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Visa's two-tiered interchange fee schedule begins Oct. 1st

Credit unions confront a brave new world of debit interchange regulation

Visa's two-tiered Debit Interchange Fee Schedule is set to take effect on October 1st. The fee schedule was published Aug. 19, 2011, in response to the Federal Reserve Board's interchange and network-affiliation rules that implemented the Durbin Amendment provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The schedule is tiered for two types of Debit Interchange - Regulated and Exempt - depending on whether the card issuer is exempt or not. A Debit issuer is considered nonexempt from the regulated debit interchange rates when the financial institution's assets, together with its affiliates, exceed \$10 billion.

Visa's new Regulated debit Interchange rates will be set at the maximum allowable rate (a fee cap of 21 cents plus an *ad valorem* amount of 5 basis points) as announced by the Fed and will impact the following debit card types: Visa Check Card, Consumer Prepaid, Commercial Prepaid, Interlink PIN, Small Business Debit and Interregional Debit. Visa's Regulated Check Card Interchange will



apply to both card present and card not present transactions and across industry categories.

Visa's interchange schedule for Exempt debit issuers - those financial institutions with assets of less than \$10 billion (that includes most credit unions) - will be adjusted in the following segments: emerging markets, utility, tax payment, retail and supermarket (with some charge types higher and some lower depending whether prepaid or regular debit is used). For example, Visa's prepaid card supermarket rate is increasing from 0.95% plus 20 cents to 1.15% plus 15 cents, but the 35-cent transaction cap will remain in place for all debit.

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Can credit unions capitalize if banks shift to prepaid?

A recent report by Aite Group claims that shifting consumers from debit cards use to prepaid cards is a 'smart' way to help banks recoup lost revenue from reduced debit interchange fees.

"Big banks are anticipating a significant loss in debit interchange," states Ron Shevlin, senior analyst at Aite and author of the report. "Their responses to this have been a little like chickens running around with their heads cut off." Eliminating free checking, adding new ATM fees and killing reward programs have all surfaced as ways to make up for the expected revenue losses caused by Durbin.

But that's not the smartest way to go. Shevlin recommends that banks increase their prepaid market focus, rather than opt for negative strategies that will lead to "unwanted customer behavior" like an increase in checks and cash usage. The shift to prepaid cards, he explains, is feasible because there's already a population of "heavy" prepaid card users and because prepaid cards are not exclusive to the unbanked, like many financial players believe. In fact, Aite Group believes that banks can recoup somewhere from 20% to more than 50% of anticipated lost debit card interchange revenue by marketing prepaid cards to their customers, particularly by focusing the product to their "heavy" transactors.

To achieve success, banks will need to educate and incentivize their consumers to use prepaid cards, much like they did in the debit space. This is where credit unions can step in and capitalize on a "new market" for prepaids. Traditionally, prepaids have been targeted to narrow segments, such as the unbanked and millennials. With large FIs - and even Walmart - putting big dollars into marketing prepaid cards, demand from credit union members will grow even as cardholders continue to hold on to checking and debit.

Credit unions benefit most by having a prepaid solution in place that is both robust and flexible. This means offering members both a gift and a reloadable solution. For more information about MAP Prepaid solutions, contact Herb Tajalle at 866-598-0698, ext 1616 or herb.tajalle@mapacific.com.

As Plastic Reigns, the Treasury Slows Its Printing Presses

The number of dollar bills rolling off the great government presses fell to a modern low last year. Production of \$5 bills also dropped to the lowest level in 30 years. And for the first time, the Treasury Department did not print any \$10 bills. The meaning seems clear: Cash is in decline. In 1970, at the dawn of plastic payment, the value of United States currency in domestic circulation equaled about 5 percent of the nation's economic activity. Last year, the value of currency in domestic circulation equaled about 2.5 percent.

It might be easy to look down the slope of this trend and predict



the end of paper currency. However, production of paper currency is declining much more quickly than actual currency use because the bills are lasting longer. Thanks to technological advances, the average dollar bill now circulates for 40 months, up from 18 months two decades ago, according to the Federal Reserve.

The futurists who have long predicted the end of paper money also underestimated the rise of the \$100 bill as one of America's most popular exports. For two decades, since the fall of the Soviet Union, demand has exploded for the \$100 bill, which is hoarded like gold in unstable places. Last year Treasury printed more \$100 bills than dollar bills for the first time. There are now more than seven billion pictures of Benjamin Franklin in circulation - and the Federal Reserve's best guess is that two-thirds are held by foreigners.

This is very profitable for the United States. Currency is printed by the Treasury and issued by the Federal Reserve. The central bank pays the Treasury for the cost of production - about 10 cents a note - then exchanges the notes at face value for securities that pay interest. The more money it issues, the more interest it earns. And each year the Fed returns to the Treasury a windfall called a seigniorage payment, which last year exceeded \$20 billion.

