecified enforcement action.

The warning comes as congressional lawmakers grapple with how to handle marijuana business banking. The House passed a defense bill in September with language that would have protected banks that work with state-legal cannabis companies, but after talks with the Senate, those provisions were not attached to a new bicameral deal.

The memo from Visa states the company is "aware of a scheme" in which merchants are using the cashless ATMs to effectively sidestep restrictions on what types of sales that payment cards can be used for.

Cashless ATMs are POS devices driven by payment applications that mimic standalone ATMs. However, no cash disbursements are made to cardholders. Instead, the devices are used for purchase transactions, which are miscoded as ATM cash disbursements. Purchase amounts are often rounded up to create the appearance of a cash disbursement.



## Letter from the CEO

The fast-growing buy now, pay later (BNPL) installment-credit option for online and in-store payments could reach \$1 trillion in U.S. volume by 2025, or between 10 and 15 times the current level, according to a report by CBInsights. Companies like Affirm, Afterpay, Klarna, PayPal, and Zip have grown exponentially during the pandemic. BNPL has become the darling of the payments industry, with record profits, charitable foundations established, and an increasing number of players entering the market, including Visa.

However, all this positive news comes with greater scrutiny and a realization that BNPL could be creating a new and growing credit burden for consumers. According to a study by TransUnion, borrowers who apply for BNPL tend not to pay down their credit card debts as much as the general population. The study looked at credit profiles of more than 4.5 million people who applied for point-of-sale financing from October 2019 through March 2021. So far, it does not look like consumers are over leveraging themselves as delinquency rates on their credit cards six months after their applications were only slightly worse than the general population at 3.2% versus 2.7%, but as many as 20% of BNPL applications had increased their card debt by over 50%.

Recognizing the risk, credit reporting agencies are looking more closely at BNPL. Recently Equifax announced it will add a business industry code for BNPL to classify data such as payment history, a move that will make BNPL loans visible on credit reports. Equifax says this will provide clients and scoring partners the ability to decide how to include BNPL payments into their own decision making for new financial services. TransUnion has announced it is also working on its own BNPL credit reporting service.

Scrutiny of BNPL has not stopped there. Late last year, the Consumer Financial Protection Bureau (CFPB) sent orders to five companies (see above) that offer BNPL products to provide information to the Bureau. The orders were sent just one day after six Democratic Senators sent a letter to CFPB Director Rohit Chopra expressing concern about potential consumer harm caused by BNPL products. In November 2021, the House Financial Services Committee held a hearing on BNPL and the Federal Reserve Bank of Kansas City issued a research briefing titled "The Appeal and Proliferation of Buy Now, Pay Later: Consumer and Merchant Perspectives."

While we don't know the level or type of regulation that may be coming for BNPL, we can be sure it is coming and the BNPL players are ready for the fight. And that fight is aimed squarely at credit card issuers. "Those who can afford to pay off their balances each month reap rewards through loyalty schemes while those who can't afford to simply get into more debt. The lowest income households pay \$21 in fees and interest while the highest income households reap \$750 in rewards" said Sebastian Siemiatkowski, CEO of BNPL giant Klarna. "The credit card model is simply unsustainable for consumers, in fact, it's unsustainable credit. And consumers are waking up to this as they choose more sustainable forms of net credit that are transparent, fair and suit the way they live their lives today."

At MAP, we actively monitor the payments industry for our clients. Whether it's our annual Happiness Report (see cover article), impending regulations, or changes to consumer purchasing behaviors, we work with our clients to create and facilitate solutions to navigate and prevail over these obstacles for the betterment of their institutions and members. 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](mailto:cyndie.martini@maprocessing.com).



**Cyndie Martini**  
President/CEO

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



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