To meet foreign demand, the Fed has licensed banks to operate currency distribution warehouses in London, Frankfurt, Singapore and other financial centers. In March, largely because of the boom in \$100 notes, the value of all American notes in circulation topped \$1 trillion for the first time.

With every signature transaction, your members are entered in a trip to Super Bowl XLVI **plus 10 tickets for their friends.**

Visa NFL Sweepstakes

Your chance to get in on the excitement!

more fans go with
VISA

As a Visa issuer, you are eligible to offer Visa campaigns to your member cardholders. The most popular campaign of the year is the National Football League (NFL) Sweepstakes. Visa's sponsorship of the NFL provides an unparalleled opportunity to tap into the power of America's premier professional sports league. The mass appeal of the NFL gives Visa an ideal platform to create relationships with millions of passionate fans, building a stronger connection with your credit union, while awareness of Visa's NFL sponsorship can drive increased card usage. What's more, you'll benefit from cost-effective market-ready and customizable materials appealing to NFL fans nationwide.

The NFL is America's most popular sport with 181 million fans nationwide, 87 million of whom are avid fans. Super Bowl XLV was the most watched Super Bowl ever and the most-viewed television program in U.S. history, with a total audience of 162.9 million. This large and dedicated fan base is best known for its unparalleled passion and loyalty. With its broad audience, the NFL's mass appeal and the passion of the NFL fan make Visa's sponsorship of the NFL a natural fit.



Last year's "Super Bowl Trip for Life" promotion generated significant excitement and ultimately increased usage amongst cardholders. The Visa 2011 NFL National Promotion promises to produce even bigger results by offering our most compelling Grand Prize package to date when one winner gets to take ten of his or her friends to Super Bowl XLVI. When cardholders use their Visa card between September 8 and December 27, 2011, they'll be automatically entered for a chance to win the Visa Super Bowl XLVI sweepstakes. One winner will take 10 friends to Super Bowl XLVI to witness first-hand all the sights, sounds, and excitement of the biggest event in football, compliments of Visa! And the more cardholders use their Visa card, the more chances they'll have to win! The Grand Prize includes: Trip for winner and 10 friends, Airfare to Indianapolis, 5 days and 4 nights hotel accommodations, Transportation to and from the event, and \$100 prepaid Visa cards for the winner and his or her guests.

Marketing Support. Scheduled to coincide with Visa's national NFL

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The controversial debit card fee cap has had a negative effect on the nation's largest banks, with most announcing the end of their debit rewards programs and seven of the top 10 banks announcing plans to eliminate free checking. Credit unions, on the other hand, plan to put member service above all else, with the majority refusing to eliminate debit rewards or charge members a monthly fee even while confronted with declining income. According to the 2011 Debit Issuer Study, smaller banks and credit unions believe there will be a decrease in revenue as market conditions shift over time, eventually requiring the interchange rate for exempt institutions to be reduced.

While credit unions may experience reduced interchange over time, the October 1st deadline will have an immediate effect as the start date for merchants to begin steering direct debit transactions over the network of their choice. Issuers who participate in multiple PIN POS networks should begin to see a change as soon as the October billing cycle.

The next milestone in the Durbin saga will be April 1, 2012. This is the deadline for all debit card issuers to participate in two unaffiliated networks on their debit cards. If your credit union has not selected a second unaffiliated network, you should begin the evaluation process as soon as possible. There are many variables to consider, including network fee structures, interchange projections, network uptime and performance, branding requirements and the projected lead time to add your credit union to the network. Don't be last in line!

Although the payment industry has a much clearer picture of the potential impact of the Durbin Amendment, several unknowns remain— such as networks changing their interchange and fee structures to attract merchant routing, or whether the new rules apply to or can be enforced upon virtual debit cards or new mobile/digital/RFID alternative payment mechanisms. It will be years before all changes and impacts are revealed. Especially important will be the gray areas left by the rule's definition of "interchange." Per the Fed's interpretation of the rule, caps apply only to fees charged to the merchant/acquirer that are passed to the issuer, but networks are not required to pass to the issuer the same amount of fees charged to the merchant/acquirer. This leaves room for a lot of creative arbitrage on behalf of the networks.

At MAP we will continue to monitor how the networks route transactions as well as the related fees when transactions route through one network versus an other, helping our clients understand the financial impact to their credit unions. For more information about how the new rules or schedules may affect your credit union, contact Cyndie Martini at cyndie.martini@mapacific.com.



| Fee Program | Visa Check Card (Existing) | EXEMPT Visa Check Card (Effective 1 October 2011) | REGULATED Visa Check Card (Effective 1 October 2011) |
|--|-----------------------------|---|--|
| CPS / Supermarket, Debit | 0.88% + \$0.20 (\$0.35 Cap) | 0.88% + \$0.20 (\$0.35 Cap) | 0.88% + \$0.21* |
| CPS / Retail, Debit | 0.88% + \$0.20 | 0.88% + \$0.20 | 0.88% + \$0.21* |
| CPS / Automated Fuel Dispenser (AFD), Debit | 0.75% + \$0.17 (\$0.35 Cap) | 0.75% + \$0.17 (\$0.35 Cap) | 0.88% + \$0.21* |
| CPS / Service Station, Debit | 0.75% + \$0.17 (\$0.35 Cap) | 0.75% + \$0.17 (\$0.35 Cap) | 0.88% + \$0.21* |
| CPS / Travel Ticket, Debit | 1.00% + \$0.04 | 1.00% + \$0.04 | 0.88% + \$0.21* (Updated 13 September 2011) |
| CPS / Retail 3, Debit | 0.80% + \$0.25 | 0.88% + \$0.19 (\$0.30 Cap) | 0.88% + \$0.21* |
| CPS / Debit Payment | 0.30% + \$0.00 | 0.88% + \$0.19 (\$0.30 Cap) | 0.88% + \$0.21* |
| CPS / Utility | \$0.75 | \$0.65 | 0.88% + \$0.21* |
| CPS / Debit Tax Payment ² | \$2.50 | 0.88% + \$0.19 (\$0.30 Cap) | 0.88% + \$0.21* |
| CPS / Retail Key Entry, Debit | 1.00% + \$0.10 | 1.00% + \$0.10 | 0.88% + \$0.21* |
| CPS / Card Not Present, Debit | 1.00% + \$0.10 | 1.00% + \$0.10 | 0.88% + \$0.21* |
| CPS / e-Commerce Retail, Debit | 1.00% + \$0.10 | 1.00% + \$0.10 | 0.88% + \$0.21* |
| CPS / e-Commerce Professional Retail, Debit | 1.00% + \$0.10 | 1.00% + \$0.10 | 0.88% + \$0.21* |
| CPS / e-Commerce Professional Hotel and Car Rental, Debit | 1.30% + \$0.10 | 1.30% + \$0.10 | 0.88% + \$0.21* |
| CPS / e-Commerce Professional Passenger Transport, Debit | 1.00% + \$0.10 | 1.00% + \$0.10 | 0.88% + \$0.21* |
| CPS / Hotel and Car Rental Card Present, Debit | 1.30% + \$0.10 | 1.30% + \$0.10 | 0.88% + \$0.21* |
| CPS / Hotel and Car Rental Card Not Present, Debit | 1.30% + \$0.10 | 1.30% + \$0.10 | 0.88% + \$0.21* |
| CPS / Passenger Transport, Debit | 1.00% + \$0.10 | 1.00% + \$0.10 | 0.88% + \$0.21* |
| CPS / Restaurant, Debit | 1.00% + \$0.10 | 1.00% + \$0.10 | 0.88% + \$0.21* |
| CPS / Account Funding, Debit | 1.75% + \$0.20 | 1.75% + \$0.20 | 0.88% + \$0.21* |
| Business Interchange Reimbursement Fee, Debit ³ | 1.75% + \$0.20 | 1.75% + \$0.20 | 0.88% + \$0.21* |



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advertising and public relations efforts, the promotion will be supported with an integrated marketing campaign including market-ready and customizable materials for issuers. Visa's NFL integrated marketing campaign – Go Fans – celebrates the passion that fans have for the sport of football and the Super Bowl. Promotional materials, designed to build excitement and participation, are now available and can be customized with your credit union's logo or card artwork. Materials include: statement inserts, take ones and tent cards, plus e-marketing materials such as web banners and an email template. With MAP's in-house marketing support we can personalize these materials at no-charge to you as our client. To get started or for more information, contact Karl Kaluza at Member Access Pacific, 866-598-0698 x 1618 or email at karl.kaluza@mapacific.com.



Financial Football HD is the latest version of the popular financial literacy video game created by Visa Inc. and the NFL. This free game has been developed with help from New Orleans Saints' quarterback Drew Brees, who created a variety of its personal finance questions and appears on the cover. Financial Football puts individuals' fiscal knowledge to the test in a game that combines the structure and rules of the NFL with financial education questions of varying difficulty. The engaging, fast-paced game is available in English and Spanish and can be played online or downloaded as a free app for iPhones and iPads (in HD).



Financial Football is part of Practical Money Skills for Life, Visa's free, award-winning financial education program that launched in 1995. The program contains comprehensive money management resources and lesson plans tailored for use at home and in the classroom. Financial Football can be played for free at www.practical-moneyskills.com/football. The game challenges players to answer multiple-choice money management questions correctly to advance down the field for a chance to score a touchdown. Game play features include: Single player and head-to-head options; Three difficulty levels: Rookie (ages 11–14), Pro (ages 14–18) and Hall of Fame (ages 18+); The game also includes companion classroom lesson modules for teachers who want to expand and reinforce greater financial learning.

Industry News

Consumers Key to Preventing Card Fraud: Payment card issuers' fraud prevention measures are lagging behind those for fraud resolution and detection, according to Javelin Research's Seventh Annual Issuer Safety Scorecard.

Most of the leading U.S. card issuers have received poor grades for consumer education and fraud prevention for the last three



years, says Javelin's Phil Blank. Javelin found that institutions are not collaborating with security vendors to deal with mounting anxieties about card-not-present fraud, nor are they deploying multifactor or second-layer authentication that relies on the mobile channel. The research implies that only the customer can combat card-not-present fraud, underscoring the need for card issuers to involve consumers in second-layer transaction approval. "The mobile channel could be used to send alerts to customers about card transactions," Blank says. He says fraud would decline if issuers implemented policies for consumers to review and respond to mobile prompts as second layers for transaction authentication.

Debit Fees would shift card holder spend to Cash and Checks: A recent survey by the Associated Press showed that sixty-one percent of debit-card holders said that they would use a different payment method if they were charged a \$3 monthly fee for their debit card. Of those who would change payment methods, 53 percent said they were very or extremely likely to switch to cash, while 42 percent said checks, and 21 percent said credit cards.

Mobile Payments Users to Grow by 40%: The number of mobile phone users making payments for digital goods will reach 2.5 billion worldwide by 2015, up from 1.8 billion forecast for 2011, according to Juniper Research. This represents a growth of 40%.

Online Banking Becomes Most Popular Channel: The latest annual American Bankers Association survey of consumer banking preferences shows online banking continues to grow as the popularity of ATMs decline. The August survey of more than 2,000 online consumers found that 62% of respondents named the online channel, meaning laptops or personal computers, as their preferred banking method versus only 36% in the 2010 survey. From 2007 through 2009, Internet banking scored in the low to mid-20s in popularity. Consumers now prefer online banking to all other channels combined. While online banking has long been popular with

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Holidays are a perfect time for merchant funded incentives.

Looking ahead to the holiday shopping season, there is a wealth of discounts available to Visa cardholders who take advantage of the holiday merchant program offers. American consumers are by far the most thrifty coupon users, with more than 90% reporting they looked for and used a coupon. By far the highest coupon usage happens on Black Friday and Cyber Monday, so it's a good idea to include coupons or coupon/QR codes within your credit union's holiday communications. With MAP and Visa negotiated merchant promotions, you can easily distribute these turnkey materials to your members this holiday season. Available materials include:

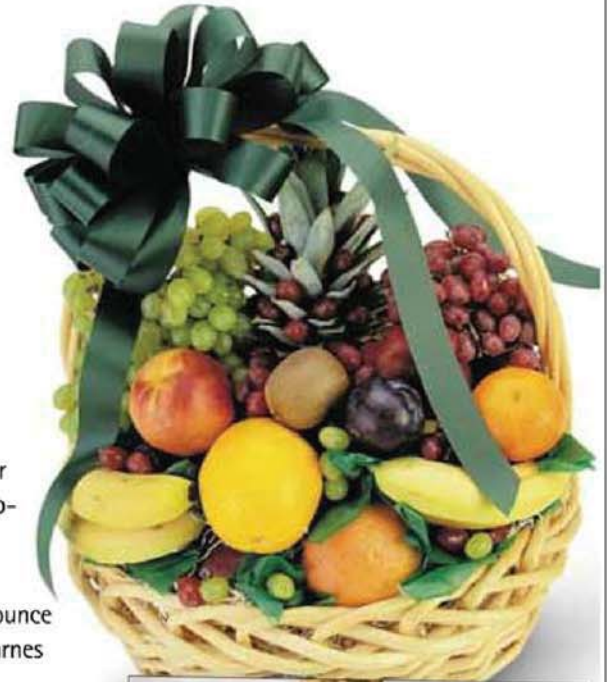
Holiday Statement Insert: Take advantage of market-ready statement insert to announce special back-to-school discount offers from popular retailers such as Gap Outlet, Barnes and Noble, The Land of Nod and more.

Holiday E-mail Template: The pre-designed e-mail template features discounts from Target.com, Apple Store, GAP, Harry and David and more.

Holiday Web Page Template: Create a free, customized Web page featuring relevant back-to-school offers with the Merchant Offer Program Tool at Visa Online.

Free Marketing Support: With MAP's in-house marketing support, you can personalize these materials at no-charge to you as a client. For more information or assistance, contact Karl Kaluza at Member Access Pacific, 866-598-0698 x 1618 or email at karl.kaluza@mapacific.com.

The New Model to Promote Member Loyalty. Merchant funded incentives programs can enhance cardholder loyalty and transaction volume. Merchant promotions are gaining traction in the market, creating new revenue opportunities for card issuers. In the last two years, market conditions—including revenue-reducing regulation in the credit and debit markets and increased competition in the prepaid market—converged, paving the way for the new merchant funded incentives business model. A new report from Aite Group concludes that merchant funded incentives will rise quickly to popularity, providing a meaningful revenue stream for card issuers, program managers, and merchant funded incentives vendors by 2015. "Merchant funded incentives programs are a good deal for card issuers, and offer a new revenue stream," says Madeline K. Aufseeser, senior analyst with Aite Group and author of this report. "Because the cost to operate merchant funded incentives is less than that of traditional reward programs and will generate a greater profit per account, card issuers should consider swapping some existing traditional reward programs for merchant funded incentives programs, especially on debit portfolios."



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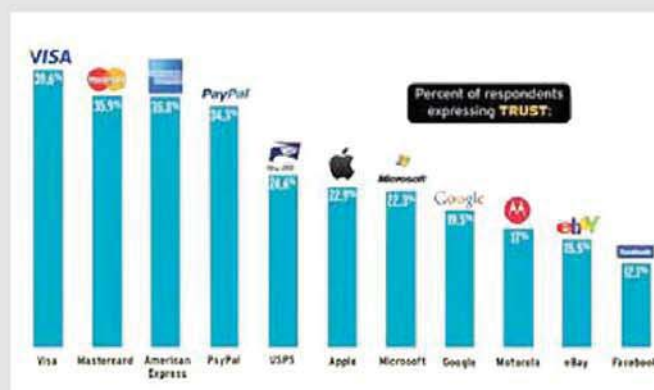
Target.com

Save \$5 on orders of \$50 or more when you pay with your Visa card



Visa News

Visa found the most trusted brand in Mobile Payments: When we think "mobile payments," a slew of tech brands fly to mind: Google's new Wallet app, the upcoming iPhone's rumored payment-enabling chips and Twitter co-founder Jack Dorsey's highly-touted and well-funded Square, to name a few. But ask consumers who they trust to handle mobile payments, and the answer is pretty clear: the same brands they currently trust with payments today -- namely credit-card companies such as Visa, American Express and Mastercard, according to a study by Ogilvy & Mather.



Visa joins Isis: Isis, the national mobile commerce joint venture between AT&T Mobility, T-Mobile USA and Verizon Wireless, today announced that Visa, MasterCard, Discover and American Express will join Isis in making mobile commerce a reality for millions of U.S. consumers and merchants. Isis' relationships with all four payment networks mean that with Isis-enabled phones and payment terminals in place, merchants and consumers will have ubiquity and freedom of choice when it comes to payment network acceptance.

Mega-Sporting Events Have Lasting Economic Effects:

A recent report by Visa shows the economic effects of mega-sporting events and the impact they have on tourism spending in the event host countries. The report analyzes Visa cardholder spending patterns of three recent mega-events: 2010 FIFA World Cup South Africa, the Vancouver 2010 Olympic Winter Games and the Beijing 2008 Olympics Games. According to the report, events of this scale create significant increases in expenditure and give host countries a chance to shine on the global stage. For each of the three events analyzed, there was healthy growth in Visa payment card expenditure during the event compared to the year prior:

- 82 percent for the 2010 FIFA World Cup South Africa
- 93 percent for the Vancouver 2010 Olympic Winter Games
- 15 percent for the Beijing 2008 Olympic Games

These three events have been catalysts of economic recovery for the host country and nations surrounding it in terms of international tourism spending.

VISA

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Find a Student Card | Get to Know Debt | Be a Credit Expert | How to Save Up

Find a Student Card VISA STUDENT

Not just any card. The right card.

START YOUR CREDIT ON THE RIGHT FOOT

There's nothing better than good credit to set yourself up for financial freedom down the road. If you are looking for a card from a specific bank, use the map from below. Otherwise, check out these featured and available Visa credit cards for college students.

Select a Card Provider:

Polk State Co Student Card
Jump Start Your Journey with the Polk State Co Student Visa Card! There are no upfront or annual fees and low monthly payments. And, with a credit limit up to \$2,000, the card is sure to help you reach your goals. Plus, you earn points for every dollar you spend! You can redeem these points for music downloads, clothes, movie tickets and more!

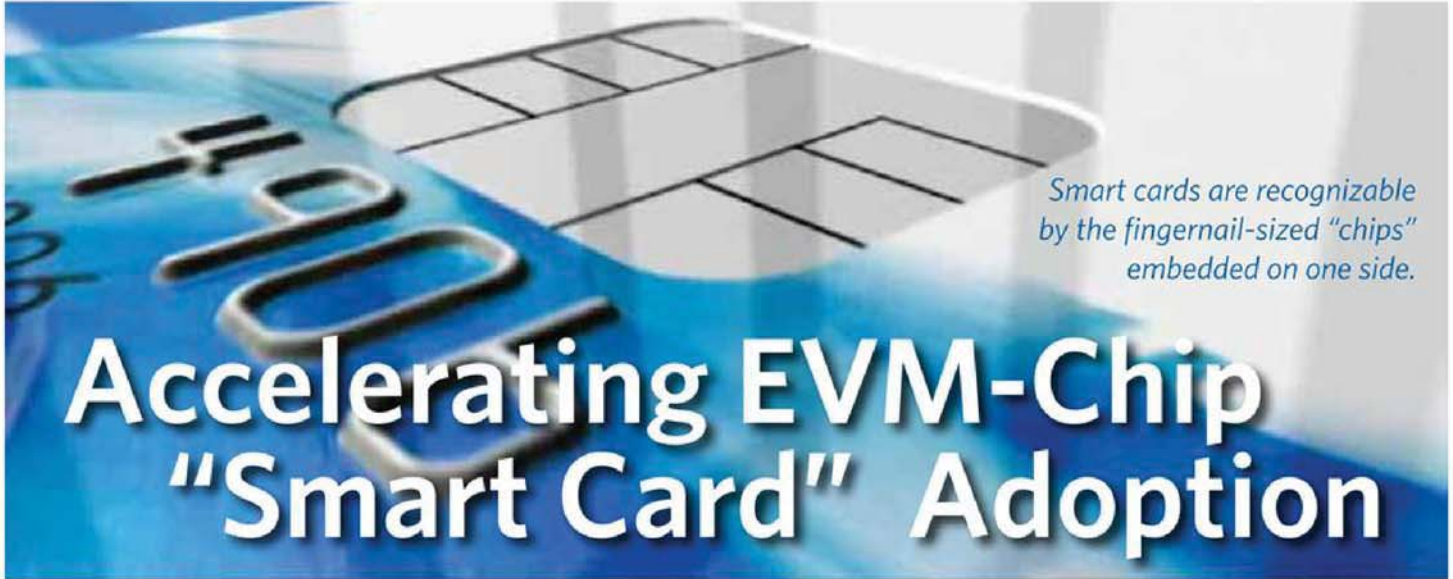
NH Federal Credit Union Visa Card
Get a low rate credit card with free online access to view and pay your balance. We offer accounts to students of The George Washington University.

Looking for another outlet to market your Student Credit Card? Increase exposure by adding your card to visa.com. Check it out at visa.com/student. For more information, contact Karl Kaluza at Member Access Pacific, 866-598-0698 x 1618 or email at karl.kaluza@mapacific.com.

Industry News

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tech-oriented younger Americans, older consumers are beginning to embrace the channel in a big way. Some 57% of respondents aged 55 and up said online was their preferred banking method against only 20% who stated that preference last year. The popularity of visiting branches fell a bit, from 25% of respondents naming the branch as their preferred banking channel in 2010 to 20% this year. Six percent of respondents said the mail is their preferred way of banking versus 8% in 2010. Only 3% of respondents preferred the telephone, down from 6% last year. Perhaps the biggest surprise in the results is the plunge in ATMs' popularity: only 8% of consumers in 2011 prefer the ATM channel versus 15% last year.



Smart cards are recognizable by the fingernail-sized "chips" embedded on one side.

Accelerating EMV-Chip "Smart Card" Adoption

Working closely with Visa and our partner card vendors, Member Access Pacific is helping our clients transition from magnetic-strip cards to EMV (Europay, MasterCard, Visa) contact and contactless chip technology.

EMV, or smart cards, rely on an embedded micro processing chip and personal identification number to sharply cut the risks of fraud from fraudulent cards manufactured with stolen card data. They have already become the industry standard in Europe and other places overseas. The EMV chip requires the merchant terminal to provide a PIN before it allows the card data to be read. Once the PIN is entered and verified, the smart card chip authorizes payment.

According to EMVCo, the organization responsible for managing the EMV specifications globally, approximately one billion EMV cards have been issued worldwide and 15.4 million point-of-sale terminals accept EMV cards.

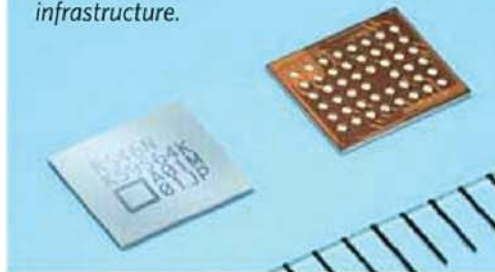
Visa recently announced a program of incentives designed to help the U.S. payments industry move to EMV cards as an industry standard by the middle of the decade. The adoption of dual-interface chip technology will help prepare the U.S. payment infrastructure for the arrival of NFC-based mobile payments by building the necessary infrastructure to accept and process chip transactions that support either a signature or PIN at the point of sale.

Early stage deployments of the smart chip technology have initially focused only on U.S. travelers overseas. This implementation to a relatively small pool of cardholds has required back-office and

administrative changes to card processing, customer service, data management and card manufacturing.

There are important differences between magnetic-strip and EMV. EMV chips include more data embedded on the cards that needs to be processed and authenticated. This data includes cryptograms, key management, analysis of transactions and integration of security elements with the institution's fraud management system. The magnetic-strip generally is only one piece of data, but with the implementation of EMV, the institution must update all of its card processing to handle the new data.

The EMV standard allows for both contact and contactless interfaces. The two can be independent or combined, and in all cases are supplemented with a magnetic stripe for compatibility with the existing infrastructure.



Overseas, the growth of point of sale technology at self-serve kiosks, which increasingly accept only chip and PIN cards, is making magnetic-strip cards unusable for U.S. traveler. The reality is that just about all of the world is chip and PIN except for the U.S. and these cards with chip-encoded-algorithms can only be unlocked by a point of sale terminal.

While international travel is an important consideration, many believe it is mobile payments that is driving smart card adoption domestically. "By encouraging investments in EMV contact and contactless chip technology, we will speed up the adoption of mobile pay-

ments as well as improve international interoperability and security," said Jim McCarthy, global head of product, Visa Inc. "As NFC mobile payments and other chip-based emerging technologies are poised to take off in the coming years, we are taking steps today to create a commercial framework that will support growth opportunities and create value for all participants in the payment chain."

Visa believes chip technology will also help secure payments through the use of dynamic authentication. VISA's dynamic authentica-

tion enables EMV cards to provide security in Internet transactions where the card can't be presented to the vendor. The smart card is inserted into a pocket-sized device, the dynamic passcode generator. The card owner enters their PIN. Then a small software application on the smart card computes a one time, time-sensitive passcode, unique to that transaction. The code is entered with the transaction. The issuer can use this code to prove that the card was in possession of the person who is making the Internet transaction and that they knew the PIN, two factor authentication.

"Dynamic authentication is the key to securing payments into the future," said Ellen Richey, chief enterprise risk officer, Visa Inc. "Adding dynamic elements to transactions makes account data less attractive to steal and takes more merchant systems out of harm's way, shrinking the battlefield against criminals. The migration to chip technology will be an important security layer and a critical step in a comprehensive strategy to use dynamic authentication across all markets and all channels."

Globally, Visa will continue to support a range of cardholder verification methods including signature, PIN and no-signature for low-value, low-risk transactions. In the longer term, the use of static verification methods such as signature and PIN will be reduced or eliminated entirely as new and dynamic forms of cardholder verification are implemented.

Visa's plan to encourage the U.S. adoption of dynamic chip authentication technology includes the following three initiatives:

Expand the Technology Innovation Program to Merchants in the U.S. Effective October 1, 2012, Visa will expand its Technology Innovation Program (TIP) to the U.S. TIP will eliminate the requirement for eligible merchants to annually validate their compliance with the PCI Data Security Standard for any year in which at least 75 percent of the merchant's Visa transactions originate from chip-enabled terminals. To qualify, terminals must be enabled to support both contact and contactless chip acceptance, including mobile contactless payments based on NFC technology. Contact chip-only or contactless-only terminals will not qualify for the U.S. program. Qualifying merchants must continue to protect sensitive data in their care by ensuring their systems do not store track data, security codes or PINs, and that they continue to adhere to the PCI DSS standards as applicable.

Build Processing Infrastructure for Chip Acceptance

Visa will require U.S. acquirer processors and sub-processor service providers to be able to support merchant acceptance of chip transactions no later than April 1, 2013. Chip acceptance will require service providers to be able to carry and process additional data that is included in chip transactions, including the cryptographic message



that makes each transaction unique. Visa will provide additional guidance as part of its bi-annual Business Enhancements Release for acquirer processors to certify that their systems can support EMV contact and contactless chip transactions.

Establish a Counterfeit Fraud Liability Shift Visa intends to institute a U.S. liability shift for domestic and cross-border counterfeit card-present point-of-sale (POS) transactions, effective October 1, 2015. Fuel-selling merchants will have an additional two years, until October 1, 2017 before a liability shift takes effect for transactions generated from automated fuel dispensers. Currently, POS counterfeit fraud is largely absorbed by card issuers. With the liability shift, if a contact chip card is presented to a merchant that has not adopted, at minimum, contact chip terminals, liability for counterfeit fraud may shift to the merchant's acquirer. The liability shift encourages chip adoption since any chip-on-chip transaction (chip card read by a chip terminal) provides the dynamic authentication data that helps to better protect all parties. The U.S. is the only country in the world that has not committed to either a domestic or cross-border liability shift associated with chip payments.

Moving forward, as the point-of-sale payment infrastructure evolves from the static magnetic stripe to intelligent devices such as EMV chip cards and NFC mobile phones, it is critical to ensure that cardholders can continue to conduct convenient, secure and reliable payments for card-not-present transactions as well. Visa is designing its new digital wallet with "click-to-buy" functionality able to support dynamic authentication across multiple channels including the eCommerce environment. Visa will also continue to enhance intelligent network-based fraud detection tools such as Visa Advanced Authorization and cardholder transaction alerts to complement dynamic and risk-based authentication methods. As always, effective fraud prevention requires multiple layers of security.

Top Trends in Member Self-Service

In addition to performing account-related functions, ATMs serve as a communication channel, providing information on the latest products a credit union has to offer. As a result, institutions are seeking ways to maximize their investment in self-service and tie the self-service channel into the other channels in which they operate, including the branch, online and via mobile devices.

Those efforts, combined with developments in both hardware and software, are driving a series of transformations in the self-service channel.

Intelligent customer communication. Self-service devices are communicating with customers on a variety of levels, including by demographic grouping, device location and branding, device configuration and device capabilities. That information allows institutions to engage with customers on a one-to-one level, personalizing the transaction.

Today's customers expect more, not only from the ATM, but from all channels. A credit union's communication effort needs to be geared toward a tech-savvy market that includes young savers, small business clients, older demographic clients, people with visual impairments and everyone in between.

Consider the example of 10-year-old Samantha, whose mother has just opened a savings account for her at their credit union. Samantha's goal is to save \$200 to buy a new bicycle. If we look at the message that is displayed at the ATM when Samantha inserts her card, she is shown the balance of her account, the cost of the bike and a tracking thermometer that shows how far along she is in her goal. Plus, she would see a more simplified lead-through than what her mother would get.

Streamlined workflow. It's no longer feasible to spend thousands of dollars and weeks of precious time developing a marketing campaign. In today's market, content

must be developed and deployed rapidly and at a reduced cost. The credit union's brand that everyone has had for years is no longer a static concept. It is now affected by time of day, location, the device that it is presented on, capabilities, the type of place that it is in and so on.

So, if we look next at streamlining our workflow, we need to manage what is becoming an increasingly technical and complex world.

Intelligent customer communication
Streamlined workflow
On-demand metrics
Emerging role of social media



The solution is an architecture that delivers rich one-to-one interactions that support all of the following: being location aware, brand aware, device aware, time aware and capability aware, while at the same time doing all of those but reducing complexity for the back-office operations network management people.

On-demand metrics. Not only can credit unions deliver targeted information to specific members, they can gather information about the relative success of the messages they deliver. When looking for the return on investment, a credit union has to be able to report how successful each one of these campaigns has been, which members have used it and what success ratio it has had in order to spend for the next one or improve the campaign the next time around. In addition, credit unions need desktop reporting tools that can provide information about troubleshooting, management of the network, maintenance of the network or even the levels of cash in each machine.



Emerging role of social media. When discussing social media tools, such as Facebook, Twitter, YouTube or countless others, it is fair to say whatever those applications may be adding to peoples' lifestyles, the use of social media is growing exponentially.

Launching a campaign on the video site YouTube can help a credit union connect with a new audience, increase awareness of its products, increase user interaction with the institution and continue to create brand loyalty.

To deliver the benefits which these four trends demand, credit unions should work to separate hardware and servicing from software selection. In addition, it is critical to find software partners with the products and experience to deliver accurate, timely information with flexibility and scalability.



Letter from the CEO

Innovation is especially important in difficult times

If the 2008 financial crisis demonstrated the need for solid risk management practices, the years since have also revealed a strong demand for innovation. Squeezed between declining revenues and growing overhead, credit unions are struggling to maintain revenue and member service.

Given the need for fresh thinking, we must jettison outmoded ways of doing things and plot a path that keeps the wellbeing of our institutions and members' needs front and center.

There is a sound business case for moving to technologies like EMV (see Accelerating EMV on page 8) based simply on the extent and enormous cost of today's fraud. Losses from card fraud in the U.S. range from \$5.7 to \$8.6 billion annually – this doesn't include the billions of dollars spent internally by financial institutions chasing, tracking and attempting to recover losses from fraud.

The same is true for our need to shift our system away from checks. In the U.S. alone, check fraud cost consumers, banks and credit unions an estimated \$20 billion in 2010, up from \$10 billion in 1997. When confronted with numbers like these, it seems impossible to justify the claim that "the momentum of the system" is the barrier to change.

Leveraging advances in technology to minimize expenses is smart, but managing costs effectively can only take an institution so far. We must also embrace innovation to better service our members.

Innovation in a difficult economic climate can make it possible to overcome heightened regulation and slow growth. As we struggle to deal with the aftermath of the Frank-Dodd regulations, we need positive new approaches to understand and serve members and flexible new ways to do business.

First, we must creatively position compliance as a competitive differentiator. The introduction of Visa's Two-Tiered Interchange Fee Schedule is an opportunity to gain market share through a demonstrated cost advantage. Also, this is an opportunity to show new and existing members the real advantage credit unions bring to the market, "member service." Set aside the raffles and contests and seek out ways to authentically engage members. While others become bogged down by regulation, use this as an occasion to rise above and differentiate your institution.

Second, it is imperative for credit unions to address what members care about most. Credit unions have a discernible advantage over banks when it comes to who is viewed more credibly. In this new era when credit unions are becoming a member's primary financial institution, it is important to invest in products that enrich member services (See Top Trends in Member Self-Service on page 10). This is an opportunity to introduce new products and market those products to members and the local community, demonstrating that member service is the pathway to success.

At MAP, we strive to make our clients more competitive by providing payments solutions that best serve their members. Our innovation comes from engaging our clients and partners to co-develop solutions. For more information about how MAP can best serve you and your institution, feel free to call me, 1-866-598-0898, ext 1610 or email me at cyndie.martini@mapacific.com.



*Cyndie Martini
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Best regards,


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